



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

ESTIMATES

(Additional Estimates)

TUESDAY, 15 FEBRUARY 2005

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 15 February 2005

Members: Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Brandis, George Campbell, Forshaw and Heffernan

Senators in attendance: Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Abetz, Allison, Brandis, Carr, Evans, Faulkner, Fifield, Forshaw, Johnston, McLucas, Minchin, Moore, Sherry and Wong

Committee met at 9.05 a.m.

FINANCE AND ADMINISTRATION PORTFOLIO

In Attendance

Senator Minchin, Minister for Finance and Administration

Senator Abetz, Special Minister for State

Department of Finance and Administration

Executive

Dr Ian Watt, Secretary

Ms Simone Pensko, Executive Officer

General

Mr Lembit Suur, General Manager, Corporate Group

Mr Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Mr Peter McGuinness, Acting Branch Manager