



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**Reference: Review of Auditor-General's reports, second and third quarters 2002-03**

WEDNESDAY, 21 MAY 2003

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**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

**Wednesday, 21 May 2003**

**Members:** Mr Charles (*Chairman*), Senators Conroy, Lundy, Humphries, Murray, Scullion and Watson and Mr Ciobo, Mr Cobb, Mr Georgiou, Ms Grierson, Mr Griffin, Ms Catherine King, Mr Peter King, Ms Plibersek and Mr Somlyay

**Senators and members in attendance:** Senators Conroy and Watson and Mr Charles, Ms Grierson, Ms Catherine King and Ms Plibersek

**Terms of reference for the inquiry:**

Review of Auditor-General's report, first and second quarters 2002-2003.

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**Committee met at 10.32 a.m.**

**CHAIRMAN**—I open today's public hearing, which is the second in a series of hearings to examine reports tabled by the Auditor-General for the financial year 2002-03. This morning we will be taking evidence on two reports: Audit Report No. 20, *Employee Entitlements Support Schemes*, and Audit Report No. 23, *Physical Security Arrangements in Commonwealth Agencies*. We will be running today's session for each report in a roundtable format. I ask participants to observe strictly a number of procedural rules. Firstly, only a member of the committee can put questions to witnesses if this hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I would ask them to direct their comments to me and the committee will decide if it wishes to pursue the matter. It will not be possible for participants to respond to each other directly. Secondly, given the length of the program, statements and comments by witnesses should be relevant and succinct. Thirdly, I remind witnesses that the hearings today are legal proceedings of the House and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Evidence given today will attract parliamentary privilege. Finally, I refer members of the press who are present to a committee statement about the broadcasting of proceedings. In particular I draw the media's attention to the need to report fairly and accurately the proceedings of the committee. Copies of this committee statement are available from secretariat staff.

[10.34 a.m.]

**FLETCHER, Ms Dianne, Assistant Secretary, Employee Entitlements Projects Branch, Department of Employment and Workplace Relations**

**GOLIGHTLY, Ms Malisa, Chief Financial Officer, Department of Employment and Workplace Relations**

**LLOYD, Mr John, Deputy Secretary, Department of Employment and Workplace Relations**

**MAYNARD, Mr Michael Charles, Assistant Secretary, Employee Entitlements Branch, Department of Employment and Workplace**

**LACK, Mr Steven, Executive Director, Performance Audit Services Group, Australian National Audit Office**

**MEERT, Mr John Emil, Group Executive Director, Performance Audit Services Group, Australian National Audit Office**

**ROWLANDS, Mr David, Senior Director, Performance Audit Services Group, Australian National Audit Office**

**CHAIRMAN**—I welcome representatives from the Australian National Audit Office and the Department of Employment and Workplace Relations. The audit report being considered in the first segment is Audit Report No. 20, *Employee Entitlements Support Schemes*. Do representatives of the department wish to make a brief opening statement?

**Mr Lloyd**—The Australian National Audit Office report contributed to the department's continuing process of improving the Employee Entitlements Support Schemes, EESS, and the General Employee Entitlements and Redundancy Scheme, GEERS. The audit report highlighted a number of areas where the department could further improve the efficiency and accountability of its administration. In response to the ANAO report, the department engaged a consultant to undertake a review of the schemes. As a result of that review, the department has revised its business model for the schemes to streamline procedures. It is designing a new IT system to support the revised business model. It has established a new project branch to manage and effect the changes. It has improved the transparency of DEWR's funding arrangements by separating the administrative and departmental expenses in the 2003-04 budget and it has implemented early targeted intervention approaches to give greater emphasis to post payment follow-up of advances made, including recovery and quality assurance.

Since the ANAO report was tabled, the department has committed to ensuring that each of the report's nine recommendations are being addressed and are appropriately resourced. Progress against required activities is actively monitored by the department's executive. Finally, a key priority for the 2003-04 financial year recorded in the department's portfolio budget statements



is to continue to enhance the administrative efficiency of the GEERS scheme. This will include market testing to ensure that the most cost-effective delivery model is achieved.

**CHAIRMAN**—Mr Meert, when we discussed this audit and the department's performance privately with you, you used a set of words that were not highly complimentary. Would you like to repeat those on record?

**Mr Meert**—I thought, as a result of the audit, it was not a well-managed program. A number of administrative weaknesses were identified and, to DEWR's credit, it has taken action to address them. But it was not a well-managed program.

**CHAIRMAN**—The department has been around a while. Do you accept the criticism that it was not well managed?

**Mr Lloyd**—The department acknowledged that improvements had to be made. We were making improvements. The report confirmed the improvements we were intending to make.

**CHAIRMAN**—That is not what I asked you. Do you acknowledge that it was not a well-managed program?

**Mr Lloyd**—The program was a new program in a new area. It was managed in that environment and we had identified the need for some improvements. We were making those improvements when the audit was conducted and, since then, we of course have continued to implement the recommendations and make further improvements.

**Senator CONROY**—So you now engage with the government on how to answer questions! And the previous government perhaps!

**Senator WATSON**—In a sense though, you did not bring in a consultant until after the audit report. If you were aware of the problems, why didn't you take earlier action before the auditors came in?

**Mr Lloyd**—We were taking action to improve the scheme.

**Senator WATSON**—But not enough.

**Mr Lloyd**—In a department you keep analysing and reviewing what you are doing. A decision was reached at that stage to engage a consultant in order to take the issue further. These things happen on a continuum, and that was the decision that was made at that time.

**Senator WATSON**—But you had signals that there were very long delays in making payments. Surely this should have prompted some more urgent action on your behalf. In many cases it took months and months to make payments.

**Mr Maynard**—The time frames within which a payment can be made are affected not only by the department's efficiency but also by the capacity for insolvency practitioners to provide us with verified employee entitlement data. In essence, when a claimant submits a claim for assistance, we then seek confirmation from the insolvency practitioner managing the winding up

of the company that a legal entitlement is owed to that person. In some cases, it takes months for insolvency practitioners to determine. That time is counted as part of the time frames that a claim sits on our books and, consequently, is recorded in our statistics.

**Senator WATSON**—In the meantime, what does the unemployed person get? It defeats the whole purpose of the scheme if it takes months and months to make a payment.

**Mr Maynard**—We certainly seek to speed up that process through a variety of means. One of those is to hire independent accountants to work with the insolvency practitioner to ensure that they have adequate resources to fulfil that obligation. The difficulties that we have had with time frames certainly came about at the start of the scheme, because the process was new to insolvency practitioners. We continue to find that our performance is improving against our target of the 16-week turnaround. We have identified that those insolvency practitioners who are more familiar with the scheme and understand its workings are, in general, capable of turning things around far faster than those who are new to it. Consequently, we work with insolvency practitioners so that they understand our processes and so they can provide us with the data that we require to be able to appropriately administer the scheme and provide taxpayer funds to the individuals concerned.

**Senator WATSON**—The whole purpose of the scheme, I thought, was to provide payments relatively quickly. The scheme is losing its impact if people are having to wait ad infinitum.

**Mr Maynard**—The scheme seeks to provide assistance as quickly as possible. In the unfortunate circumstance that a person is made redundant due to the insolvency of their employer, the advice of the Insolvency Practitioners Association of Australia is that on average it would take two years before any dividend would be paid from the company. Consequently, while the time it is taking at the moment is not acceptable to the department, we have certainly provided funds to the vast majority of claimants far faster than that.

**CHAIRMAN**—Chapter 5 of the report says that, overall, DEWR has taken 26 weeks to clear 80 per cent of the claims—that was in the first program—which was well short of your original published standard of 80 per cent in 12 weeks. Now you have revised it to 80 per cent in 16 weeks. Are you meeting that or even coming close?

**Mr Maynard**—Our performance to date for this financial year is 65 per cent. Our most recent monthly performance was 74 per cent.

**CHAIRMAN**—In what?

**Mr Maynard**—In 16 weeks.

**CHAIRMAN**—And the rest?

**Mr Maynard**—We are achieving 80 per cent within approximately 22 weeks. Our performance for 26 weeks, which was the time frame noted in the ANAO report, is currently running at 85 per cent. So we are improving. Obviously we seek to improve in all of the aspects of the delivery of the program.

**CHAIRMAN**—I am told that both the schemes are unusual in that all the funds for the scheme are provided through a special account. Is that right?

**Mr Maynard**—That is correct.

**CHAIRMAN**—Is that the most appropriate funding mechanism?

**Ms Golightly**—That was the funding mechanism decided at the time. As a result of the audit report and other negotiations we have been having with the Department of Finance and Administration, we have separated the departmental expenses from the administered expenses, and there is now a separate output in the most recent portfolio budget statement. It is on page 41 if you want to refer to it.

**Senator WATSON**—If a person lodges a claim through you, how does that affect their Centrelink payments? Can they also be delayed if it is on the books that they could be in receipt of something?

**Mr Maynard**—No. While the mechanisms for Centrelink benefits are a matter for Centrelink, my understanding is that it has no impact on them; however, once it is clear that a payment has been made, we notify Centrelink. In Centrelink's calculation of eligibility, they consider whether redundancy payments have been made. Consequently they would take that into account when considering eligibility. I am sorry, but I cannot talk in detail about their performance.

**Ms PLIBERSEK**—I understand that, since the ANAO report, appeals from adverse decisions are now considered by a quality assurance team within the employee entitlements branch. What is the staffing profile of the team?

**Mr Maynard**—I am just trying to think through the numbers in my head.

**Ms PLIBERSEK**—You can come back to us on it, if you do not have the details.

**Mr Maynard**—I think that would be more accurate.

**Ms PLIBERSEK**—Can we have a written response?

**Mr Maynard**—Certainly.

**Ms PLIBERSEK**—What are the responsibilities of the team other than considering appeals?

**Mr Maynard**—The quality assurance team is responsible for dealing with appeals, inquiries from the ombudsman and general quality assurance and improvement processes within the management of the branch. Consequently, they look to a sample of the outcomes from the branch to do an independent assessment. They look to the processes to determine whether there are more efficient ways of dealing with things. Similarly, when new and different environmental factors arise, they determine how best to deal with those through our procedures.

**Ms PLIBERSEK**—When you say they look at samples, what proportion of decisions do they have a look at?

**Mr Maynard**—At the moment, it is a random sample in the order of two per cent to three per cent. We need to determine how best to target that. The quality assurance team is a relatively new team that is focused on process improvement, and that area continues to improve.

**Ms PLIBERSEK**—How new is it?

**Mr Maynard**—The quality assurance team was established late last calendar year.

**Ms PLIBERSEK**—How does the department ensure the independence of this team from the case management team which makes the initial decisions on GEERS applications?

**Mr Maynard**—The independence is managed in that the functions are completely distinct. At this point in time, they are located in separate buildings in the department.

**Ms PLIBERSEK**—You said ‘at this point in time’. Are there plans to change that?

**Mr Maynard**—Ideally, it would be better to have them more closely located for management processes, but not for any other reason.

**Ms PLIBERSEK**—Are there plans to change that?

**Mr Maynard**—The accommodation processes for the entire department are always subject to review as the requirements of the department change.

**Ms PLIBERSEK**—Are there plans to change that?

**Mr Maynard**—Ideally, yes.

**Ms PLIBERSEK**—So you want to change that? You want to collocate them?

**Mr Maynard**—I have requested that we would have everybody relocated, but that is dependent upon larger factors.

**Ms PLIBERSEK**—How are you going to ensure that independence once they are collocated?

**Mr Maynard**—There are completely separate management structures. The functions of the two areas are not overlapping. The case management teams deal with the initial assessments; the quality assurance teams deal with—

**Ms PLIBERSEK**—We have a lot of questions, so we have to speed up a little. How does the quality assurance team consider appeals? What information does it get independent of the case management team?

**Mr Maynard**—It takes advice that has come through from the appellant—all of the information and reasons for the appeal. It then goes back and reviews all of the initial information and, where necessary, contacts the insolvency practitioner or any other party referred to in the appellant’s request.

**Ms PLIBERSEK**—Does it take that information in writing or does it interview the appellant?

**Mr Maynard**—It takes that information in writing and, where necessary, clarifies issues through contact directly with the appellant.

**Ms PLIBERSEK**—The department has set a target of greater than 97 per cent of payments not being varied after appeal. What percentage of appeals has been rejected to date?

**Mr Maynard**—To date, we have had 853 appeals, of which 160 have resulted in the original decision being overturned.

**Ms PLIBERSEK**—How many appeals?

**Mr Maynard**—We have had 853 appeals over the life of the program, of which 160 have resulted in the original decision being overturned. That represents 0.6 of one per cent of all of the decisions taken by the department in relation to this program.

**Ms PLIBERSEK**—How long does it currently take to resolve appeals?

**Mr Maynard**—The time taken is dependent upon the complexity of it. I do not have the details of the macro level of overall performance.

**Ms PLIBERSEK**—Could you give us an average time, please, and a shortest time and a longest time?

**Mr Maynard**—I will take that on notice.

**Ms PLIBERSEK**—Is consideration being given to allowing external review of the decisions under GEERS, either judicial review or merits review?

**Mr Maynard**—At this point, there is no consideration of that matter.

**Ms PLIBERSEK**—Is consideration being given to putting GEERS on a statutory basis rather than on a purely administrative basis?

**Mr Maynard**—That would be a matter for the minister.

**Ms PLIBERSEK**—Chairman, I have more questions, but I know that Ms King and Senator Conroy also have questions. I would like to give them an opportunity to ask their questions and then have the opportunity to come back and ask some more questions.

**CHAIRMAN**—So do I, with the greatest of respect!

**Ms PLIBERSEK**—We might need to go longer on this one then, because we have a lot of questions.

**CHAIRMAN**—And we might not.

**Ms KING**—I have some questions on the implementation of the ANAO recommendations and the administration of the scheme. I am led to believe that a consultant was hired to review the administration of GEERS following the ANAO report. Is that correct?

**Mr Maynard**—A consultant was hired to review the business model and to make recommendations as to how the business model might be progressed.

**Ms KING**—Who was that consultant?

**Mr Maynard**—The company was Resolution Consulting Services Pty Ltd, and the individual person was Peter Hofer.

**Ms KING**—What process was used to select that consultant?

**Ms Golightly**—We wrote to four consulting firms which had experience in this area and requested them to put in a proposal. That was evaluated by an evaluation steering committee and the successful tender was awarded against normal criteria.

**Ms KING**—How were those four consulting firms chosen for select tender?

**Ms Golightly**—Basically because of their work in the area and references from other people who knew their work in this type of thing.

**Ms KING**—And the department chose those four from a list?

**Ms Golightly**—Yes.

**Ms KING**—No other names were given to you?

**Ms Golightly**—No.

**Ms KING**—What has been the cost of the consultancy to date?

**Ms Golightly**—That consultancy has cost \$36,000.

**Ms KING**—When did you receive a copy of their consultancy report?

**Ms Golightly**—The report was formally tabled with our management board on 11 December.

**Ms KING**—What were the outcomes from the consultancy?

**Ms Golightly**—There were quite a lot of outcomes. It directed us towards different options for the business model. It assisted us with breaking apart the processes into various core and non-core functions. It is quite a lengthy report with quite a number of recommendations. Michael could summarise them or we could give them to you separately.

**Ms KING**—If it is possible to have that, that would be helpful.

**Ms Golightly**—We can provide a summary of the findings.

**Ms KING**—Thank you. What has the cost been of implementing the changes identified as necessary by the ANAO? Have you done an assessment of those costs?

**Mr Maynard**—We have not done an assessment of those costs, and I would note that the department, as part of its general process of improvement, was in the process of doing various things. Therefore, to individually identify specific issues arising solely from the ANAO's report would be quite difficult. Some of the issues that have arisen through the consultant's report have included the creation of a second branch to manage the project of the re-engineering of the business model and to manage the market testing of elements of the program administration.

**Ms KING**—What is that branch called?

**Mr Maynard**—It is called the employee entitlements projects branch.

**Ms KING**—I want to explore that a little. What sort of staffing profile does that branch have? If you would like to take that on notice, you could supply that after.

**Mr Maynard**—The answer is that the branch apparently has 16 staff.

**Ms KING**—Perhaps you could provide a profile in terms of staffing later. Going back to some of the costs of implementing some of the recommendations of the report, what is the new IT system called? I understand you have implemented it.

**Mr Maynard**—A new IT system is currently being built. The current system is called EEBase as in database. The new system is called GEERS Online. It is currently under development.

**Ms KING**—What is the cost of that to date?

**Mr Maynard**—The estimated costs of IT resources are in the order of \$1 million.

**Ms PLIBERSEK**—Are you on target?

**Mr Maynard**—The target is to have the new system implemented this calendar year, and we expect to do that.

**Ms PLIBERSEK**—Financially, is it going to blow out?

**Mr Maynard**—There is no reason at this point to believe that it will blow out.

**Senator CONROY**—I would like to ask about the funding arrangements. Report No. 20 notes on page 109 that DEWR administered both EESS and GEERS through the one special account despite advice from the Australian Government Solicitor:

... the Special Account established for EESS could not be used for GEERS.

Could you explain why you continued to administer GEERS through the special account after you had legal advice saying you should not or could not?

**Mr Maynard**—That advice was subsequently rescinded by the same officer in the AGS who provided it to us on the provision of a fuller level of detail as to the context. The initial question did not have all the context of the administration of the schemes within it and, consequently, the advice was then clarified with the AGS who provided subsequent legal advice that it was appropriate to continue to do so.

**Senator CONROY**—When was that first piece of advice received?

**Ms Golightly**—We will have to take that on notice. I do not have the date with me.

**Senator CONROY**—From page 110 of the report, I understand that you sought further urgent clarification from the AGS of their original advice. The report also notes on page 110 that you sought this urgent clarification some 10 months after ANAO raised the issue of the appropriateness of using EESS special account for GEERS.

**Ms Golightly**—Yes. There was a long period of discussion with the department of finance in between, where we were trying to resolve the issue. In the end we sought clarifying legal advice.

**Senator CONROY**—For 10 months the Solicitor-General told you that you cannot do this and you argued with them for 10 months?

**Ms Golightly**—We were not arguing with the Solicitor-General. As Mr Maynard pointed out, it was the Attorney-General's Department. As Michael pointed out, we had wanted to clarify the question but we were also trying to clarify the position with the department of finance.

**Senator CONROY**—What were you trying to clarify with Finance?

**Ms Golightly**—Their view of the uses of the special account. It is determined by them. It is their special account; we administer it.

**Senator CONROY**—If the Solicitor-General says, 'No, you can't use it for this,' can the department of finance give you an exemption?

**Ms Golightly**—As Mr Maynard pointed out, we did not believe that the advice the Australian Government Solicitor provided had all the correct information in it, and that is what we were seeking to clarify.

**Senator CONROY**—I got the impression from Mr Maynard that you supplied them with further information which allowed them to clarify.

**Ms Golightly**—Yes.

**Senator CONROY**—What was it that you supplied that allowed them to clarify, and why didn't you give them that information originally?



**Ms Golightly**—Because there was a long period of time spent clarifying with the department of finance the exact reason for setting up the account and their view of the decision—that sort of thing.

**Senator CONROY**—Is that correspondence available? I presume there was correspondence.

**Ms Golightly**—There is some correspondence, but a lot of it was also face-to-face meetings and telephone discussions.

**Senator CONROY**—Is it possible to have a copy of the clarification—the advice that flew backwards and forwards between the two departments? I am interested to know what Finance actually said to you that clarified it.

**Ms Golightly**—In the end we agreed that we—the department—would seek the further clarifying advice, and that is what is referred to in the audit report.

**Senator CONROY**—I asked if it was possible to get a copy of any correspondence between yourself and Finance on that matter.

**Mr Lloyd**—We do not normally provide legal advice.

**Senator CONROY**—This was not legal advice. This was a discussion of legal advice or a ruling. You were not seeking the department of finance's legal advice; you were seeking to clarify why they had set up the special account. That is not the same thing.

**Mr Maynard**—Perhaps we might take that on notice and come back to you with an answer.

**Senator CONROY**—Are you saying that you could take on notice whether you are allowed to give me the advice and not take it on notice that you will get me the advice? I just want to make clear what it is you have taken on notice.

**Mr Maynard**—The former—that we would need to consider the department's capacity to provide you with that advice. In the event that we can provide you with that advice, we will do so.

**Senator CONROY**—Is there a reason why you think you could not?

**Mr Maynard**—I simply do not know; therefore I err on the side of caution.

**Senator CONROY**—I understand that the subsequent legal advice recommended that, if an EESS special account was to be used for GEERS, it would clearly be desirable for the determination relating to the EESS special account to be amended to make it clear that the account can be used for GEERS. Alternatively, a new special account could be established specifically for GEERS. Was the determination amended?

**Ms Golightly**—We have been working with the department of finance to have the determination amended. I am not entirely sure—we would have to check with the department of finance where that amendment is at at this point in time.

**Senator CONROY**—So at this point it is still not amended despite the legal advice saying if you want to go down this path, you should amend it?

**Ms Golightly**—The legal advice only suggested it. It did not say ‘should’.

**Senator CONROY**—Clearly desirable? I am not a lawyer, but I have to understand the lawyer’s ‘code’. It is like the Auditor-General’s ‘code’.

**Ms Golightly**—Yes, and we have been working with the department of finance from the minute that we received that piece of legal advice.

**Senator CONROY**—Is the Auditor-General’s Department familiar with the correspondence and argument taking place between the two departments? Are they able to give us any insight into the advice that was flowing backwards and forwards? You would have been privy to those documents, I presume.

**Mr Meert**—Not subsequent to the audit.

**Senator CONROY**—In reviewing the program this year, you have not seen any of the advice yet?

**Mr Rowlands**—I have seen nothing further to what was received as part of this audit.

**Senator CONROY**—So at this stage you are still operating through the same special account that the AGS said, ‘Don’t.’ Further legal advice said it is clearly desirable to amend it, and we still have not at this stage.

**Ms Golightly**—The AGS rescinded their earlier advice and clarified it and said that we could. We have been working with the department of finance to amend the determination.

**Senator CONROY**—Is there any suggestion of a new special account? It would have sounded like the simplest way to fix it would have been to get them to create a new one. They are littered around—there are 240-odd.

**Ms Golightly**—I could not comment on that.

**Senator CONROY**—Given the changed circumstances, on page 111 the Auditor-General concluded:

States and Territories are not expected to contribute to GEERS funding, it is not clear that a special account remains the most appropriate mechanism for funding arrangements.

Do you agree with that?

**Ms Golightly**—I do not necessarily agree with that, but we are talking with the department of finance to try to clarify with them what they believe is the way forward here.

**Senator CONROY**—When you say that you do not necessarily agree, why not?

**Ms Golightly**—Basically, because the government has made a decision that the special account will be there.

**Senator CONROY**—But the government is not allowed to direct you to break the law, is it?

**Ms Golightly**—No. I do not believe we are breaking the law, Senator.

**Senator CONROY**—So you think you can happily keep doing it out of this account?

**Ms Golightly**—We have legal advice which says that the account can be used for these purposes. We are discussing with the department of finance whether that will continue to be the arrangement in the future.

**Senator CONROY**—Does the Auditor General stand by its position that it is not clear that the special account remains the most appropriate mechanism for funding arrangements, with or without the change in determination? Does that have an impact?

**Mr Rowlands**—The doubts expressed arose from the rationale that the senator referred to—the change in the funding arrangements. No longer was the funding to be half from states and territories; it was to be wholly Commonwealth funded. That was the basis of the doubts we expressed as to what—

**Senator CONROY**—It is not a special account issue at all—it is a straight appropriation now?

**Mr Rowlands**—That might be the result.

**Senator CONROY**—Do you think that is the most sensible result?

**Mr Rowlands**—I do not believe we were giving advice as to what the correct outcome should be. We just wanted the matter to be reviewed in light of the rationale.

**Senator CONROY**—You must have some thoughts about what you thought it should be, if you thought they were not doing it quite right.

**Mr Rowlands**—That would seem to be the probable result.

**Ms GRIERSON**—I found it a little difficult to judge the performance just from the report. It dwelt on timeliness and quality assurance processes but did not define what indicators we had looked at for success. I wanted to get some of the statistics that I felt I needed to understand it a little better. Since its inception, 12,365 claimants have been paid out. What percentage of the total claimants was that?

**Mr Maynard**—That was correct at that point in time. The current figure is that 21,500 claimants have been paid assistance under the two schemes. That represents 70 per cent of the

total claimants to date. Of the remaining 30 per cent, over 6,000 have been found to be ineligible for assistance.

**Ms GRIERSON**—So 6,000 were noncompliant, basically.

**Mr Maynard**—Six thousand claimants were not eligible, according to the scheme's rules. That makes a further 20 per cent. We have 10 per cent of claimants currently on hand, who we are processing at the moment.

**Ms GRIERSON**—How many of the cases were found to be fraudulent claims—or do you just put ineligible in the one area?

**Mr Maynard**—We put ineligible into the whole.

**Ms GRIERSON**—On the funding of these programs, with the special account, had you not dipped into the original account, would you have been able to meet all the costs of this program?

**Mr Maynard**—The scheme was established so that all of the funds were coming from that special account, and that was the only available means of funds for the schemes.

**Ms GRIERSON**—When the second account was set up, it would obviously have been less than the original one, because it did not have state contributions.

**Mr Maynard**—I am sorry.

**Ms GRIERSON**—Is that not right?

**Mr Maynard**—There is only the one special account from which funds for both schemes are drawn.

**Ms GRIERSON**—I do not quite understand, from listening to the previous questions. The original account was not finalised, closed off and money put back into general revenue—you still held on to that account.

**Ms Golightly**—Perhaps I could clarify that. Any special account, whether it is this or any other account, is always part of the consolidated revenue fund. It is not our money. All the words 'special account' do is say that they quarantine or earmark a certain amount of money as appropriated for a particular purpose. In this case, we have one special account for the employee entitlement schemes.

**Ms GRIERSON**—Can you tell me how much of that account is going to claims and what percentage is going to admin, consultancy and accountancy costs?

**Mr Maynard**—Over the life of the schemes we have paid \$116.5 million in respect of claimants, and the administration cost is in the order of \$10 million.

**Ms GRIERSON**—And that would include hiring of accountants et cetera.

**Mr Maynard**—Yes.

**Ms GRIERSON**—I was going to ask you originally how you manage the interface between these insolvency practitioners because it seemed that you implied that they can delay claims being processed. But then you acknowledged that you hire accountants at times to work with them so that the processes are smoother. So I guess it is your responsibility, and I cannot see that it is a delay factor. Am I being too harsh on you in that, that it is up to you to get the interface right?

**Mr Maynard**—In insolvency we deal with cases that are predominantly micro-business. We deal with cases that very often have exceedingly poor records available to the companies and consequently an insolvency practitioner's capacity to be able to determine whether or not employees actually have outstanding entitlements is largely dependent on the quality of the records maintained by the employer. There is an arm of accounting called forensic accounting which is specific to this area to determine, through whatever means and whatever records are available, what is owed to all creditors. Consequently, that process often takes a lot of time. We rely on the insolvency practitioners to give us their best estimate of how long that might take and, in the event that they tell us that they simply cannot determine, we will immediately move to use independent accountants or statutory declarations to be able to determine people's entitlements. Where they tell us that they believe they can provide us with information, we seek to minimise the costs of administering the scheme and rely on their professional advice. At times their best estimates turn out to be incorrect and it takes longer.

**Ms GRIERSON**—So you think you are fairly responsive to that, that you can judge fairly quickly if there are going to be delays because of the ability and the records of those companies and their administrator?

**Mr Maynard**—I think our capacity to determine whether or not the estimates are accurate is improving and therefore we seek to rely upon the insolvency practitioners.

**Ms GRIERSON**—I note that one of the recommendations is to increase the targeted time to 16 weeks. I would have thought 12 weeks would still be a goal and just pushing the time line out for your claims in that you are meeting less than 60 per cent of claims under 16 weeks anyway. What would also be needed to still meet a 12-week target? what sort of resource changes and what sort of procedural changes to your activities?

**Mr Maynard**—Because of the significant reliance on insolvency practitioners throughout this process, there are many possible scenarios. However, they have not been canvassed within the department to the extent that I feel comfortable about putting them on the public record here. Patently if we had thousands of people available to go out and review every record that would make it faster, but the cost of that would be extraordinary and, quite frankly, not cost effective.

**CHAIRMAN**—In the audit report the auditor said there are about five positions exercising decision making delegations for the scheme. ANAO found no evidence that key decisions were being systematically documented or made known to the whole branch. That means there was no reliable mechanism for ensuring that each of the people occupying delegate positions over time was aware of a potentially important and precedent setting decision made by another. What have you done to address those sorts of concerns?

**Mr Maynard**—As noted by the audit report, the administration of this scheme is supported by a thing we call the case managers' portal, basically an intranet site which contains all the relevant information required by staff administering the scheme. Where decisions are taken arising from changes coming out of specific cases, we issue what we call a process alert. The process alerts are posted on our intranet site; they are emailed to all staff and they are discussed at staff meetings. Our procedural guidelines are updated to take account of those process alerts. That too is available on the case managers' portal and brought to the attention of all staff.

**CHAIRMAN**—Is all this new since the audit?

**Mr Maynard**—It was a process that was being implemented during the audit and it was noted in the audit report that X number of process alerts—the number escapes me—had been issued during the fieldwork time.

**CHAIRMAN**—I understand that the ANAO noted that the report of the Year One Evaluation had specifically recommended 'cross-team peer review of individual EESS cases as part of the ongoing evaluation of completed cases' and that recommendation was not implemented. Can you tell us why?

**Mr Maynard**—The implementation of peer review was done intra-team rather than inter-team.

**CHAIRMAN**—Does audit have a comment?

**Mr Meert**—I would have to see what 'intra-team' means. The things about a quality review is whether there is some degree of independence in assessing the quality. I don't know what the details of the intra-team review are.

**Mr Maynard**—Perhaps I could go on to say that the creation of the quality assurance team late last calendar year and its independent review of a sample of the decisions also supports our quality assurance processes to ensure that the decisions are appropriate and, where necessary, adequate training or revision takes place.

**CHAIRMAN**—I understand that you did not have a definition of a valid claim until ANAO started the audit. Could you explain to me why that is so? How on earth could you have a program without a definition of what constituted a valid claim?

**Mr Maynard**—All claims for assistance under this scheme have always used a standard claim form which requires all claimants to provide the same level of information. My understanding of the audit findings was that there were certainly issues such as individual claimants putting their initials for their first name rather than their full first name; that they needed to ensure that each and all of the relevant fields in the claim form were completed. We have subsequently ensured that, where people do not put their full first name, we would seek that information before processing the claim form. That nature of change has already been implemented.

**Ms PLIBERSEK**—The ANAO report found that the department had failed to properly ensure that all payments forwarded to insolvency practitioners were being passed on to employees. What have you done to rectify that?

**Mr Maynard**—We have ensured that the acquittal process which is part of our existing procedures is more stringently followed, so that we make more frequent contact with insolvency practitioners who have received assistance from us to pass on to the employees. We have created a separate team in the recoveries team which is responsible for all financial transactions—the acquittals process, and recovering moneys as they become available from the insolvency practitioners. So now we have a dedicated unit to perform that function.

**Ms PLIBERSEK**—Does the Auditor-General have a comment on that?

**Mr Maynard**—I would note that the audit identified the benefits of creating a specialist unit and we have taken that suggestion and done just that.

**Ms PLIBERSEK**—Are you confident that you are now passing the money on?

**Mr Maynard**—Yes. We were confident that the money was being passed on before. We just did not have the appropriate administrative sign-off to demonstrate that it definitely had been.

**Ms PLIBERSEK**—How much money has been recovered by the Commonwealth from the sale of assets of insolvent businesses?

**Mr Maynard**—To date the total amount recovered through distributions by insolvency practitioners has been just under \$6 million.

**Ms PLIBERSEK**—How many recoveries have there been?

**Mr Maynard**—The number is in the order of 90.

**Ms PLIBERSEK**—What changes have been made to the department's recovery strategy as a result of the ANAO report?

**Mr Maynard**—The creation of a separate recoveries unit to manage the recoveries process is a significant improvement that has been put in place. The use of the department's position as a creditor is actively being followed up. We now sit as a member of the committees of inspection on a number of entities where there is the expectation that dividends will be paid and we seek to get further information from insolvency practitioners on a regular basis on the likelihood of repayments.

**Ms PLIBERSEK**—You say you are using your position as a creditor better and you are sitting on the committees. Which members of staff have responsibility for that?

**Mr Maynard**—I personally sit on a number of committees.

**Ms PLIBERSEK**—Do you delegate that role as well?

**Mr Maynard**—In the event that there are clashes, obviously someone else would attend in my place.

**Ms PLIBERSEK**—How do you make a decision about which ones you would involve yourself in at that level and which ones you let go through?

**Mr Maynard**—The primary criteria include the insolvency practitioner's advice as to whether or not there will be distribution arising from that company. As I say, the vast majority of cases we deal with are micro-businesses where there are no assets in the company. By way of example, the median number of claimants per case is three. In those circumstances the likelihood of recovery is virtually zero. Therefore, the criteria that we use include the amount that is being advanced, the likelihood of a distribution being made and the knowledge of the particular case at the time, whether it is under a deed of company arrangement or whether it is an administration, liquidation or receivership.

**Ms PLIBERSEK**—At what amount would you involve yourself?

**Mr Maynard**—Under the Corporations Act there are defined creditors' meetings. There are a series of those where we have representatives of the department attend those where it is felt to be appropriate. Committee of creditors meetings and committee of inspection meetings are usually attended by telephone to understand what the latest updates are and so that we receive advice as to likelihood of distribution.

**Ms PLIBERSEK**—To clarify my question, if, say, employees are owed a million dollars, do you then involve yourself in the committee of creditors meetings? Is there a financial figure?

**Mr Maynard**—The figure that we currently use in terms of the amounts for which we advance rather than the amounts which the employees are owed is \$200,000.

**Ms PLIBERSEK**—The ANAO noted that there are a number of cases where insolvency practitioners had failed to agree to recognise a debt to the Commonwealth. The ANAO noted that these are usually cases where there is a suspected impropriety or illegality involving the business or the employees. The ANAO recommended that statistics be kept in these cases. Have you been collecting those statistics?

**Mr Maynard**—We keep statistics on a number of the circumstances where insolvency practitioners are unable to provide us with the undertaking and the verification of the data. This is a tiny percentage of our work—

**Ms PLIBERSEK**—How many cases?

**Mr Maynard**—Off the top of my head, we have 3,400 cases in total and it would be less than 100.

**Ms PLIBERSEK**—Do you want to check those figures and get back to us with the exact statistics?

**Mr Maynard**—Certainly.



**Ms PLIBERSEK**—How much money is involved in these cases?

**Mr Maynard**—I do not have that figure.

**Ms PLIBERSEK**—Can we get that from you as well?

**Mr Maynard**—The number of those cases is generally very small, but we will endeavour to get you a number.

**Ms PLIBERSEK**—How many of them involved impropriety or illegality, and what type of impropriety or illegality are we talking about?

**Mr Maynard**—That is an assertion that is made by the ANAO, and it is not one where I can say, ‘Yes, every circumstance where that occurs involves impropriety or illegality.’

**Ms PLIBERSEK**—Would you say the majority of circumstances, though?

**Mr Maynard**—In the circumstance where we believe there is any inappropriate behaviour, we would refer that to ASIC, which is the body that would deal with inappropriate behaviour by insolvency practitioners or directors. Once we have referred it to them, they deal with the matter.

**Ms PLIBERSEK**—How many have you referred to ASIC?

**Mr Maynard**—Again, the exact number is not something I have with me. I could endeavour to find out.

**Ms PLIBERSEK**—Can you give us a breakdown of whether it is impropriety or illegality? Are you saying that if there is illegality involved, you refer it to ASIC, or if there is impropriety involved?

**Mr Maynard**—That is terminology that has been used by the ANAO. It is not something that we seek to differentiate. In the event that we feel that there is inappropriate behaviour or potential inappropriate behaviour, we would refer the matter to the appropriate authority. It is not one which we seek to differentiate between inappropriate and illegal.

**Mr Rowlands**—Mr Chairman, can I just make a comment here. I believe that the words being referred to there, ‘impropriety’ and ‘illegality’, were in the evidence we received from the department. They were not words of our own making.

**Ms PLIBERSEK**—Can you expand a little on that, Mr Rowlands? You received evidence from staff of the department—

**Mr Rowlands**—We asked some questions about these cases. The evidence we received back was that, where there was a case where the IP failed to agree to recognise the debt, it was in such circumstances as illegality or impropriety. I presume that means insolvent trading or something of that nature on the part of the directors of the company.

**Ms PLIBERSEK**—Did you have any idea of how often that was happening, what number or proportion?

**Mr Rowlands**—It was a very small number of cases, so we did not pursue the matter unduly.

**Ms PLIBERSEK**—How much money would be involved in those types of cases? Can you give us an idea of that?

**Mr Maynard**—I do not have those numbers here.

**Ms PLIBERSEK**—Can you get back to us on that?

**Mr Maynard**—Yes.

**Ms PLIBERSEK**—In the cases involving suspected impropriety or illegality, has the Commonwealth brought legal action to prosecute those involved?

**Mr Rowlands**—The department refers the suspected inappropriate behaviour to ASIC and it would be to ASIC to bring such action against directors or insolvency practitioners.

**Ms PLIBERSEK**—So your attitude is that it is out of your hands once you have referred it?

**Mr Maynard**—ASIC is the appropriate authority charged with that responsibility.

**Ms PLIBERSEK**—Has the department been consulted by Treasury or the Parliamentary Secretary to the Treasurer on the government's proposal to give employee entitlements priority over debts to secured creditors?

**Mr Lloyd**—We are aware of the exercise and the consultations.

**Ms PLIBERSEK**—Have you been involved in the consultations?

**Mr Lloyd**—My recollection is no. It has been handled by Treasury, in that portfolio.

**Ms PLIBERSEK**—How much would that increase your ability to recover money from the assets of insolvent businesses?

**Mr Maynard**—The impact of maximum priority may decrease the reliance upon GEERS in as much as the available assets would be there and available to go to the employees and therefore they would not need to seek recourse to the safety net scheme.

**Ms PLIBERSEK**—Are you saying that they would just get it directly as creditors?

**Mr Maynard**—Yes.

**Ms PLIBERSEK**—Ms King, do you have some more questions?

**Ms KING**—Yes. On page 108 of the audit report, it states that during the implementation of GEERS, the department and DOFA negotiated a cap of \$5 million a year on departmental expenses administering GEERS. I am a little confused here. In the 2003-04 budget, it lists the departmental appropriation of \$9.469 million for the administration of GEERS and EESS—that is at page 41 of the portfolio budget statements. That is nearly double the cap of \$5 million agreed between the department and Finance. What accounts for this discrepancy? Has that cap already been reached?

**Ms Golightly**—The \$5 million negotiated with Finance was for a particular year—not last year, the year before. It was only a notional, indicative amount. It has never been a budget item to which we are limited. The estimates going forward are revised for this program as they are for any program, and take into account a number of things. In this case, we have to, of course, take into account the fact that we are implementing a new business model. Now that the departmental item is a separate item to be administered, it also bears the full cost of all of our corporate overheads, et cetera. That is why it is now a new estimate. That has been approved by the budget process.

**Ms KING**—But double? You are talking about double the \$5 million. If I read Mr Maynard's evidence correctly, he was saying that, in respect of the administration of the scheme, it was \$10 million from the commencement of the scheme in administration costs.

**Mr Maynard**—In the order of that amount—

**Ms KING**—In the order of that amount? Is that give or take a million or two?

**Mr Maynard**—taking into account that the first financial year's costs for the scheme had to be borne by the department's normal allocation and therefore would not be included in that.

**Ms KING**—Can I ask the audit office—obviously you have included that quote on page 108. Was it your understanding that the \$5 million cap was for one year only?

**Mr Rowlands**—That was the ongoing rate, as I understood it.

**Ms KING**—It was not to be just for one year—it was to be capped at \$5 million.

**Mr Rowlands**—That was my understanding.

**Ms Golightly**—That is not our understanding. Our understanding is that the negotiation with Finance was simply a discussion with them, which was to indicate what the administration of GEERS might cost in that particular year. We are not limited by that amount.

**CHAIRMAN**—Could you examine that issue and respond to us as to the questions Ms King is asking?

**Ms KING**—It would seem to me that the administrative costs have gone up significantly. I am interested to find out why and what they are. I guess in your previous evidence, you have talked about \$1 million for the IT. There is another \$4 million. I would like to know what has happened to that in relation to administration. Perhaps Mr Meert can talk to us a bit more about that. Can

you also explain why the price of output 2.2.5 is listed at \$9.503 million on page 45 of the portfolio budget statements? That is slightly more than the figure of \$9.469 million on page 41.

**Ms Golightly**—Yes. Any of the output prices listed in the later pages include the revenue component that is appropriated across all outputs. The table on page 41 does not.

**Ms KING**—I do not have a calculator, but the revenue you have included in that is—

**Ms Golightly**—I could not give you that—but it is the difference. I could calculate it.

**Ms KING**—I can probably look at it in the same way. Where does that revenue come from? Please explain that to me.

**Ms Golightly**—It is general revenue that the department might earn from its operations. We are then able to use that to conduct—

**Ms KING**—How is that allocated to your output?

**Ms Golightly**—We have quite a comprehensive cost attribution methodology, for both our expenses and our revenue items, whereby all costs and items of revenue are examined and determined as to which output they relate to and wherever possible they are directly allocated to that output. That is not just for this one, it is for all of our outputs. If it is of an overhead nature, of course it cannot be directly allocated, so we have a model which, depending on the nature of the item being looked at, allows us to spread that across all our outputs on the basis of, say, employee numbers. Or, if it is property expenses, for example, we would do that by the amount of space allocated to a particular area that is working on a particular output. It is quite a complex model.

**Ms KING**—Mr Maynard, you said before in terms of the administration costs that it was of the order of \$10 million. Could we please get an accurate figure?

**Mr Maynard**—Certainly. I am not trying to hide that fact; I do not have the figures here.

**Ms KING**—I understand, which is why I ask you that on notice. The audit report suggested at page 68 that the department measure and report the trend in the mean administration cost of making each payment under GEERS. What has the department done to implement that suggestion—or has it not done so?

**Mr Maynard**—The department is going to use that as an internal benchmark for the efficiency of the program. The thing to understand is that with the business re-engineering that we are doing at the moment we are incurring additional costs and therefore we need to determine how we separate those costs to ongoing—

**Ms KING**—You have guessed that they are going to be about \$4 million.

**Mr Maynard**—We need to finalise that process to determine what the mean cost for administering an individual claim would be.

**Ms KING**—So you are going to use that as an internal measure. How far have you got in terms of actually doing that? When will you have that sort of thing in place?

**Mr Maynard**—We expect that we would be providing internal management with that figure at the end of the financial year.

**Ms KING**—This financial year?

**Mr Maynard**—Yes.

**Ms KING**—I have concentrated mostly on administration but there are some things I want to ask in terms of people's awareness of GEERS itself. You would probably be aware that I have had an insolvency in my electorate recently that has caused quite some grief, and I want to ask you about that specifically. The Audit Office report notes some of the ways the department seeks to promote the awareness of GEERS amongst employees and insolvency practitioners. Have you introduced any new methods to raise awareness of the scheme since the report?

**Mr Maynard**—We have found, as noted in the report, that the best method is targeted to those people who are involved in the process—direct correspondence with insolvency practitioners and accountants; availability of the information through Centrelink for persons who unfortunately find themselves made redundant, through the department's wage line and our hotline; and ensuring that all of the peak industry bodies and unions are made aware of the existence of the scheme.

**Ms KING**—Do you monitor that? My practical experience of the scheme this time around has been that that information did not filter down to the claimants directly. My experience was that, in terms of having an understanding of the guidelines for eligibility in the scheme, claimants had a pretty limited understanding about that. Do you monitor that sort of information?

**Mr Maynard**—No. We seek to ensure that the insolvency practitioners have that information and we ask them to ensure that that then is passed to individuals.

**Ms KING**—But do you monitor what happens between the insolvency practitioner and the actual claimant in terms of what the claimant's understanding is?

**Mr Maynard**—We do not have a formal monitoring process; we informally test with the insolvency practitioners what the feedback is from the individuals that they are dealing with.

**Ms KING**—Have you thought about perhaps looking at that area?

**Mr Maynard**—It is an area that we are considering, and therefore the appropriate methodology and a cost-effective means of doing that is something we have to consider.

**Ms KING**—I would certainly appreciate advice as to what your plans are in that area. If you could take that on notice and provide us with some information about that, that would be appreciated.

**Mr Maynard**—Yes.

**Ms KING**—The audit report noted, on page 89, that the department receives verified entitlement data from insolvency practitioners which identifies employees who may be eligible to receive payment but who have failed to lodge a claim, possibly because, as we have just heard, they may be unaware of the GEERS scheme. The report recommended on the same page that the department clarify with the minister whether it would be appropriate for the department to analyse this data and ascertain why some employees had failed to lodge a claim. Have you done so and, if so, what has the minister's response been?

**Mr Maynard**—As a general statement, may I note that we have a significant number, as identified by the audit, of potential claimants listed on the system who subsequently do not put in a claim form. Twenty-three per cent of all cases that come to our attention do not then proceed to making payments to the claimants, because insolvency practitioners will come to us and say, 'We believe we may need your assistance; here is the data,' and then subsequently withdraw because they have funding from the assets of the company. Consequently the numbers of potential claimants listed in the system that have not subsequently put in a claim form are significantly biased by those particular situations.

**Ms KING**—What proportion would be in that category?

**Mr Maynard**—I am sorry, I do not have the numbers that would enable me to give you that.

**Ms KING**—Do you have data that can tell us that if I ask you that on notice?

**Mr Maynard**—Yes.

**Ms KING**—Could you please take that on notice.

**Mr Maynard**—Yes.

**Ms KING**—You noted before, in your response to a question around timeliness, that you have now got 74 per cent of claims in 16 weeks and 80 per cent in 22 weeks. What is the longest time it is taking the people who are in the remaining 20 per cent?

**Mr Maynard**—While I do not have that figure with me, I am aware of one particular claim that has taken somewhere of the order of 80-something weeks. The circumstances of that particular claim were that the individual submitted the claim form and then went overseas. When we sought to clarify some of the information we simply could not contact the individual. Once they returned it was clarified and the person was paid. We have some abnormal claims and time frames because of circumstances such as that.

**Ms KING**—What are you doing to expedite the processing of claims?

**Mr Maynard**—The number of persons available to work on this has been increased. The use of accountants has been increased. Our processes are constantly under review to ensure that we are having the most efficient means possible. We seek to inform insolvency practitioners about the scheme and the requirements of the scheme so they can provide us with the information quickly. Most significantly, there is the current business re-engineering business process that we

are going through, including the market testing of some elements of the administration of the scheme. They are major steps that we are taking in that area.

**Ms KING**—In terms of decision making, in the recent case that I was referring to previously there were around 12 people who have been deemed ineligible in the John Valves case to sit under the GEERS scheme. Two of those have recently been reviewed at the request of the minister. What processes do you have in place to communicate with other people in those circumstances that there has been a review and that they now possibly may be eligible?

**Mr Maynard**—In circumstances such as that, we would be seeking assistance from the insolvency practitioner to communicate. I am not sure, in that specific case, what additional action we might have taken.

**Ms KING**—What about unions? Do you have any communication with unions about that, or is it only directly with the insolvency practitioner?

**Mr Maynard**—Our primary points of contact are with the claimants and with the insolvency practitioner.

**Ms KING**—The audit report recommended, on page 91, that the department keep a better record of the nature of calls received by its hotline. What information do you keep now?

**Mr Maynard**—At this point, we obviously monitor the issues of the numbers of calls, the numbers that drop out—all of the usual statistics associated with that. In terms of the nature of the calls, I do not have that information in front of me so I could not—

**Ms KING**—Can you take that on notice?

**Mr Maynard**—I can.

**Ms KING**—Can you also take on notice—if you can answer it now, that would be terrific—whether you intend to report on that information in terms of the nature of the calls, and, if so, how and when?

**Mr Maynard**—There is no plan at this point to be making public reporting on the nature of the calls.

**Ms KING**—The report notes, on page 48, that in some cases employers have failed to keep the records necessary to calculate employees' entitlements. In many of these cases a failure to keep appropriate employment records could amount to a breach of the law—is that right? Am I reading that law rightly or not?

**Mr Maynard**—It is my understanding that the obligation is that employers would maintain those records, yes.

**Ms KING**—So it would be a breach of the law?

**Mr Maynard**—Yes, and the insolvency practitioners would be obligated, under their duties, to pursue those particular employers for doing just that.

**Ms KING**—Do you take any action against these employers for breach of their legal obligations to keep employment records?

**Mr Maynard**—We rely upon the insolvency practitioners to perform the duties that they are charged with. We do not have the mandate to do that. We merely point out to the insolvency practitioners where we believe inappropriate activity has occurred. We require them to take their actions and we also, where there is inappropriate director or IP behaviour, refer that to ASIC.

**Ms KING**—We asked before, and you were going to get back to us, how many cases have been referred to ASIC.

**Mr Maynard**—Yes.

**Ms KING**—If there were any specific numbers in relation to cases that have been referred to ASIC for those reasons, or that you have concerns about, I would appreciate the numbers on that as well.

**Mr Maynard**—We will review our records.

**Ms KING**—Thank you. The department has identified as a source of delay the failure of some insolvency practitioners to provide verified entitlements data in a timely way. The audit report recommended, on page 98, that the department consider establishing a regular consultative arrangement in order to improve communication between the department and insolvency practitioners. Has the department done that, and have you implemented that suggestion?

**Mr Maynard**—We have regular meetings with the Insolvency Practitioners Association of Australia and we are currently talking to them about the involvement of the state boards that they have, to understand how we might better interact with them.

**Ms KING**—What measures has the department put in place to identify potentially fraudulent claims made under both of the schemes?

**Mr Maynard**—At the time of the audit, any potentially fraudulent claims were referred to the department's investigations unit for further activity. We have subsequently created our own compliance unit to do further investigations into potentially fraudulent behaviour and, having done further analysis, we then refer that to ASIC or the internal investigations unit.

**Ms KING**—Again, how many cases of suspected fraud have you referred to ASIC or, in fact, to the Australian Taxation Office, if you do so?

**Mr Maynard**—I do not have those numbers here.

**Ms KING**—Could you take that on notice, please.

**Mr Maynard**—Yes.



**Ms KING**—Are you aware of the use of phoenix companies to make fraudulent claims under both of those schemes?

**Mr Maynard**—I am not aware of circumstances where people have specifically created a phoenix company in order to obtain funding from the schemes. Where we identify potential phoenix companies, we refer those to ASIC.

**Ms KING**—Does the department request ASIC or the Australian Taxation Office to inform it of the outcome of investigations of any of the cases it may refer?

**Mr Maynard**—I am sorry, could you repeat the question?

**Ms KING**—Do you ask ASIC or the Australian Taxation Office to report back to you after you have made a referral, or do they regularly report back to you after you have made a referral of a case to them?

**Mr Maynard**—The capacity for ASIC to report back to us is bounded by their obligations under their statutes. It is my understanding that they are required to investigate all issues that are referred to them but they are constrained in their capacity to report back.

**Ms KING**—Given that context, it is difficult, but do you know how many of the cases that you have referred have resulted in legal action?

**Mr Maynard**—No, I do not have a number that I could answer that question with.

**Ms KING**—Do you have any data that you could refer to and get back to the committee with?

**Mr Maynard**—There are investigations that ASIC have under way which may or may not, subject to their findings, result in legal action, and that is a matter on which ASIC would be better placed to answer.

**Ms KING**—Have you ever given consideration to seeking a recovery of money paid out under both of the schemes as a result of a claim subsequently being found to be fraudulent? If you have done so, when have you sought repayment?

**Mr Maynard**—The department is investigating a number of matters that would fall into that category. We have not yet led to prosecution; we have not yet led to the justified need to recover the funds. It is further investigations.

**Ms KING**—Under way. Thank you.

**Ms GRIERSON**—I will be very quick with my questions, Mr Chairman.

**CHAIRMAN**—Be very quick.

**Ms GRIERSON**—What is the trend in monthly claims? You said it was about 1,000. What has the trend been over this period?

**Mr Maynard**—The claim rate at the moment is of the order of 850 to 900 claims per month.

**Ms GRIERSON**—So is it declining, is it staying static or is it going up?

**Mr Maynard**—It has risen sharply since the inception of the scheme, as one would imagine. It peaked shortly after September 2001 with the Ansett collapse. It is now levelling and has, in fact, been declining over the last few months.

**Ms GRIERSON**—As members of this committee, we represent people in our electorates who have experienced these difficulties. We want them to have efficient, fast and fair processing of their claims, and we have dealt a lot with that today. But we would also want public moneys—this is being funded from public funds—to be well expended. There is just such a serious mismatch between 116 million claims paid out of public funds and less than \$6 million recovered from the private sector. Would ANAO suggest that, when a quality assurance process is put in place, recovery targets should also be part of it, and that actions on cases referred to ASIC should also be a target? If it is not appropriate for this department, who is going to account to the people for the expenditure of public funds and the recovery from the private sector? We spend so much of our time on audit and accountability and trying to avoid these situations, putting in recommendations to avoid these situations. ANAO might like to advise me on that.

**CHAIRMAN**—Would an ANAO officer advise the committee.

**Mr Meert**—I do not think we could set a target and I am not quite sure how the department could—we would not set a target.

**Ms GRIERSON**—Could you review the statistics, in terms of their credibility?

**Mr Maynard**—Perhaps I might clarify an issue. While \$116 million has been outlaid, it is outlaid to companies that are insolvent, to meet their employee entitlement costs. Their capacity to repay is dependent upon the assets available to the company.

**Ms GRIERSON**—Do you know what percentage that represents of the actual payouts—what the public are funding and what the private sector is funding?

**Mr Maynard**—We only advance funds where there is no other source of funds available. The levels advanced under GEERS are decreased, where other funds are available, to safety net level. The recovery rate is contingent upon the assets available to the company and is to be repaid at a rate specified in the Corporations Act. Once the insolvency practitioners have distributed all available funds, there is no legally available recovery; consequently we can take no further action.

**Ms GRIERSON**—So no-one is responsible; that is pretty good. Thank you.

**Ms PLIBERSEK**—Mr Maynard, you mentioned one case that went over 80 weeks. But I think the report details seven claimants who waited a year and a half, and the longest individual wait was 118 weeks. I want to put that on the record. I am sure that they are not all overseas.

**Mr Maynard**—I am sorry, it was my recollection of one particular claim. I think that was the way I presented it.

**Ms PLIBERSEK**—Yes, that is right, but I just wanted to put it on the record that the ANAO picked up that a few more cases had those extraordinary lengths of time.

**CHAIRMAN**—Thank you very much.

[11.57 a.m.]

**CRANE, Mr Terry, Acting Assistant Secretary, Corporate Support Branch, Department of the Prime Minister and Cabinet**

**McINTOSH, Mr Steven, Government Liaison Officer, Australian Nuclear Science and Technology Organisation**

**RYAN, Mr Eric, Agency Security Adviser, Australian Nuclear Science and Technology Organisation**

**HOWARD, Mr Michael John, Manager, Office of Security Risk Management, Airservices Australia**

**CROWE, Mr Peter, Executive Leader (Security), Parliament House Security, Joint House Department**

**ELDER, Mr David Russell, Serjeant-at-Arms, Department of the House of Representatives**

**GRIFFITHS, Ms Andrea, Usher of the Black Rod, Department of the Senate**

**BURGESS, Mr Trevor, Group Executive Director, Assurance Audit Services Group, Australian National Audit Office**

**MONTENEGRO, Ms Samantha, Senior Director, Assurance Audit Services Group, Australian National Audit Office**

**RUNDLE, Mr Richard, Executive Director, Assurance Audit Services Group, Australian National Audit Office**

**CHAIRMAN**—I welcome representatives from the Australian National Audit Office, the Department of the Prime Minister and Cabinet, the Australian Nuclear Science and Technology Organisation, Airservices Australia and Parliament House security. Do representatives of any of the three organisations—that is, other than ANAO—have a brief opening statement?

**Mr Crowe**—Yes, Mr Chairman.

**CHAIRMAN**—About 10 seconds?

**Mr Crowe**—A little bit longer than that—about a minute.

**CHAIRMAN**—I am sorry that we are late, but our questions are probably more important than your statement. I just make that point.

**Mr Crowe**—On behalf of the Security Management Board of Parliament House, the audit report No. 23 dealing with the physical security arrangements in Commonwealth agencies was

undertaken during the period between 11 September 2001 and the Bali bombings of 12 October 2002. At the time of the audit, the Presiding Officers had already approved a number of security related initiatives at Parliament House. The most significant initiative was the creation of an interim security management board formed to provide a more coordinated approach to security here at Parliament House.

In his review into aspects of the administration of parliament, Mr Andrew Podger, the Parliamentary Service Commissioner, recommended that the interim security management board be established permanently and that a centralised security operation be created in the Joint House Department. As a consequence, the board was formalised in November 2002 and action is currently under way to effect the transfer of the security function to the Joint House Department. The board, which meets on a monthly basis, is chaired by the Secretary of the Joint House Department, and members include the Serjeant-at-Arms, the Usher of the Black Rod, a representative of DPRS-DPL and the security controller. Representatives from the Protective Security Coordination Centre, Australian Protective Services and the Department of Finance and Administration also provide expert input to the board.

With regard to the specific recommendations of ANAO report No. 23, a number of risk assessments have been completed for various aspects of security here at Parliament House. The Security Management Board has consolidated the various assessments already completed and is using the recommendations as a basis for development of a coordinated security plan. Priority at this stage has been given to external security and several obvious initiatives have already been taken, with further measures to be considered and implemented. Consolidation of the various risk assessments and the compilation of formal minutes of all Security Management Board meetings address recommendation No. 2 of the audit report. Action to update security policy and procedures documentation is near completion. Security plans included in the documentation have also been reviewed and are being amended as necessary to reflect the specific requirements associated with current threat levels in a range of possible scenarios.

The Commonwealth *Protective Security Manual* is used as the primary reference document for all security related activities. Inclusion of the security controller and representatives from the Protective Security Coordination Centre as members of the Security Management Board ensures that physical security incidents are reported and threat assessments are updated regularly, with the information provided forming the basis for appropriate responses.

**CHAIRMAN**—ANAO?

**Mr Burgess**—We have prepared an opening statement for the record.

**CHAIRMAN**—Is it the wish of the committee that the document be incorporated into the transcript of evidence? There being no objection, it is so ordered.

*The document read as follows—*

JCPAA REVIEW OF AUDITOR-GENERAL'S REPORTS 21 MAY 2003 AUDIT REPORT NO. 23 PHYSICAL SECURITY ARRANGEMENTS IN COMMONWEALTH AGENCIES

OPENING STATEMENT

Mr Trevor Burgess, Group Executive Director

This audit was undertaken as part of our protective security audit program. Under this program the ANAO aims to complete, on average, one protective security audit per year. These audits examine compliance with the better practices outlined in the Protective Security Manual 2000, which provides specific guidance to agencies on the protection of the Commonwealth's assets, personnel, and clients from potential security threats.

Protective security involves the total concept of information, personnel, physical, information technology and telecommunications security. Weaknesses/shortcomings in one area can impact on the effectiveness of another. For example, the strength of physical barriers and computer access controls protecting classified information can be undermined if the continued suitability of the individuals, who have the authority to access this information, has not been reassessed or reviewed properly.

Effectively designed, implemented, and managed physical security controls and procedures are critical to the protection of information, assets, clients and agency staff. Part E of the PSM outlines the Commonwealth's physical security policy, including the recommended physical security framework, procedures and minimum standards.

Overall, the ANAO concluded that all agencies in the audit had made reasonable progress towards meeting their protective security responsibilities in relation to physical security arrangements. Most agencies had established a protective security control framework, assigned physical security responsibilities, documented some of their security controls and procedures, and implemented security controls and mechanisms. However, the ANAO also noted a number of deficiencies across the agencies reviewed, leading to the development of a number of recommendations.

I would now like to turn to the major findings of the audit.

In generalities—Security Risk Management. Agencies were not undertaking sufficient risk management activity in the area of protective security. In particular, some agencies did not have current (in the last three years) security risk assessments, and most agencies were not linking ad hoc assessments (or realisations) of risk into their existing control frameworks. Such assessments are critical to provide the context for implementation of a protective security framework in the agencies. In addition, few agencies had formally considered staff safety as part of the risk assessment process, and few had established, or maintained adequate documentation of, the link between risk assessment, treatment development, and control selection.

In specific terms with

- Education—the ANAO found that most agencies had not developed and I or scheduled periodic security education and awareness programs. This meant that some staff were not aware of controls, and, therefore, were not applying controls and procedures consistently or appropriately, and
- Information Management—support for the implementation and management of the physical security arrangements was reduced by inaccurate and out-of-date security documentation, records, and reporting capabilities.

With me today are two ANAO officers who were involved in the audit—Richard Rundle and Samantha Montenegro.

**CHAIRMAN**—ANAO examined whether agencies had considered the risks of, and developed an appropriate policy statement on, the physical security arrangements for employees who work from home. Could each of the four departments or agencies tell us what they have done about that.

**Mr Howard**—Yes. We have a published policy on work from home, but at the moment we have no-one who has actually applied to us to work from home.

**CHAIRMAN**—ANSTO?

**Mr Ryan**—We do not currently have home based work at ANSTO.

**CHAIRMAN**—PM&C?

**Mr Crane**—We have provision for home based work and our security plan provides comprehensive guidance in relation to the security arrangements for that. I am not aware of anyone who is currently working from home.

**CHAIRMAN**—The parliament?

**Mr Crowe**—I would ask the two chamber departments to answer on behalf of each of their departments.

**Mr Elder**—The Department of the House of Representatives does have a home based work policy and that does include allowance for appropriate security aspects.

**Ms Griffiths**—The Department of the Senate does not have a home based policy. But if we change our policy, we will do it in accordance with the *Protective Security Manual*.

**CHAIRMAN**—Are ANAO happy with that?

**Mr Burgess**—Yes, we are.

**CHAIRMAN**—The audit said that it is noteworthy that all agencies made use of security guards and that the degree of reliance that these agencies placed on their guards varied from high to low. ANAO observed a number of breakdowns in the application of controls by the guards and suggested that agencies reconsider the nature and extent of their use of guards. Could you tell us what you are doing with respect to that recommendation in Airservices, Mr Howard?

**Mr Howard**—We have a high reliance on guards at the facilities that we consider to be high risk. We take a lot of care in relation to the companies that we use to provide those guards. We do police record checks and other character checks of the individuals who are provided to us. So we are happy that the measures that we take in relation to privately contracted guards give us a good service.

**CHAIRMAN**—By the same token, what they are saying is that in some cases it is an overreliance on guards versus other systems which might be put in place—that is, camera surveillance, electronic monitoring, personnel identification systems, this sort of thing. Part of the ANAO's criticism was that, from time to time, guards either are overloaded or become inattentive or make mistakes.

**Mr Howard**—We use a combination of electronic systems—surveillance systems, recording systems—as well as guards. The areas where we tend to use guards are areas where we have a lot of personnel movement or we get a lot of visitors. I think the balance that we have between technical measures and human resources suits us adequately at the moment.

**CHAIRMAN**—ANSTO?

**Mr McIntosh**—We have guards from the Australian Protective Service, under a decision of government. We also have extensive electronic alert mechanisms. As Mr Howard has said, our guards tend to be on entry and exit points where flows of people need to be controlled and which are not for that reason easily suitable for electronic measures to be used exclusively. I note that in the budget there was an announcement as to a new front gate set-up which will increase use of mechanical devices, if you like, in controlling entry to the site.

**CHAIRMAN**—PM&C?

**Mr Crane**—The department has a private security firm engaged to provide guards. But that being said, it is only one component of our defence in depth security arrangements. We also have quite a reliance upon technical security measures and, within the building, we have compartmentalised some of the higher security areas as well. So yes, we do have security guards

that we rely upon to a certain extent for the provision of our security arrangements, but they are supplemented by significant other arrangements as well.

**CHAIRMAN**—Parliament House?

**Mr Crowe**—Like PM&C, we depend on security in depth for our security arrangements here at Parliament House. We start with a sound intelligence reliance on ASIO, PSCC and AFP for information. Recently we put in place physical barriers to provide some sort of physical appearance that security has been hardened around the place. We have an external security presence provided by APS and they are supported by constant CCTV monitoring of the external perimeter of the building itself. We have an internal presence provided by the parliamentary security service providing a screening and regular patrolling service throughout Parliament House, with a range of CCTV coverage to support that patrolling.

**CHAIRMAN**—ANAO noted that only two agencies discipline staff for breaches of security. I do not need to include PM&C in this list for my question because they were one of the two, and the other was AUSTRAC. Can ANSTO tell me: why do you not discipline employees or external consultants or contracted people for breaches of security?

**Mr McIntosh**—My understanding was that we did.

**Ms PLIBERSEK**—The ANAO I think would want to say here that during the course of the audit nobody was disciplined, not that it is not practice. Do you want to expand on that, please?

**Mr Rundle**—Thanks very much. What we were attempting to communicate in that was that, during the time that we were conducting the audit, in the records that we examined we encountered that two agencies had clearly disciplined staff. But we did not come specifically across any other instances in the other agencies. We are not trying to imply that they had a policy of not discussing this with staff.

**Ms PLIBERSEK**—But it is still significant, because you are not just talking about no-one being disciplined during the few weeks of the audit process; you are saying that, as far as you could find, no records were kept of people having been disciplined. Is that right?

**Mr Rundle**—No, that is not true. In fairness to the organisations: we did not specifically go looking through historic records to form a specific opinion as to whether or not they had a policy of disciplining staff. It was an observation that we made in the course of the audit.

**CHAIRMAN**—Let me rephrase the question. We will start with Airservices Australia. Do you discipline personnel or contractors for breaches of security?

**Mr Howard**—We would have a policy of reviewing any security incident and, if that warranted some formal disciplinary action, we would take it. The disciplinary measures might vary from a letter on file to, depending on the seriousness of the breach—and we have not had one since I have been there—leading to dismissal.

**CHAIRMAN**—ANSTO?



**Mr McIntosh**—I think my answer would be very similar to the one that was just given. We do have procedures in place. They are exercised from time to time. Security breaches in our organisation are fairly seldom. But there are measures applied for staff, and for contractors access would be withdrawn, if there were a serious breach.

**CHAIRMAN**—As I recall, there was a very public incident with Greenpeace at our only nuclear reactor recently. What happened then?

**Mr McIntosh**—We do not have a capacity to discipline Greenpeace.

**CHAIRMAN**—But what did you do with your staff or the contractor, the security guards?

**Mr McIntosh**—The security guards were limited. The APS Act limits them from using force unless lives are in peril, basically. They made a judgment on the day that this was a political protest, lives were not in peril and, therefore, they were not entitled under their act to use force. We have taken a number of physical security steps since, but we did not see that there was scope for disciplining anybody for that action, because they were prohibited by their act from doing any more than they did.

**CHAIRMAN**—PM&C, you do discipline staff?

**Mr Crane**—Perhaps ‘discipline’ might be a bit harsh. We do have measures in place to encourage staff to abide by the requirements of the security regulations. We have a security breach system that is conducted after hours if someone does record a security breach; they are required to provide an explanation in writing of the circumstances surrounding that breach and then the security section will work with them to make sure that it does not happen again. We have recently introduced a process whereby, if people are repeat offenders—our definition of ‘repeat’ is three or more breaches in any one year—those breaches would be taken into consideration during the performance appraisal process.

**CHAIRMAN**—Parliament?

**Mr Crowe**—Each of the parliamentary departments has its own policy to deal with disciplinary matters, and they are dealt with as they occur. That is for internal type issues. For the exterior of the parliament as a whole, the issue of Greenpeace on the flagpole did identify shortcomings in the way that APS react to incidents such as that. The results have been an increase in APS meeting some quite definite guidelines on how they deal with that sort of incident in the future, and a tightening up generally of that sort of response right throughout.

**CHAIRMAN**—Mr Elder, I have a personal experience; they are always good. Since we introduced screening of members of parliament—I cannot comment on the Senate, but I assume that senators go through the same thing that we do—I have gone through the metal detector, the magnetometer, and it has gone beep and a security officer has just said, ‘Go on.’ Is that appropriate?

**Ms PLIBERSEK**—That is an outrage. They should have made you take your shoes off!

**CHAIRMAN**—I was really quite surprised.

**Mr Elder**—I might get Peter Crowe to add to what he has said.

**CHAIRMAN**—It indicated to me that it is there but nobody is taking it seriously, and I thought that was a bit of a shame.

**Mr Crowe**—The guidance provides that all entry is exactly the same. If something is indicated as you go through the magnetometer, a second, personal inspection is warranted and should be conducted. That is the fact.

**Mr Elder**—The instructions are quite clear to staff that members and senators are to be treated in exactly the same way as any other person entering the building. I am surprised at what you have said, because that would not be my understanding.

**CHAIRMAN**—Would you like a statutory declaration?

**Mr Elder**—No. All I am saying is that the staff have clear instructions about this and I am aware very much that the Speaker has taken this very seriously. Where there are any instances of members—in the case of the Speaker—not cooperating with the arrangements, I know that he personally has taken the opportunity to speak to those members. We have conveyed that to the staff, that they should be ensuring that this is pursued as vigorously in relation to members and senators as it is in relation to anybody else who is entering the building. All I can say is that we will take that very much on board and make sure that the instructions are fairly clear to staff.

**CHAIRMAN**—I am not dobbing any individual in, but—

**Mr Elder**—No, I understand that. It would be a general thing that we would make sure that people were aware of.

**Mr Crowe**—It is very much about getting a uniform standard right across all entrances; that is all it is.

**CHAIRMAN**—I just thought it would be appropriate that you knew that, anyway.

**Mr Elder**—Yes, very much so.

**Ms PLIBERSEK**—One of the things that the ANAO report included was a criticism that agencies are not integrating their learning from ad hoc security assessments into their existing control frameworks. Have agencies taken that on board?

**Mr Howard**—At Airservices we have a continual risk assessment process. There are some issues that we are looking at in relation to turning the risk assessments and the controls so that those things can be implemented as quickly as possible. Certainly it is a matter that we are looking at, and I think we are trying to improve our internal documentation systems so we can get that information more quickly out to staff.

**Mr McIntosh**—We have ongoing ad hoc reviews. For instance, the New South Wales Police will come out and drive round the site and so on, and may point out what they see as deficiencies. They are certainly taken on board by the agency's security adviser, in consultation

with the APS, and measures are put in place as part of the overall security plan. Of course, the reviews of the site that we have had by ASIO T4 have been taken into account and measures have been taken to address the findings of those reviews.

**Mr Crowe**—With the formation of the Security Management Board, one of the first steps taken was to get all the existing reviews that had recently been conducted at Parliament House and consolidate the recommendations and findings of those. That is now leading to the development of a plan to address the security question here at Parliament House. Since the formation of the board, there have been two additional reviews undertaken. One is on the blast effects of a post-Bali type incident on particular areas around Parliament House and the second is that ASIO has just recently completed a review of security within the suites of the ministerial wing. They are all being collated to form the plan for security at Parliament House in total.

**Mr Crane**—Just in relation to Prime Minister and Cabinet, I can say that we undertake regular internal reviews and also risk assessments, and we have certainly done so since the issuing of the general security alert by PSCC in November 2002. The recommendations of all of those reviews have been acted upon and we have incorporated much of that into our security plan which was issued in September last year. Since then we have reviewed our internal arrangements on a number of occasions.

**Ms PLIBERSEK**—One of the ANAO recommendations was also that training be provided for non-security personnel in addressing agency security standards. Have any, or all, of you taken up that recommendation?

**Mr Howard**—In Airservices we do that anyway. We have got a very extensive internal security training program for all of our air traffic controllers and also for anyone who works on airports. We are looking at those other areas of non-airport and other staff who might benefit from some additional training.

**Ms PLIBERSEK**—By non-airport staff do you mean administrative staff that are based away?

**Mr Howard**—Yes, administrative staff who might work in offices, for example, in Canberra.

**Mr McIntosh**—Any new starter at ANSTO does a day-long general induction course, which includes a security component by Mr Ryan. We have also had recently—I think it was last month—

**Mr Ryan**—March-April.

**Mr McIntosh**—security awareness seminars for everybody on the site, which involved getting in some expert lecturers from outside the organisation to discuss the various aspects of security: IT security, physical security and so on. So I think the answer for us is definitely yes.

**Ms PLIBERSEK**—You intend that to be an ongoing process?

**Mr McIntosh**—Yes.

**Ms PLIBERSEK**—Every so often?

**Mr McIntosh**—Yes, periodically.

**Ms PLIBERSEK**—Mr Howard, you say you have that type of training. Is that at induction, or do you retrain people periodically during their careers? Do you update their training?

**Mr Howard**—In the induction training for air traffic controllers, for example, the initial course is more than 12 months and I think we have nine modules on security that are taught in the six- to 12-month period. Also, once they go to work, whether it is at a tower or one of the other centres, they undertake refresher training which is run by their business centre.

**Ms PLIBERSEK**—I am hoping that we have got a lot of air traffic controllers who have been there 10, 15, 20 years. Would they get the occasional update when it comes to security training?

**Mr Howard**—We had a major review of the management of security in the business in early 2001. One of the recommendations of that review was that we devolve security responsibilities down to business centres. Basically it is a business centre responsibility to ensure that any current risk to controls, changes to controls and changes to things like aviation security regulations or operational plans get passed through to air traffic controllers. That is an ongoing part of the way we go about our business, because our crucial priority is safety, not only for the travelling public in the air but also for our staff who work at these centres.

**Ms PLIBERSEK**—Would you monitor whether business centres are doing that?

**Mr Howard**—They report to us. They provide routine reports to me about the scope and the nature of training that is conducted and also the numbers of people attending that training.

**Ms PLIBERSEK**—If you noticed that they were not including security in that training, you would take that up with them?

**Mr Howard**—We would remind them of what their obligations are for particular training. Because of the nature of the work that we do, we have got a number of different specialists there and they are very busy in terms of time with their operational training. We have got to compete for time with other operational needs such as air traffic control technical training. So we have to shape the training according to the person's job and what their role is. Some people, maybe, concentrate more on fraud or other related training, whereas air traffic controllers have a high emphasis on aviation related training and also physical security measures. They are the people who are largely accountable for the compliance with physical security, access control measures, put in place at air traffic control facilities.

**Mr Crane**—In relation to Prime Minister and Cabinet, we have a one-on-one briefing on day one for all new starters which is predominantly about access control arrangements—how people enter and exit the building. That is supplemented a short time thereafter at the induction program, where there is a significant security component. Last year we conducted a security awareness refresher course for all staff; that was conducted by the training officers from the Protective Security Coordination Centre. We are proposing that that will be an annual event.

**Ms PLIBERSEK**—Annual for all staff?

**Mr Crane**—Yes.

**Mr Crowe**—An education program for the occupants of Parliament House is something of a problem, given the nature of a lot of the staff that come into the place. However, each of the departments has its own program to address its staff and the contractors that work for it. In our case, Joint House Department, we have a formal induction program where each individual is inducted into the department, into the house. The same applies to the contractors coming to do any work here in the house and for licensees who operate various licensed premises around the place. Education-wise, from the total Parliament House perspective, what we are trying to do is increase the incidence of information circulars we put out to all occupants of the house just to advise them of different issues that are being addressed, different matters that are being pursued by the Security Management Board. I would ask David and Andrea to speak on behalf of their departments as far as they are concerned.

**Mr Elder**—In terms of our department, we include something about security in our induction program. Probably the major thing we are doing in response to the ANAO recommendation is that we are currently trialling some online training packages, developed by the PSCC, with our agency security staff. If, as I expect, they look to be quite successful, we intend to make them available to all staff in the department and have all staff go through what is essentially an online training process which they can do at their own pace, doing a number of different modules depending on the level of their security requirements. Given that protective security for departmental questions security is not a huge issue for our organisation, we think that this is probably an appropriate level of response to just trying to keep everyone abreast of current security issues. One of our recent monthly management forums was devoted to a discussion about some of the changes to security arrangements that had happened recently. That is something that all staff were able to attend, and that was a useful session for informing people about some of the changes to security arrangements.

**Ms Griffiths**—The Department of the Senate is similar with the induction course. We are also undertaking the PSCC online protective security training. In addition, the Serjeant-at-Arms and I recently signed off on new access protocols for access to senators' and members' offices in Parliament House, which was endorsed by the Security Management Board. Certainly our staff in office services who are providing permits for contractors and other people to go inside offices have been given additional training, and those with master keys and their responsibilities in that regard.

**Ms PLIBERSEK**—Are electorate officers able to go to those induction seminars that you are talking about?

**Mr Elder**—I would have to say probably no, as a generalisation.

**Ms PLIBERSEK**—You have got a few extra hundred people who come down in sitting weeks but do not have that training, then?

**Mr Elder**—Yes. We have parliamentary briefings, as you might be aware, on Tuesdays at 1 p.m., and one of the thoughts that have been running through my mind is that maybe one of

those might be devoted to security. All members, senators and their staff could be invited to come along to that, and that might be a good way of trying to capture those issues for that sort of group. It is something that has been certainly turning around in my mind and we may well take that on board. I do not know that it would be appropriate for electorate office staff, nor would they necessarily be interested in attending our departmental orientation programs, which are very much induction programs directed towards the issues within the department and probably would not be really relevant. But Peter has referred to the fact that we have quite an issue in communicating with the occupants of this building because of their itinerant nature, and that is something we should be taking on board.

**CHAIRMAN**—Senator Watson?

**Senator WATSON**—I have no questions, thank you.

**Ms GRIERSON**—Part of the difficulty for me in responding to the Audit Office's brief is that it is so specific. I think sometimes we overlook a very important aspect of security, that of encouraging what we have in this country: a population which in the majority conforms quite well to authority, security and its enforcement. I have to say that if I were looking at my organisation's plan to balance security needs and to deliver a safe environment, I would want to make sure that I was continuing to encourage all those positive things that keep people complying. I would say that in Parliament House it does happen. As our chairman has said, there are some incidents that we all notice, and I would just say that I can validate that the Speaker takes it very seriously. I have watched him being offered free passage without a security check and I have seen him reject it outright. I guess it is a matter of balancing that human nature, which is often very trusting.

Risk assessment, training and understanding of those processes is very important. In my previous role, I was required as a manager to provide every one of my employees with risk management training at the beginning of every calendar year. My organisation had a program of three days of risk management, with a target of three days training in work time for every person in that organisation. So it was a three- or five-year program to get everybody through it. Are those sorts of requirements in place? I ask particularly because, in this role we have now, we do not know who we are in terms of being members of parliament. Ms Plibersek has raised that difficulty for our staff. Am I the person now who trains my staff in risk management and security procedures, or does someone else do that? Are we overlooking some of those filtering down processes? I guess those are general questions to everyone, but particularly to parliament security.

**Mr Crowe**—For a Parliament House response, I can speak on behalf of the Joint House Department. We have a very formal risk management or risk training package being put together right now so that everybody in the house is exposed to it—the different levels, doing the risk assessment and the rest of it. It is a very formal package that is just being completed now.

**Ms GRIERSON**—Is everyone put through that every year?

**Mr Crowe**—Everybody will be put through it on an annual basis, yes. From the security organisation perspective, the risk assessments that are being done, we are relying at this stage on the experts to come in and provide that overview, an external overview, if you like.

**Ms GRIERSON**—So an add-on layer to your risk management?

**Mr Crowe**—Yes. That is informing the development of plans to address anything which is identified through that process. On the question about your staff and the rest of Parliament House, the answer is exactly the same: it is very difficult to capture the 4,000 different bodies who are here. With respect to contractors, for example, for the Hyatt we get ACT health inspectors to come in and do a formal risk assessment of all their activities, as part of the monitoring of the health conditions as far as the catering contract is concerned. So the different businesses have different requirements to address different types of risks. Each of those is being addressed, but the overall physical security risk that we are concerned with just now is being addressed by external experts more than by the in-house bodies.

**Ms GRIERSON**—To the other organisations here today: do you see security as just part of your ongoing risk management training and processes, or do you see it as something completely different?

**Mr McIntosh**—Our security training is done as security awareness training, not as part of an overall risk management process. We have a risk management process in place, but different parts of the organisation have very different risks to deal with. For instance, the replacement research reactor project has a risk register which is completely different from somebody who is doing some scientific research on uranium in the environment in the Northern Territory or whatever. There is an overall risk register for the organisation, but there is no single risk management training package for the organisation because of the diversity of activities across the organisation.

**Mr Howard**—Risk management for Airservices is a core activity. We actually sell our own risk management software to industry. We have a risk management committee that meets in the agency. In terms of training, depending on the core skill of the individuals they will undertake risk management training in those particular specialties. Within security, we make use of the Protective Security Coordination Centre risk management course that runs for about four days; a number of our staff do that. Unfortunately—

**Ms GRIERSON**—Do you have targets for that, in terms of what you would like your staff to do?

**Mr Howard**—We would like all our business centre security managers who take on that portfolio to complete that course. That for us is a minimum. There are a number of other courses that are used—the protective security course and the personnel security course—which are also crucial to understanding security risks. But we have to balance the opportunity of putting people on a four-day course and the location, as to how far we can push that training through the organisation.

**Mr Crane**—In relation to Prime Minister and Cabinet, we place a great emphasis on protective security arrangements, given the significant amount of national and non-national classified material that we deal with. In terms of extended training, I detailed before the training that we undertake for our staff, which is a half-day awareness program which we will be revisiting annually. My security people and also the IT security people have greater training and attend the PSCC courses in relation to various areas.

I would have to say that the level of training that we provide to our staff is probably the maximum we could provide under the circumstances. If I were looking to mandate two or three days of training for each member of staff, I would have great difficulty. I would not have many friends in the department amongst the senior management if I were trying to take staff for that period of time. Having said that, I think we do provide a good balance. People in Prime Minister and Cabinet are well aware of their responsibilities and we do stress to them that I am not the person responsible for security in Prime Minister and Cabinet, each and every person that works in that department is responsible for the security.

**Ms GRIERSON**—I am pleased to hear that the training programs are becoming more defined. In terms of incident reporting, ANAO found that there was perhaps less incident reporting and less attention to incident reporting. I suppose it is a pattern that you do see. People do not write instances down—they consider them too small, too insignificant or they do not record them in any way. They recommended that more attention be paid to that. What attention is being paid, and what processes are being put in place to improve data collection in that way?

**Mr Howard**—Because of the nature of the work, Air Services is very accustomed to incident reporting anyway. Security incidents are just another dimension. We have developed our own incident reporting package that sits on our computer system. It has not been rolled out to everyone at this stage—we still have to iron out a few bugs—but in due course the incident reporting software will be available on everyone's desktop. With the devolution of security responsibility down to everyone in the agency—with everyone having that security reporting responsibility—all of those security reports will be visible to me.

**Mr McIntosh**—Because of the nature of our work, we also have a very strong incident reporting culture. Safety reporting is very strong, but we do also have security incident reporting. I will ask Mr Ryan to talk about the detail of that.

**Mr Ryan**—We have a security incident reporting scheme, which was highlighted in the security awareness seminars. They were shown the form they have to use, how to fill it and where to send it to. The incident reports are electronic versions. When an incident is reported, we send it to them and they send it to the agency security adviser. I then examine it before sending it to the relevant division director, who has five days to come back with the action taken and whether discipline is involved or whatever. At the end of each month, I fill in a security report that goes to the Director of Government Public Affairs. It includes statistics and a list of all the security incidents that have happened, including the number and a short incident report.

**Mr Crane**—Prime Minister and Cabinet also has a security incident and contact reporting scheme. The procedures for that are covered in our departmental security plan, of which everyone in the department has been provided a copy. I must say that the emphasis that we placed in the security awareness training was how to identify a security incident. It is all well and good to have yet another form for people to fill out—I am keen for people to be aware of the security environment, to be able to recognise an event and also to be aware of the contact reporting scheme.

**Ms GRIERSON**—That is the hard bit—the human and the cultural change is very difficult.



**Mr Crowe**—From our perspective, we rely on a multilevel approach to incident reporting. For example, all visitors are encouraged to provide written comments as they leave the House on any aspects they have witnessed while they have been at the House. Just recently we have had a number of queries. They can see the obvious measures that have been taken with regard to security outside and ask: ‘What about this? What about that?’ Those questions are leading to examination of a few other options which might not be so obvious up-front but they are being taken as real incident reports, if you like.

All our security personnel—the PSS and the APS—carry notebooks and are reminded on a daily basis through their daily briefing to record anything they observe during the term of their rostered duty. The security controller is the collation point for any security incident that does occur within the House of whatever nature. The reports from the security controller are then directed through the Chair of the Security Management Board, through the Usher of the Black Rod and the Serjeant-at-Arms to the Presiding Officers so that they are aware of what is going on. Those reports are then considered for any implications they may have on procedures that may need to be amended or changed—for example, the Greenpeace and flagpole incident led some members to immediately ask, ‘What is done up on the roof?’

**CHAIRMAN**—Thank you very much. If we have further questions, we will put them to you in writing and we will expect a response. Does ANAO have a final comment?

**Mr Burgess**—No.

**CHAIRMAN**—Thank you very much. We will suspend the hearing until 2.00 p.m. but we will reconvene for a private briefing with ANAO at 1.15 p.m.

**Proceedings suspended from 12.40 p.m. to 2.00 p.m.**

**DOLAN, Mr Martin, First Assistant Secretary, Aviation and Airports Policy, Department of Transport and Regional Services**

**TURNER, Dr Andrew, Assistant Secretary, Aviation Security Policy, Department of Transport and Regional Services**

**CAINE, Mr Grant Douglas, Senior Director, Performance Audit Services Group, Australian National Audit Office**

**COCHRANE, Mr Warren John, Group Executive Director, Performance Audit Services Group, Australian National Audit Office**

**LEWIS, Mr Mike, Executive Director, Performance Audit Services Group, Australian National Audit Office**

**SUTCLIFFE, Ms Karen, Director, Performance Audit Services Group, Australian National Audit Office**

**CHAIRMAN**—We now come to the third audit report to be examined at today's public hearing. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as the proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Evidence given today will be recorded by Hansard and will attract parliamentary privilege. The audit report being considered in this session is Audit Report No. 26, *Aviation Security in Australia*. I welcome representatives from the Australian National Audit Office and the Department of Transport and Regional Services to today's hearing. Does Transport have a brief opening statement?

**Mr Dolan**—No.

**CHAIRMAN**—Does ANAO have a brief opening statement?

**Mr Cochrane**—Yes.

**CHAIRMAN**—Is it the wish of the committee that the opening statement be incorporated in the *Hansard*? There being no objection, it is so ordered.

*The document read as follows—*

JCPAA REVIEW OF AUDITOR-GENERAL'S REPORTS 21 MAY 2003 AUDIT REPORT NO.26 AVIATION SECURITY IN AUSTRALIA

OPENING STATEMENT

MR WARREN COCHRANE, GROUP EXECUTIVE DIRECTOR

Thank you, Mr Chairman.

The audit examined DOTARS' response to the events of 11 September 2001 and the extent to which DOTARS' monitoring and compliance regime ensures that the aviation industry complies with its security obligations.

The audit looked at:

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- the respective roles and responsibilities of the organisations involved in aviation security;
- the setting of security standards;
- DOTARS' monitoring of airport, airline and cargo security;
- the action DOTARS takes in response to security breaches; and
- the evaluation of aviation security.

The audit also examined the extent to which DOTARS had implemented the recommendations from the previous audit into Aviation Security in Australia (Report No.161988-99.)

Broadly, the audit findings were that:

- DOTARS had responded well to the events of September 11 with a prompt escalation of aviation security measures and effective oversight of their implementation;
- the regulatory framework is comprehensive - the combination of standard security measures and additional security measures works well;
- the monitoring regime is essentially sound, but the quality of monitoring in practice is variable;
- DOTARS could show greater leadership and the action taken in response to non-compliance could be improved - without this, repeat security breaches continue to occur and it is difficult for a security culture to be encouraged among those who work in the industry;
- DOTARS could take a more strategic view of industry's performance and could better evaluate the level of compliance by setting, monitoring and reviewing performance targets and using a wider range of management strategies to encourage industry to achieve them; and
- progress in implementing the recommendations from the 1998 audit report had been slow.

DOTARS agreed to the six recommendations in the audit report to:

- re-examine the resources allocated to and the frequency of its auditing of cargo handlers;
- better examine the root causes or processes where repeat breaches are detected;
- properly hold airports, airlines, contractors and their employees accountable for their security breaches;
- establish administrative penalties for introducing a 'pyramid of enforcement' to ensure industry compliance
- enhance its management information system to track and acquit breaches; and
- establish achievable and measurable performance indicators.

DOTARS advised that progress in implementing the recommendations from the 1998 audit report had been slow because their focus had been on drafting new legislation.

With me today are the ANAO officers who were involved in the audit—Mike Lewis, Grant Caine and Karen Sutcliffe. We welcome your questions.

**CHAIRMAN**—Yesterday in our visit with Transport and Qantas at Sydney Airport, Qantas was quite critical of the audit report in that the report indicated that there seems to be limited or at least no major evidence of the department holding airports and airlines accountable for security breaches and the airlines themselves holding their employees or employees of contractors to account for breaching security. Would you like to tell us about that, Dr Turner?

**Mr Dolan**—I was not there yesterday, but Dr Turner briefed me on some of the things that were discussed. As the audit report indicates, there have been a number of occasions where the contractual relationship between aviation operators and their various service deliverers has not been fully embraced by our regulatory regime, but we see that as something that has been addressed over time. To that extent, I think we do have the capacity to hold to account but, as the audit report indicates, it certainly can be further improved.

**CHAIRMAN**—The reason we have audits is to provide some external look at internal operations. You might disagree with me, but I would be willing to bet with you that if every government agency appeared before this committee one after the other, and we asked each of them how their operation is running, everyone would say, 'It's terrific,' until we send Audit into investigate and find out that things are not going as well as we thought they were. An external look is often very helpful. Perhaps Audit would like to comment, but we appear here to have a somewhat very different set of views about the same report. ANAO feels quite strongly that this issue of discipline and repeated security breaches is not being followed up properly; you think you are listening, and Qantas thinks they are fantastic. Somewhere we have a problem.

**Mr Dolan**—I think we do have a problem. If Qantas believes they are perfect performers and we are perfect regulators, there is a serious problem. There will always be difficulties, breaches and so on that will have to be managed. The key observation I took from the audit report was that we were not sufficiently strategic in dealing with known issues of breaches and how they are fed into our overall systems approach to aviation security. That was a key observation of the report and one that we have taken very much to heart. At the same time—and I suppose this drives the Qantas perspective—Qantas does have explicit contractual relationships with a range of service providers, including screeners, and we have set clear and explicit standards for those. We see those contracts as a key part of the overall system for controlling the appropriate service, and we see our responsibility, including the management of risk, to rest with the operator within our framework. So it will always be a complex systems relationship. How we hold that together is the key. Drawing the information together, responding appropriately, tightening up our systems and having better capacity to do that is what I take as the key message rather than the one that Qantas may have been focusing on it.

**Senator WATSON**—With respect to Qantas, they maintained that you conducted a number of audits, but they are unable to act specifically in relation to the incidents, because you did not give the names, the times or enough detail for them to take action. Therefore they had to issue a generalised circular rather than take specific disciplinary action against particular individuals. I see that as a particular weakness on the part of the part of DOTARS. I would have thought that, if you detected incidents, you would document them properly—identify the people, the time and the location—and then report them and take it through so that appropriate action could take place. It is not particularly helpful to say: ‘We’re very unhappy. We were there on Tuesday the 14th, and we discovered 14 incidents,’ unless you can identify whether those 14 incidents were all against one particular person in one location or whether they were scattered around a series of locations.

**Mr Dolan**—I think it is one of the observations of the report. It explicitly points to a deficiency in how we do our job. That is a recommendation that we have noted and have accepted. We did make some comments on some elements of it, but none that went to the substance of the observation and the recommendation. We have put a considerable amount of effort into it leading up to and more particularly since the audit report went through. As you would know, the budget indicated a substantial effort by the government to improve our overall info systems, which has been one of the key problems in appropriately responding to these sorts of issues. In advance of being provided that money—subject to the appropriation of the parliament—we have scoped out the system requirements to implement it very quickly and integrate it into our overall training approach for our auditing staff, who are currently being refocused to some extent from product checking to the more systems based approach, which has also been recommended as something we give attention to.

**CHAIRMAN**—When this audit was going on, you indicated you had initiated a review of your information management systems and it was due to report by March. Can you tell us the results?

**Mr Dolan**—The report was a scoping study of the design or the description of the information management system that we needed to implement. It is the project that the government has funded through the budget process. The review was an analysis of the scope of the system that

was necessary to respond to the deficiencies in our information management, which is what we will be implementing as soon as the budget funds flow for it.

**Ms PLIBERSEK**—This is a question to the Audit Office. On the tour we did yesterday of Sydney airport, Qantas said that you had not spoken to them. Did you?

**Mr Cochrane**—Yes. I will get one of the officers to tell you the detail of the discussions, but we did talk to Qantas in terms of the personnel associated with their security during the audit.

**Ms PLIBERSEK**—You did not speak to management?

**Mr Cochrane**—I think it was a senior security person.

**Mr Caine**—He was management head of security—one below the executive level.

**Mr Lewis**—He might have been 2IC.

**Senator WATSON**—There have been some changes in the last three months.

**CHAIRMAN**—Continue. What was the result of your conversation with that individual? Don't be bashful!

**Mr Cochrane**—There were no major concerns of Qantas raised in those conversations. Of course, it was during the audit rather than at the time that we actually tabled the report and the findings were known. It was not until after we had tabled the report that Qantas wrote to us and said they felt they could have been better consulted through the audit. We wrote back to them and reminded them that we had had conversations with their management in the audit process.

**Senator WATSON**—Are you constrained in any way as to whom you can discuss the outcomes with? The feedback might be fairly limited.

**Mr Cochrane**—It depends on the nature of the audit. In the section 19 phase, the release of the draft report, we usually make sure that it goes to those people who have an immediate interest. By that I mean those who might suffer some sort of reputation damage or those who have to act on the report in some way.

**Senator WATSON**—What was their feedback?

**Mr Cochrane**—We did not send it to Qantas during the section 19 phase, basically because we were focused on DOTARS. If we had said that we could have involved all the operators out there, we would have been writing to all the airports—about 200 airports—and all the operators to get their views. At that time I would have said that that was not necessary, basically because we were not having anything to say about individual operators in the report. We did not raise Qantas management or Qantas behaviours specifically in the report. We were just talking about the system.

**Senator WATSON**—You did the report in terms of your potential audit findings to Qantas as such. What did they say to that?

**Mr Cochrane**—No, we did not.

**Senator WATSON**—You did not report to them?

**Mr Lewis**—We reported them to DOTARS as part of our normal process with issues, papers and draft reports. Correct me if I am wrong, Grant, but I understand that when we did the field work in the airports and airlines, as is normal practice with the DOTARS inspectors, they have a debrief with the operators. We attended some of those debriefs.

**Mr Caine**—The senior Qantas representative was there, and at that meeting we introduced ourselves and told them what our purpose was. We gave them our business cards, and offered them any further information about our role, if they would like it, saying, ‘Please come and talk to us.’

**Senator WATSON**—Yes, that is initially. But once the audit was finished, the only group that you gave feedback to in terms of your findings was DOTARS, it was not anybody from Qantas.

**Mr Lewis**—That is correct.

**Senator WATSON**—Was that a shortcoming? That is not normal practice, is it?

**Mr Cochrane**—It is only normal practice to consult with people outside the immediate audit target if their rights are being affected in some way. Because we were not identifying Qantas individually, or indeed any of the other operators out there, we took the judgment that their rights were not being impacted.

**Senator WATSON**—If there was infringement of operating standards, I would have thought that Qantas would have had an interest in that.

**Mr Cochrane**—If we were naming Qantas as infringing, yes, they would have, but we did not name Qantas. The report actually speaks about it in the context of the department following up with the operators. There are 200 airports and God knows how many airline operators pulling in.

**Mr Lewis**—It is 60 airlines and 30-odd airports.

**Mr Cochrane**—There are 29 screened airports, in fact.

**Senator WATSON**—At the same time, on a performance rating, there would be some who would be rating very well and others not so well. Wouldn’t that be part of your feedback as part of your audit findings, if they are very variable?

**Mr Cochrane**—Yes.

**Senator WATSON**—I am just surprised that you did not involve some of these people who had to interface with the particular problems that you raised.

**Mr Lewis**—Our focus was very much on the department: to what extent was the department ensuring that the chain of authority was working effectively?

**Senator WATSON**—Yes, but I am talking about sensitivities. I can understand what you say, and we have reprimanded, as it were, the department. But at the same time I feel that there is an obligation. While you are focusing on the department, there were other agencies—the operators—who were remiss, who are going to be affected by your report. I would have thought that it would have been standard audit practice for you in some way to have some interaction in terms of your findings, before you put pen to paper.

**Mr Cochrane**—Only when there is a direct causal link. Quite often when we do a performance audit—

**Senator WATSON**—But this is a very direct causal link, I reckon.

**Mr Cochrane**—In terms of reputational damage, financial damage or anything else like that, you will find that, if we are doing a performance audit where a particular contractor or identifiable contractors are involved and we are saying something about their performance, it would be faulty if we did not actually go out and consult with them. But in this case we are not saying anything specifically about Qantas and we have not examined the performance of Qantas specifically.

**Senator WATSON**—During our investigation yesterday Qantas was certainly under the spotlight, there was no doubt about that.

**Mr Cochrane**—They could argue that they are one of the largest airline providers, but, as we say, there are 60-odd out there.

**Ms GRIERSON**—They could say that very convincingly, really.

**CHAIRMAN**—Good grief, are you conservative, Warren!

**Mr Cochrane**—Okay, they are the largest domestic supplier.

**Senator WATSON**—I think that is a policy that you will have to look at a bit more closely. It just raised questions in our minds yesterday.

**Mr Cochrane**—When we scoped the audit we took the judgment that focusing on the department and the way the department was looking at the operators was the area that we were really interested in. If we were doing a broad audit of aviation security in Australia, and not just the department's administration, then I think we should have gone to all the providers.

**Senator WATSON**—Where do you say in the report that you focused just on the department?

**Mr Cochrane**—I guess it is in the scope, that we are actually looking at the administration of DOTARS in carrying out the administration of the Air Navigation Act.

**CHAIRMAN**—Realistically, you have no charter to audit Qantas in any event.

**Mr Cochrane**—No, we don't; that is the simple answer to that. But, if it had not been the Audit Office but a review of aviation security as a national issue, then maybe you would have gone and seen the operators.

**Ms GRIERSON**—I am always concerned these days, as I suppose the public is, when a department describes itself as a regulator, because we would perhaps share some uncertainty these days in the ability to regulate. I would have thought also that DOTARS is very much responsible for an important industry and its performance and, especially in this case, its security. I am concerned regarding your audit functions and how you are using those to plan and be strategic about the security needs in airports.

I have asked through ANAO about your marrying two sets of information, and I am not sure that either of those sets of information is responsive information. One is the on-the-ground information you collect from people on site. It could be daily, it could be as incidents occur. How you marry that with your audit processes, which I gather are announced so it is known when they will happen, yet have normal parameters rather than strategic parameters? They do not seem to me to say, 'We will isolate these issues as important, because of trend data we have, and we are certainly going to look at those things this year.' How you have responded to those concerns in improving your audit of security processes?

**Mr Dolan**—The key exposure in that respect that the audit report identified was the analytical and strategic handling of the on-the-ground information. Our auditors audit an inspection and product based checking as well as the audit of systems. They do try and breach systems to find deficiencies in the way they are operating, as well as looking at how the systems are documented, run and described by the operators.

How we bring that together, in terms of what future standards of intervention are required and also how we strategically guide our future audits, is the area that we explicitly have to pay more attention to. So that is what we are doing in building further what we describe as our regional office function—the on-the-ground audit teams, which have substantially increased in scale. In the last budget we got additional funding to build that function. The other element that comes into this is intelligence and threat assessments that we receive from the security agencies. There is a whole number of information sets where we are, essentially, working with the industry to try and convert threat assessments into genuine assessments of risk and the appropriate measures and level of responses required.

The observation I would make is that aviation security was not static, but a slow moving system, until September 11, 2001. That was when the world fundamentally changed for us and we had to build a much more quickly moving, responsive system, rather than one where you could do stepwise change in a reasonably considered way. One of the key points that need to be made here is that it is a system that, by the very nature of the environment it is operating in, has been under more stress than it used to be, and we have had to be dealing with that.

How are we doing it? We are ensuring that we have the systems to aggregate the information and analyse it. We are ensuring that our staff are fully trained to understand more clearly systems based auditing as well as the product checking—they are trying to slip things through the system and find deficiencies in it—and to understand the appropriate balance between when you draw the attention of someone to a minor deficiency and when you actually go for some sort of



enforcement action in response to it: the balance between education and enforcement, which is the other element here. I am sorry if that was a rather long answer, but I am trying to describe a complex system.

**Ms GRIERSON**—I find that difficult. I do not know how long either of you has been with the department, but I note that in 1998 there were 14 recommendations from ANAO regarding aviation security. One would have hoped that September 11 would have been an extreme test of a procedure, a system and a culture that were already in place. This report suggests that that strong culture and system based approach to security was not in place, which we would think very regrettable.

**Mr Dolan**—I would be happy to receive a second opinion from my ANAO colleagues, but I read the report as saying that, although there are a number of improvements that could still be made to our system, it is fundamentally sound and it did respond appropriately to the events of September 11. To that extent I disagree with what you say.

**Ms GRIERSON**—I take your point that there has been a noticeable change since the September 11 incidents. Another recommendation that is in the report, or matter that the report highlights, is that you should consider introducing a process along the lines of the CASA approach: a request for corrective action that has strict procedures, timelines et cetera, to always be responsive to safety breaches—or, in this case, security breaches. Have you implemented that, considered it, or made any moves towards putting it into place?

**Mr Dolan**—Yes. We currently have in front of the House of Representatives a new piece of legislation that attempts to set the regulatory framework within which we can more clearly set out a range of graduated penalties and interventions to deal with that. That will be supported by a quite detailed set of regulations, which are still being finalised in consultation with industry. In developing that, we have been clearly and explicitly aware of developments that have happened in CASA in terms of their safety audit and management responsibilities. There are a number of quite direct parallels between the two, which is not surprising. From the point of view of the public, safety and security in aviation are pretty much the same thing. So we have built it in, it is in front of the parliament and we are consulting with industry about the best way of getting the details in place.

**Ms GRIERSON**—This is not in the audit report, but as a regional member of parliament I have raised those concerns with ANAO in terms of people travelling from regional to regional airports where no screening is available at point of exit from a small regional airport to a larger regional airport, where it is only when you leave an airport that you are screened. I know of breaches of security that have occurred because of that. In your organisation, have you given any particular consideration to regional aviation security needs since September 11?

**Mr Dolan**—We are regularly reviewing the overall threats to the system and the appropriate level of response to those. The government had a major consideration, before Christmas last year, of the level of screening and other issues that should be applied on an ongoing basis, and we are progressively putting the results of that in place. There is a difficult balance, because the more you talk about threat and assessed risk, the more clearly you are drawing the attention of potential malefactors to the weak points of a system. I could possibly give the committee in

camera a more detailed response to this question, but we take very clear account what security agencies and others say about the assessed level of threat and the appropriate level of response.

**Ms GRIERSON**—That is what I would have hoped, and it would give me some comfort if I thought the relationship between DOTARS and intelligence agencies in Australia was such that at least they were being proactive and you were responding well to their information.

**Mr Dolan**—On a regular basis, as an integral part of the overall system we run.

**Ms GRIERSON**—Thank you.

**CHAIRMAN**—In response to that last answer to Ms Grierson: it seems to me that culture plays a hugely important part in this equation. I recall an inquiry into AQIS when we went to the Torres Strait and found that Quarantine has managed to imbue the people there with a spirit of determination to report anything they see that looks different or suspicious, to try and make sure that they keep out all the nasties. We were singularly impressed by that culture throughout the entire Torres Strait, everywhere we went. I would have thought it was important to try and create that sort of culture throughout our whole airport community.

**Mr Dolan**—We certainly attempt to do that, not just with the airport community but with the aviation community more broadly. One of our key communication mechanisms is the communication infrastructure in terms of advice to pilots and so on. On several occasions we have tried to heighten awareness of the role that all individuals can play in relation to the security of airports and of aircraft. We have also worked with state police and law enforcement more broadly on heightening awareness of what can be done on the ground in regional airports and other facilities. We are conscious of it and working on it as part of a broader approach by the government to questions of security and the current terrorist threat.

**CHAIRMAN**—Ms Grierson asked you about the 1998 report and why all those recommendations had not been accomplished. Does ANAO have a view about whether the department would have been further ahead and better able to respond to issues such as September 11, had they already implemented or been in the process of implementing those recommendations?

**Mr Cochrane**—That has certainly been touched on already in the report—the response to September 11 was quick and pretty well thought out—but I guess we would have a greater degree of assurance about the monitoring of the effectiveness of the security arrangements if the improvements to the audit approach had been made earlier. It is just a matter of how effective you can get the system to be. Certainly, the improvements that were in the 1998 recommendations and in these recommendations go very much to making sure that we have the best effectiveness that we can get in our monitoring arrangements.

**CHAIRMAN**—There is also the issue of air cargo. One of the things that the report argued was that there was a marked difference between the department's frequent monitoring of passenger screening and the infrequent monitoring of regulated agents who handle cargo that travels on the same aircraft. Have you made any progress in that area?

**Mr Dolan**—Yes, Mr Chairman, we have made progress. In part, it is in the broader framework of overall transport security. One of the key things that the department has focused on, which is only heightened by the finding of the audit report since September 11, is security of the freight chain from the point of shipment to the point of arrival—of which, obviously, air cargo plays a key part: 80 per cent of air cargo is in the belly holds of passenger aircraft. We have put additional resources into that. We are reviewing whether the regulated agents scheme, while necessary, is in fact sufficient to current requirements, and are also getting more resources into reviewing the regulated agents on a regular basis.

**CHAIRMAN**—Correct me if I am wrong, but is it not true that we make the assumption that the responsibility for air cargo coming into Australia rests with the country of origin, or the last country where that cargo was before it exited to Australia?

**Mr Dolan**—Yes, and we make the same assumption about passengers. That is the overall international system that we are part of.

**CHAIRMAN**—In the current climate, if we had an aircraft coming from Saudi Arabia full of air cargo that was not transhipped anywhere—it just came straight through—we would assume that it had been properly inspected there?

**Mr Dolan**—I am sorry, Mr Chairman, this is one of the ones where I wonder—

**CHAIRMAN**—I do not know that *Hansard* can properly record a sigh.

**Mr Dolan**—I suspect that it cannot, Mr Chairman. The sigh was as I contemplated how detailed the public answer to that question should be. There are two elements to be borne in mind here. The first is that the Australian Customs Service has a clear and explicit responsibility for incoming cargo, directly related to our overall systems but run by it. The second element is about the extent to which Australian law can be imposed extraterritorially. There is a considerable limit on that. Our capacity to put controls on an aircraft that is being loaded in an overseas country is comparatively limited. Australian operators can put their own arrangements in place for checking cargo and so on, and I know that Qantas does have its own overseas arrangements. But there is an international issue where we do, to a considerable extent, have to rely on the effectiveness of others' systems. We have information on that and we take what account we can of it, but it is a very difficult area.

**Senator WATSON**—Is there any rating or any benchmarking so that you are aware that some places in Asia might be hopelessly weak and others a lot stronger than Australia? I know there is auditing—that is one thing—but I would like to know that there was some benchmarking or some rating system.

**Mr Dolan**—The International Civil Aviation Organisation sets a series of international standards which all contracting states—members of the International Civil Aviation Organisation—agree to comply with. Also, ICAO has implemented its own international auditing program. So there is that sort of information. There is an agreed international standard of intervention, and an international audit program that verifies that those standards are being met, the reports of which are, I think, available to all contracting states.

**Dr Turner**—They will be.

**Mr Dolan**—We are moving, as are other countries, through an international organisation to try to deal with this issue, to have an international standard that everyone is meant to comply with.

**Senator WATSON**—How do we know that there is no contamination of food or water? Problems can come in through the food supply chain, particularly if food is prepared off base. What focus do you have on that?

**Dr Turner**—We, in aviation security, do not have any. Our existing regime is focused entirely on departing passengers and cargo, not on incoming. All the concerns you raise about incoming are a border control and quarantine issue, not an aviation security issue, under the current regime.

**Senator WATSON**—What control do you have in terms of the preparation of the food going aboard outgoing aircraft?

**Dr Turner**—As a security issue, we do not have any.

**Senator WATSON**—Surely that might be a point of weakness. What is the point of having security for passengers—

**Dr Turner**—There is control over the security of the loading of catering, but we do not have a responsibility for health and quarantine issues.

**Senator WATSON**—How do we know that some device has not been secretly put into one of those containers that hold the food, the water or whatever it might be?

**Dr Turner**—There are measures which regulate the security of the loading of catering materials. If you are talking about the security of catering, yes, that is subject to a measure of control. But as to whether we are concerned with things like whether there is a quarantine related risk, no—

**Senator WATSON**—I am not talking about quarantine; I am just focusing on the potential to use all manner of things: passengers, cargo or even food and water going onto planes.

**Mr Dolan**—That gets to the point where we have to reflect on some of the fundamentals of the system. We have aviation operators who see it as a core part of their business that they get their passengers safely from one point to another. Based on threat and risk assessments and a range of other information, we set minimum standards for compliance, to the extent we can, to prevent unlawful interference with aviation. It is open to Qantas and to others to put in additional interventions if they wish. I have not seen anything—I am not sure whether Dr Turner has—that would lead me to the conclusion at this point that there is a high level of threat in relation to the contamination of food, but it is something we could turn our minds to as a question.

**Senator WATSON**—Or using the food vehicles as a means of getting explosives, say, on board an aircraft.

**Mr Dolan**—The issue of the food vehicles and what goes airside at an airport and what is loaded onto an aircraft is something that we do have systems to control. The key element that I am saying we have not turned our attention to, nor have we seen threat information in relation to, is what happens to the preparation of food before the point at which it is carried through the system and onto an aircraft.

**CHAIRMAN**—Does ANAO have any comments about this whole issue surrounding air cargo?

**Mr Caine**—May I say with respect to food catering that on two of the audits that I observed we did look at the security arrangements at the catering facilities. We looked at it from the point of entry, access control and security of unprepared food right through to shipment onto the catering trucks that went to the airport. There was a review of the security of the catering facilities.

**Ms PLIBERSEK**—Was it in off-base catering facilities, or on base?

**Mr Caine**—They were both off base.

**CHAIRMAN**—What about the general issue of air freight, air cargo?

**Mr Cochrane**—Clearly, the report touches on both ends of the air cargo system—that is, outgoing and incoming. In the sense of outgoing, quite clearly we have made the recommendation which, as Mr Dolan says, the department has reacted to, regarding the need for more frequent auditing of the regulated agents scheme. In terms of the incoming cargo, we did not make such a recommendation because it is very difficult area to control. We want to record for the record that that is a potential weakness in terms of a security risk: we do not always know what is coming in on some of those jets. What the report does do, however, is to encourage the department to do more work with the international bodies to make sure that we understand the risks out there, and if we have to react to a certain risk coming from a certain country, maybe Saudi Arabia, we do so.

**CHAIRMAN**—I only mentioned that because of the very bad bombing last week.

**Mr Cochrane**—You were just using that as an example, yes.

**Ms GRIERSON**—Could Dr Turner perhaps comment on that. Since September 11, one would have thought that international liaison for best practice and to set those goals would be in place. Has that happened? Is that what happens?

**Dr Turner**—There is a tremendous amount of work going on through the International Civil Aviation Organisation, which is the UN organisation that administers the Chicago convention—the basis of our international activity. Essentially, the process was that in February 2002 ICAO organised a ministerial meeting. It is a very rare event for ICAO to organise a ministerial meeting. The outcome of that meeting was a plan of action in which the two principal elements were some further amendments to annex 17. Essentially, the way that the convention works is that it has appended to it a series of annexes, and annex 17 is the annex which deals with aviation security.

**Ms GRIERSON**—Has that happened?

**Dr Turner**—Amendment 10 came into effect in July last year, and work on a further amendment, amendment 11, is going on now.

**Ms GRIERSON**—Is a change in our practice to reflect the response to those sorts of annex changes?

**Dr Turner**—Very few things that we do now but used not to do have come in because of amendment 10. Most of what amendment 10 required we were already capable of doing. But the major element of the plan of action is developing the audit program that Mr Dolan referred to in answering a previous question. This is fairly hard work but good progress is being made in developing the materials—the audit handbook and so on—as a basis for introducing a universal security audit program so that the member states of ICAO will be subject to audits by auditors independent of the particular state, against audit material which is approved by the members of ICAO. Essentially, how the audits are to be done will be the subject of agreed documentation and procedures, and then the audits will be conducted by qualified auditors who are independent of those member states.

**Ms GRIERSON**—As our audit process is not best practice yet, I do not think they will be modelling it on ours completely at this stage.

**Dr Turner**—Certainly there is room for some improvement to which we have agreed. By the same token, the outcome of the last time we were subject to an audit by the American Transport Security Agency, an audit of our ports from which flights depart to America, was—whilst I await the written report—a clean bill of health and exemplary commendation.

**Ms GRIERSON**—I am pleased to hear that, because I think the Australian public really does expect those standards to be very high. Thank you.

**CHAIRMAN**—Does ANAO have any further comments?

**Mr Cochrane**—No.

**CHAIRMAN**—If we have any further questions, do you mind if we put them in writing?

**Mr Dolan**—No.

**CHAIRMAN**—Thank you very much.

[2.54 p.m.]

**LANE, Mr Michael Francis, Manager, Aboriginals Benefit Account, Aboriginal and Torres Strait Islander Commission**

**STACEY, Mr Brian Robert, Manager, Land and Development Group, Aboriginal and Torres Strait Islander Commission**

**FRY, Mr Norman Douglas, Chief Executive Officer, Northern Land Council**

**HAIRE, Ms Catherine Elise, Senior Policy Officer, Northern Land Council**

**WEEPERS, Ms Jayne, Senior Policy Officer, Central Land Council**

**AMAGULA, Mr Walter, Chairman, Anindilyakwa Land Council**

**CROKER, Mr Rex, Interim Manager, Anindilyakwa Land Council**

**HEBBLEWHITE, Mr Ross, Charge Consultant, Anindilyakwa Land Council**

**BRADFORD, Ms Kerri, Senior Director, Performance Audit Services Group, Australian National Audit Office**

**LACK, Mr Steven, Executive Director, Performance Audit Services Group, Australian National Audit Office**

**MEERT, Mr John Emil, Group Executive Director, Performance Audit Services Group, Australian National Audit Office**

**CHAIRMAN**—We now come to the fourth and final audit report to be examined in today's public hearing. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

The audit report being considered in this session is Audit Report No. 28, *Northern Territory Land Councils and the Aboriginals Benefit Scheme*. I welcome representatives from the Australian National Audit Office, the Aboriginal and Torres Strait Islander Commission, the Northern Land Council, the Central Land Council and the Anindilyakwa Land Council to today's hearing. Do you have any comments to make in relation to the capacity in which you appear?

**Ms Weepers**—May I make an apology on behalf of David Ross, who has been caught unexpectedly in Alice Springs.

**Mr Lane**—I am the manager of the Aboriginals Benefit Account in Darwin, of the ATSIC Native Title and Land Rights Branch.

**Ms Bradford**—I am audit manager in the Australian National Audit Office.

**CHAIRMAN**—Ladies and gentlemen, thank you very much for coming today. Does ATSIC have a brief opening statement?

**Mr Stacey**—Yes, thank you, Chairman. Thank you for inviting us. For the committee's information, the Aboriginals Benefit Account is an administered item within ATSIC, rather than a program as such of ATSIC—that is, ATSIC administers the account on behalf of the government, in particular the Minister for Immigration, Multicultural and Indigenous Affairs. Accordingly, ATSIC officers—Mike and I—advise the minister on decisions to be made under the Northern Territory land rights act, under which the Aboriginals Benefit Account is established. We do so under a delegation that has been derived from the board of commissioners of ATSIC, which gives the CEO the power to advise the minister on the administration of relevant legislation. Therefore, the advice that ATSIC gives to the minister on the administration of the legislation, including relating to the Aboriginals Benefit Account, is not provided by the board of ATSIC but instead by public servants such as me. That does not mean that ATSIC's board, should it consider it necessary, might not look at policy issues around land rights legislation. It has not been practicable or necessary for the board to consider this particular audit report, but it is important, I think, that the committee understand that, to the extent that we are giving any views in answering questions, we are doing so as public servants who are ultimately accountable to the minister in respect of administering this legislation.

As officers of ATSIC, we are supporting the recommendations of ANAO that apply to the administration of the Aboriginals Benefit Account. We support the view of the Australian National Audit Office that there needs to be a greater focus on effectiveness and outcomes by those charged with administering the account, and we accept that there are improvements that we need to make. We are in the process of implementing the recommendations applying to the Aboriginals Benefit Account, and we have provided the committee with a table which outlines the status of action with respect to each recommendation.

I emphasise that ATSIC has not waited until the tabling of the ANAO report in the parliament before taking action. Following discussions with officers of the ANAO during the early period of the audit field work in 2001-02, ATSIC anticipated better practice to be recommended by the ANAO and, in some areas of the administration, we had commenced work before the report was actually tabled.

We think the ANAO's report is a useful contribution to better administration in Indigenous affairs. We support the underlying theme of improved focus on effectiveness and outcomes; we think it is a theme that has come up in quite a few ANAO reports in recent times in relation to Indigenous affairs. We think it applies to ATSIC as much as to land councils; it applies as much to Commonwealth government departments as to state departments. That is all, thank you.

**CHAIRMAN**—Thank you. Do any of the three land councils have a very brief opening statement? We have heaps of questions, I would imagine.

**Mr Fry**—I do have an opening statement.

**CHAIRMAN**—Be as quick as you can, because we prefer to ask questions.



**Mr Fry**—The land councils welcome the opportunity to address the committee on the important issue of the recent performance audit of the land councils and ATSIC. The Northern Land Council has welcomed the ANAO's report, has accepted all the relevant recommendations and looks forward to the opportunity to implement them. The Central Land Council has accepted all but one.

We are pleased with the outcomes of the report, particularly the findings that we are complying with all relevant legislation and have a clear understanding of our core business and responsibilities. The committee has been provided with our implementation plans, which show the steps which have been taken already, and further plans. The Northern Land Council is about to embark on a pilot implementation project in relation to one of our key areas of operation, the mining unit. We will be developing an outputs and outcomes framework, stakeholder feedback protocol and performance evaluation systems, which we hope will provide a model for implementation right across the organisation.

The land councils also welcome the recommendations in relation to improved stakeholder information, performance reporting and transparency at the ATSIC ABA. There have been concerns for many years about the need for more information on the ABA and the ANAO's recommendations will assist in addressing those concerns.

The background to this audit is unusual in that it was requested by the minister for Indigenous affairs as a condition of increasing our funding for the first time in seven years. Despite this less than constructive beginning, the land councils were fully supportive of the process and found the experience valuable. In our published responses to the audit, the Northern Land Council and the Central Land Council commented on the emphasis of the ANAO on the outputs-outcomes framework. This is not a criticism of the framework. In fact, we are keen to use this system to improve our public information and reporting practices. We readily acknowledge the value of the proposed framework for improving our ability to communicate goals and achievements to clients and stakeholders. However, despite their value, we do not believe that the only way in which efficiency and effectiveness can be determined is through these specific reporting frameworks.

A perusal of ANAO's reports from the years before the adoption of the new outcomes-outputs methodology readily demonstrates that it is possible to assess performance even when agencies do not conform to the preferred framework. However, this is a methodological point which should not occupy our time today. The much more important concerns for us are the implementation of the recommendations in a timely and effective way given our unique cultural and legislative context. ANAO acknowledge that their methods were unequal to the task of evaluating a critical aspect of our work—the aspects of Indigenous governance and cultural match. Given that these considerations are at the forefront of our responsibilities, and that our agencies must every day provide a link between mainstream Australian law and Indigenous decision making, it is unfortunate that the methods utilised by ANAO were not capable of assessing our effectiveness in this important role. However, adapting the Commonwealth's preferred reporting model to the specific Aboriginal cross-cultural context may be a challenge which we can achieve ourselves and thereby be a model for other similar bodies.

Our goal over the next three years will be to incrementally implement the recommendations in a way which sits appropriately with our responsibilities and our unique range of clients and stakeholders. ATSIC has indicated that there is some funding available for the implementation

process. However, at this stage we do not know how this could or will assist us in that important task. We plan to be able to demonstrate some significant achievements within the next 12 months on all of the recommendations. Our annual reports for 2002-03 will reflect some of the useful suggestions made for improved reporting to the parliament and the general public. In relation to our most important stakeholders, the traditional Aboriginal owners, we will continue to work to find a way to implement improved reporting frameworks and planning models which are culturally appropriate and assessable.

**CHAIRMAN**—Thank you. ANAO?

**Mr Meert**—I am happy to stick with questions, Chair.

**CHAIRMAN**—The audit report states:

Because of a lack of systematic performance assessments supported by suitable performance information, the ANAO was unable to assess whether the Lands Councils were fulfilling their functions and delivering their services in an effective and efficient way.

It goes on to say:

While the Land Councils were focused—

and it did not say improperly—

on delivering services to traditional owners, the lack of performance information also meant that the ANAO was unable to assess, in any conclusive way, whether the current level of resources provided to the Land Councils was appropriate.

Do the land councils have a comment on that?

**Ms Haire**—You are referring to the findings in paragraphs 24 and 25 of the report. This was summed up in our CEO's opening statement. We acknowledge the fact that we do not currently have the performance outputs and outcomes framework in place within our organisations and because the ANAO prefers that model as a way of assessing effectiveness and efficiency it concluded that it was unable to assess us because we do not use that framework. It is our view that it could have made some comments based on what it saw. It is unfortunate only to be able to assess through the one framework. However, we also acknowledge that using that framework might make it easier in the future for an assessment of our work.

**Mr Meert**—My comment is that in any program I would expect to have some performance targets, some statement about your objectives and what you are trying to do, and some measures against that which an external scrutineer—and it would not have to be the ANAO; it could be parliament—could follow and make some judgments about performance. I am not prescribing a particular model. I am just saying that it should have some characteristics which are clearly targets, performance measures and results.

**Mr Lack**—In the report, we are careful to try to say that we are not suggesting that the land councils adopt an outcomes-outputs framework in a holistic way. We are careful to say that they should do it in a way that allows them over time to be able to report better. In that regard, when

we looked at their operations, as John said, we were not necessarily looking in the beginning for an outcomes-outputs framework; we were looking for processes that would allow us to say that over time the land councils had been more efficient in their work. We would be looking for things like their costs and how much it was costing them to issue permits, to do an exploration licence application and to prepare a land claim. In the same regard, we would look at the resources they were using. Over time, they should be able to demonstrate whether they were doing those things with more or less resources.

**CHAIRMAN**—Do the other two councils have any comments?

**Mr Hebblewhite**—As the result of a review commissioned by the Aboriginal affairs minister in early 2001, the Anindilyakwa Land Council set itself a reform agenda, a lot of which focused on accountability. As a result of that agenda, the outputs and outcomes, as well as performance information and indicators, were included to a certain degree in our 2002-03 financial budgets. We are now committed to furthering that but we had embarked upon the process prior to this audit.

**Ms Weepers**—Some of our key business areas certainly have some quite sophisticated levels of monitoring and evaluation and some performance assessment. Certainly, when it comes to mining within the Central Land Council, that was gone through in great detail with the ANAO. However, it was rightly pointed out that it is not systematic across the entire organisation as one comprehensive framework. That is what we are looking to put in place now. In fact, the audit findings have been quite useful in that regard but it is not quite accurate. I would not want you to think that there is no assessment of performance across our key business areas, because there is. It is recorded in the annual report. However, again, it is relatively descriptive in our annual reports and we are looking again to change the format and the framework of that reporting across the board.

**CHAIRMAN**—In your statement you said that you were disappointed that the audit failed to provide a more thorough assessment of the operations of the Central Land Council, given the extremely detailed briefings provided with the audit team. However, the Northern Land Council said that the report is somewhat limited in scope for lack of consideration of the unique cultural context and Aboriginal governance is a lost opportunity. I do not understand that exactly. I could spend a dollar to buy a chocolate bar but, if I can buy another one of equal quality and size for 50c, I would buy that one, which involves an objective, not subjective, evaluation. Could you explain to me in more detail what you each meant in those two statements?

**Ms Weepers**—One of the things that became evident to us—in part it is perhaps to do with the CLC going through the process for the first time with the ANAO—is that the land councils have two different laws and cultures intersecting. The part that the ANAO looked at is that which is set out in the land rights act and our operations under that act, and it is correct that they should do that. There is another side to the land councils, which others can talk about more than I can, and that is the Indigenous governance and the way that Aboriginal law and culture come into the governance of the organisations.

Part of the constraints of the audit were around budgets and timing. There was not a lot of time to visit, for example, the regional offices of the land councils to come to very many of the bush meetings that are held, which are basically where we do our business. The office in Alice

Springs was visited and carefully scrutinised. There is a whole other world to the way the land councils operate. In some ways it was outside the scope of the audit and perhaps outside the expertise of the ANAO to look at that side of it. If we had been in a position to design a different process, it would perhaps have been another body that was able to look at some of those aspects—the other half of the way the land councils work. That is what we meant when we felt that it was slightly limited in scope. In terms of a detailed look at our administrative arrangements, it has done that and we are happy to take on board the recommendations on that basis.

**Ms GRIERSON**—Before you answer for the Northern Land Council, which is what I am interested in, I think that is fine in that the audit office would look at those very specific things. But one of the recommendations that the Northern Land Council rejected was the service charter recommendation, or it did not agree with it.

**Ms Weepers**—It was the Central Land Council.

**Ms GRIERSON**—My apologies. You did not agree with that, yet listening to what you said I thought that if you set up your service charter reflecting what your Indigenous communities want you can be audited only on those things. If they are there as your prefacing and guiding statements then you have given someone something else to measure—perhaps something more meaningful to measure.

**Ms Weepers**—Yes, and I can explain. I can state that we will proceed with implementing the recommendation. In some ways, the fact that it has ‘disagrees’ next to it reflects an ongoing tussle, I suppose, with the Audit Office over definitions. It was part of the issues papers and then the draft report. We will now take the recommendation in the same way as we will take the rest. To very briefly explain the tussle, in some ways it was over the role of traditional owners in the land rights act and in the land councils. Much of the ANAO’s description of stakeholders through the process included traditional owners as stakeholders. We were having what might seem a bit of a semantic argument over the fact that traditional owners are not just stakeholders in the land council; they actually are the land council. We cannot function without their instruction. It might seem slightly strange to you in this context.

**Ms GRIERSON**—No, I accept that.

**Ms Weepers**—It was a long-running mini-battle. But we will implement a service charter. I guess the other aspect of it is that the majority of our council members do not speak English as a first language. Part of what we were questioning was the appropriateness of a service charter which may tick a box in terms of the audit process but will not necessarily make a lot of difference to the land council’s responsiveness to the stakeholders—the traditional owners.

**Ms GRIERSON**—I think there is a wonderful challenge for land councils to set those guiding principles themselves.

**Ms Weepers**—Yes.

**Ms GRIERSON**—And therefore report on them in very different ways than perhaps the ANAO are used to. But I think that is all they are asking. Match those two things however you

want to and at least we will see that there is a match or that there is some performance movement along those lines.

**Mr Fry**—In response to that issue, in the Northern Land Council’s jurisdiction—which is very similar to that of the Central Land Council—traditional Aboriginal owners make up the council. That is the reality. In the Top End of the Northern Territory the window for work is the dry season, and that is roughly late April through to September or early October. So the bulk of our work—a lot of the mining activities, a lot of the land use arrangements and agreements and all the consultations—usually gets done in that period, mainly because the wet season in the north makes everything else inaccessible. Meetings just cannot be held. Where meetings can be held in accessible localities, we try to hold them. But those that have to be held out in country a lot of the time cannot be held in the wet season, so the bulk of the work is in the dry season.

It just so happens that in Aboriginal law and Aboriginal culture the dry season is also a great time for ceremony. In other words, there is a clash of cultures, priorities and time. There are Aboriginal governance issues and law and order issues that Aboriginal elders and the main traditional owners of particular groups have to participate in. Weaving our program around all of those things and trying to get very complex consultations done—a lot of them in very remote localities and some of them on islands adjacent to the coast—makes it very difficult for the land council to do those programs. We feel that the amount of effort that we put into that and the amount of cognisance that we pay to those issues mean that we have to be sensitive to the Aboriginal people who make up the land council and whose work we largely carry out. We have to ensure that they are being serviced in a way that does not conflict with their priorities as traditional Aboriginal people and landowners. We felt that that was not appreciated or could not be picked up in the way that the auditors’ methodology looked at it. It is not appreciated just how hard and just what a huge consideration in all of our planning that really is. If we do not do that in a very judicious way, a lot of our work simply would not get done.

**Mr Meert**—I appreciate that, and I do not want to get into that argument. On pages 103 and 19 we have referred to some of those issues. Let me take it back one step and say, ‘Let’s forget the semantics about service charters.’ The basic principle is that exactly everything that has been said here is what you would put in a statement, policy or whatever you want to call it so that people who deal with you—be they on the council or wherever—know what they can expect from that organisation. That is all we are saying. Whether you then reflect all those things about the wet season or the dry season is fine, but at least then there is a statement of expectation about the services that that group is going to provide. You do not have to call it a service charter—I do not want to get caught up in that. We are saying, ‘Put down what people can expect from you in terms of service delivery.’ Otherwise, they are going to be complaining about the level of service. They will make their own minds up about their expectations of your agency, which were reflected in some of the comments and criticisms we got.

**Ms PLIBERSEK**—I wanted to start with the audit office. None of your findings suggested any mismanagement, did they?

**Mr Meert**—No.

**Ms PLIBERSEK**—The recommendations you have made are really about finetuning, more than anything else, aren’t they? Is that a fair characterisation?

**Mr Meert**—That is right—improving administrative processes.

**Ms PLIBERSEK**—Some of that finetuning is going to require some significant resourcing. In the Northern Land Council's response to the draft report of the performance audit some of these resourcing issues are alluded to. For example, you talk about risk management and the fact that you would seek a similar level of assistance to that offered to other Commonwealth government agencies—namely, support and training from the risk management unit of Comcover, which you do not get despite the fact that you are a Commonwealth statutory authority. Can you explain that? Why don't you get it?

**Ms Haire**—Unfortunately we cannot explain it. We do not think it is consistent at all. Negotiations are continuing to enable us to get that recognition for risk management under the Comcover scheme. The latest indications are that that will be achieved, I believe. In a way, it could well be said to be something that has fallen out of the audit. It has forced us to pursue the anomaly that was operating. It does not just affect risk management but also other corporate services relating to work cover and those kinds of human resource issues.

**Ms PLIBERSEK**—Does the ANAO have any comments about that?

**Mr Meert**—I just want to make one careful point: better administration does not necessarily take more money; you can actually save money. For example, if you get into a bind about trying to demonstrate that you need more money and you do not have the supporting evidence, then there are more questions and you keep going around trying to prove your case whereas, if you proved it in the first place, you would actually save money. But that is just a general comment; I am not commenting specifically.

**Ms PLIBERSEK**—What about the issue the Northern Land Council raised about, say, the support and training from the risk management unit of Comcover? Do you have any view on that specifically? In an instance like that, you are talking about access to help and support rather than more money.

**Mr Lack**—At one point during the audit we made some inquiries ourselves. We cannot see why they should not have access.

**Ms PLIBERSEK**—Following on from this, the minister has written to the land council stating that some assistance will be available through ATSIC to ensure the provision of appropriate expertise to assist in implementing the audit recommendations. At what stage are those negotiations? Have appropriate consultants been engaged? If they have, who are they? If they have not, what process are you following to do it? This might be a question for ATSIC—we could start there, and then hear from the councils if there are any follow-up comments.

**Mr Stacey**—The minister did offer to provide some assistance to the land councils for implementing the recommendations, recognising that there might not be all the expertise that is required to implement what are fairly complicated processes which Public Service departments have difficulty dealing with. It was also, importantly, from the minister's point of view, to ensure that implementation of these recommendations happened in a meaningful way. It was also so that it was done in a consistent way across the northern land councils so that we did not end up with one particular framework in, say, the Northern Land Council and a different framework in

the Central Land Council. We did not believe that would be in the Commonwealth's, the land councils' or the clients' interests. We needed to have a consistent framework in place.

As to where it is up to and whose services we might be engaging for that purpose, we are proposing to use a firm of accountants and management experts based in Canberra. The name is Senatore Brennan Rashid. They are a firm under contract to ATSIC as a consequence of a public tendering process. They have been working with the native title representative body system—and, of course, the Northern and Central Land Councils are native title representative bodies as well under the Native Title Act and have been for some five years now. We are looking, by the way, to implement an outputs-outcomes based funding framework for the representative body system, as well. We thought that, on the basis that this group had built up a constructive relationship with representative bodies, they would be useful to employ as consultants. We have not finalised the arrangements. We will be talking to the land councils shortly about those arrangements and their specific tasks.

**Ms PLIBERSEK**—When are you likely to finalise those arrangements?

**Mr Stacey**—Not before we have had the discussion with the land councils. We are hoping to do that at the end of this month. We think we need to go through the specific tasks and to see what the issues are from the point of view of the land councils. From there we hope to proceed.

**Ms PLIBERSEK**—Did any of the land councils want to make any comment about that? I had one final question about the ABA community grants. In your response to the draft report of the performance audit, you mention that the ANAO report should have stated more clearly that it relates to only 70 per cent of the Northern Land Council's work which is ABA funded. You say that the conclusions and recommendations in the report refer to the Northern Land Council as a whole and do not acknowledge the different and at times more rigorous reporting procedures already in place for the 30 per cent of the Northern Land Council's work program, which is native title funded.

I am curious that you draw attention to the fact that you have got different reporting procedures for areas of work funded by those two different sources. Can you detail a little bit about the way the reporting procedures are different, why they are and, if they are more rigorous, why don't you adopt them for the other 70 per cent of the work?

**Ms Haire**—Brian Stacey might want to comment on this as well. It is an anomaly which perhaps through the implementation of the audit report recommendations we may be able to address, although it also relates to the requirements of the land rights act and the Native Title Act and the administrative arrangements which have been put in place particularly relating to the Native Title Act. The reporting requirements under the land rights act are relatively straightforward in that we produce an annual report with audited financial statements. That is presented to the minister, who then tables it in parliament. That is the process that has operated since 1977. When the Native Title Act was enacted and we were recognised as native title representative bodies as well as land councils, we then had to take on a second tier of reporting requirements. These involve six-monthly reports on our native title activities and an annual statement about native title activities as well as a native title annual report. We are quite hopeful that possibly through this process which Brian has outlined we may be able to come to some reporting arrangements which streamline this. Obviously, the duplication involved is rather

ridiculous and there is more than enough for us to be doing in concentrating on our core business, as opposed to producing four different lots of reports which are basically relating to the same work and which go in fact to the same administrative body. I think ATSIIC is also aware that it is a duplication and it is a historical anomaly.

**Ms PLIBERSEK**—Have ATSIIC made any recommendations to the minister that these reporting requirements should be streamlined?

**Mr Stacey**—I normally do not talk about recommendations that I make to the minister as a public servant, but we think that they should be streamlined. If we can get consistency and streamlining, we will do what we can. It is, as Catherine has said, to some extent a product of the fact that the land councils were established under the Northern Territory land rights act. Their obligations flow from it as well as from the Commonwealth Authorities and Companies Act. Later on we had the Native Title Act and of course amendments which put in place comprehensive reporting obligations for representative bodies were passed in 1997 in the parliament. Yes, there is some—

**Ms PLIBERSEK**—room for streamlining. That is what you are saying.

**Mr Stacey**—Yes, there is some room for streamlining, and it is not that easy from our point of view either. We would hope that we could work towards achieving something that is reasonable.

**Senator WATSON**—I must say that I am very pleased by the commitment given by all the various parties to the JCPAA today as to the reforms that you are going to proceed with. But when I read your initial reaction and discussed it with my colleague Sharon, I wondered whether perhaps it was a knee-jerk reaction. I refer to comments that, given the detailed level of information, the report was limited in scope. I wondered whether you fully understood the scope and the purpose of the audit, because you provided an awful lot of information which appears almost irrelevant to the intention of the audit, so I wondered if there was a little bit of misunderstanding. I am a little bit worried that, in today's accountability environment where performance measurement and risk measurement and audit committees are so integral to the reporting process to the parliament, for some reason you have got left behind and that it is only in recent times, as a result of the audit, that there has been this new focus. If we look back, there have been some worrying things as far as the committee is concerned, such as the Aboriginal Benefit Account and the \$21 million. When you look at that, you note the reports of the National Audit Office that neither the Central Land Council nor the Northern Land Council really appeared to have any procedures to document or, certainly at a strategic level, identify risk. As risk assessment and risk identification are so integral, we had this worry: how have you got left behind in the general scheme of accountability upon which this committee puts so much importance?

Do you see the worry that we have? Would you like to comment about the knee-jerk reaction? These issues of performance measurement and risk management and audit committees have been around now for quite a few years. It is not as if they came in in the last 12 months. And it has got you into trouble for lack of risk management, as my next question I suppose will reveal.

**Ms Haire**—The more detailed findings of the audit of the ANAO will reveal that they do acknowledge that we have quite good risk management at a project level.



**Senator WATSON**—A strategic level is what I am talking about.

**Ms Haire**— What they identified was that the risk management activities which are very much a part of our day-to-day work and which are very much integral to the way all of our projects and responsibilities are managed had not at that stage been formalised into a broader statement at that strategic level.

It is important for the record to note that we do analyse and manage risks very carefully in relation to all the projects that we do. ANAO were quite complimentary to us on the way we do that at the project level. We acknowledge that that was not formalised into an organisational policy but it was certainly not something that we ignored or considered to be unimportant.

**Senator WATSON**—In terms of risk management, you had a couple of cases which came out of the Supreme Court of the Northern Territory—Hansen and Penfold. They cost you a lot of money. To me, it seemed a bit of a reflection of the fact that perhaps if you had better risk management at a strategic level in place you might have avoided the consequences of that. You had something before the report came out leading up to those decisions because it takes a long time to get these cases to court.

Wasn't there somebody there saying, 'Had we done things differently, had we more accountable measures in place at an earlier time, we might have avoided that'? I welcome what you are doing in relation to the audit report. But I am saying that there were signals out there earlier—warning signs—that should have raised alarm bells about the need to do something in the risk management area. Would you like to comment?

**Ms Haire**—You are right on both counts in referring to those two court cases that the NLC was involved in. Both those actions commenced in about 1994, which is prior to when our current CEO came in to his position. There have been some distinctly more stringent processes put in place. Unfortunately, the decision was made on a risk analysis that those cases were too far advanced by the time the new CEO and our new principal legal adviser commenced. In those specific cases, at the time they commenced you are right. But we have certainly learnt from those experiences.

**Senator WATSON**—I thought the CEO, even the new one, should have been saying, 'We've had a problem; we've had a court case. Where is our weakness? Why aren't we doing something about it? Why didn't we consult,' because it cost you a lot of money and we are all interested in saving money. I mentioned performance management, risk management and audit committees. The audit referred to the lack of audit committees, didn't it, in terms of the Central Land Council? What are you doing about that?

An audit committee does not necessarily have to be made up of financial gurus. It is an ideal means of getting all your participating members to have an input. It does not have to be as technical as, maybe, a Department of Finance and Administration one, but at least it gives you an opportunity for all your participating or affected people who have a strategic interest in your outcomes to be able to say something. I just think that if you picked up that audit committee, which is so essential, it could fit in to your cultural issues of trying to involve people.

**Ms Weepers**—We have, I am proud to say, launched ourselves into 2003: we have our first audit committee meeting on 28 and 29 May.

**Senator WATSON**—Who are the members?

**Ms Weepers**—There are two members chosen from our council, as well as an external person with significant financial management expertise and a senior member of staff who is not the director or the financial controller. So we have been going off the ANAO guidelines for audit committees. The charter will, in the first instance, focus on financial management and oversight and compliance, and then, once we have got the audit committee comfortable with its role, we will move to extend it into risk management.

**Senator WATSON**—I am saying that you have almost missed an opportunity in going down the pure financial line and not having some members drawn from your strategic membership or owners to ensure their input into it. That is where I think your particular cultural perspective could have a very significant input into what you have up to now regarded as a very sterile financial approach. You can develop an audit committee to reflect the particularities of Aboriginal and Torres Strait Islander culture over time—you might not be able to do it initially—in terms of the people that you select.

**Ms Weepers**—Certainly there are two traditional owners on it. What we are now faced with is a committee with extraordinarily diverse literacy, numeracy and general skills. We have now organised training but there is going to be a fair bit of capacity building to get our members to understand the role of an audit committee in its most conventional sense, let alone in perhaps a new sense. Our immediate concern has been to comply with the CAC Act, and so we have done it by the letter, really, as ANAO has got it. I guess we will start there, and we will look later at whether we can shift it in some other directions.

**Senator WATSON**—I did look at the CAC Act of 1997 in relation to your responsibilities, and the act really did look at very strong corporate governance. Again, to me, strong corporate governance, audit committees, risk management, all these sorts of things that I have been talking about, have been missing up to today.

**Ms Weepers**—It is not entirely missing—

**Senator WATSON**—You might have had a financial statement compliance, but essentially the point with all the big three is that the order of the month now is certainly corporate governance, and that too has been around since the Commonwealth Authorities and Companies Act 1997, known as the CAC Act. I am just drawing out examples of why I felt that perhaps you should have been bringing yourself up to speed a little bit earlier, rather than being so surprised by a particular approach from the Audit Office which suddenly appeared to stun you. As I have said, initially you seemed to have a knee-jerk reaction, whereas all these developments had been around.

**Ms PLIBERSEK**—Could I just clarify that. I must have misunderstood you, because I thought I read in a couple of your responses that the areas that the Audit Office identified were areas that you were already aware of and working on in particular ways.

**Ms Weepers**—I can answer for the Central Land Council. Some of it was, but I could honestly say that we had not started working on a documented, strategic, risk management process. That is something that, while it might have been around for a few years, had not particularly penetrated our organisation. So the challenge for us to do it at what I think you are calling the strategic level, Senator, as opposed to the project management level, is quite a big one. In terms of the other performance management reporting frameworks, there was a range of work going on, some of which ATSIC had asked us to start looking at and some of which we had already identified. We had just updated our strategic plan and some others of those framework documents.

**Senator WATSON**—In view of the commitments that you have given us today, how can you demonstrate to us as a committee that you are fulfilling your service delivery obligations, in terms of services, in an effective and efficient way? That was the focus. How do you intend to change to reflect what this audit was all about in terms of delivery of service in an efficient and effective way?

**Ms Weepers**—We would argue that we are delivering our service in an efficient and effective way. What the ANAO report found was that we are not reporting that. So what we intend to do, in a nutshell, is to change our reporting framework.

**CHAIRMAN**—So you think you are, but you have not been able to prove it. Is that it, put in a nutshell?

**Ms Weepers**—That is right, yes.

**Senator WATSON**—What are the changes to effect this change in approach, to give us the confidence that it will reflect these outcomes?

**Ms Haire**—As Norman said in our joint opening statement from the NLC and the CLC, we plan to use the advice that ANAO has given us, to change the way we report to the parliament, in the first instance, through our annual report—which is due to be tabled on 15 October. Our first goal will be to reflect some of what we have learnt from this process about better ways of showing what we do, how and why we do it and what it achieves. That will be reflected in our next annual report.

**Senator WATSON**—I know there is always a tendency to centralise functions et cetera, but, given the nature of your obligations to the people whom you serve, have you given consideration to a more decentralised approach that might reflect a more democratic, grassroots involvement?

**Ms PLIBERSEK**—Do you mean breaking down, say, the Northern Land Council into a regional—

**Senator WATSON**—Into a number of divisions, even, to take away the central focus a little bit.

**Mr Fry**—Could I answer that?

**Senator WATSON**—Yes. It is just a suggestion.

**Mr Fry**—Let me tell you how the place operates, because it is very decentralised and yet on some matters it is centralised. Let me explain. There are seven regions in the land council. We have offices located in Tennant Creek, Borroloola, Ngukurr, Katherine, Timber Creek and Nhulunbuy, as well as the Darwin-Daly-Wagait office, and we are about to establish one at Port Keats. So we have a lot of regional offices, right throughout the seven regions. We have seven regional councils that dovetail in to the full council. All work that is undertaken—as I said, in the dry season—in those areas is very decentralised. Only the stakeholders and their clients, the traditional owners, are at those meetings—not me, not the central office in Darwin. Officers from the land council in Darwin, the head office, complement the existing staff in those regions to do certain things. So, if it is a mining project that they are going to do, people from the mining unit in the land council will go, and so will somebody from the anthropology branch, somebody from the resources management branch and somebody from the legal branch. Also, somebody from ATSIIC who is the minister's rep will turn up at those meetings. Those sorts of workloads are very decentralised.

When it comes to the processing of these things back with the Northern Territory government and the Northern Territory mining department and with the Commonwealth, as relevant bodies, it comes through the central office—that is correct. But the work is carried out very much in the regions. It is not carried out in Darwin.

**Senator WATSON**—As one who has been tied up with accountability for many, many years in this parliament, I just wonder—I might be the wrong person trying to give advice—whether your service charter should be widened to reflect what you are actually doing.

**Mr Fry**—We take that point on board.

**Senator WATSON**—Then people such as me would not be asking those sorts of questions.

**Mr Fry**—Point taken. One of the things that we have been very conscious of since I arrived at the land council in 1996 is to explain more about what we do, what the processes are and, above all, who it involves—why we do the work that we do and how we go about it, and what informed consent is. A lot of people outside the land councils and outside the stakeholder groups that are working with the land councils to get certain things done do not really understand what informed consent is. Informed consent, when you are working with people who speak English as a second, third, fourth or, in some cases, fifth language, is very complex to achieve. Not only have you got to get the explanations of the procedural matters across, but you have also got to get across the conceptual ideas in regard to land use that proponents are putting forward as proposals.

**Senator WATSON**—Within this service charter, how difficult would it be to incorporate, at the levels that we are now talking about, performance evaluation or reporting, something like that, to get some idea of progress or benchmarking et cetera?

**Mr Fry**—We have a fair idea. I might let my policy officer answer that.

**Senator WATSON**—We have got to incorporate it somehow in the documentation. I am asking: can that be done and is it a difficult exercise? From our perspective, we come back to all these things: performance reporting, risk management, audit committees, all these sorts of

things. They are part of our culture by which we assess things. What I am putting to you is to adapt in such a way that we can have assurance measures that tell us you are on track in terms of your expenditure programs, your delivery programs et cetera.

**Ms Haire**—As Norman said in his opening statement, we believe that it can be done. However, we think the great challenge is on us to show how we can implement these recommendations in a way which is not only meaningful for the parliament when our annual report is tabled there but is also meaningful out at Maningrida, Borroloola, Ramingining or Galiwinku, where our key stakeholders live and the people to whom we are, in the first instance, responsible.

**Senator WATSON**—Is it possible to have performance work culture—obviously, it may not be as sophisticated as perhaps in some of the other departments—

**Ms Haire**—It may well have to be more sophisticated.

**Senator WATSON**—If you had a measure of that sort of thing, if that were possible, I think it would be said to be a great improvement. Thank you.

**Ms PLIBERSEK**—Thank you very much for travelling so far. We really appreciate it.

**CHAIRMAN**—Absolutely. Does anyone want to make a final, wrap-up comment?

**Mr Meert**—I would like to add one comment. Despite some differences, may I just say thank you for their assistance. Audits do require assistance from the auditees, and I would like to express my thanks for their assistance in the audit.

**CHAIRMAN**—I will just make the comment that I made in the hearing earlier today, that if we had an inquiry at which we brought in every Commonwealth department and agency, one after the other, and said, ‘Do you think you are doing a good job?’ every single one would say yes. But then, when we introduce an audit, we find that perhaps there are things that people can do to improve. It has been our experience that audit adds value and helps teach people, because an outside look is sometimes better than an introspective inside look. That is our perspective, anyhow. Thank you very much for coming. As well as the witnesses I thank the observers, my secretariat and my colleagues, and last but not least, God bless Hansard.

Resolved (on motion by **Ms Plibersek**):

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

**Committee adjourned at 3.55 p.m.**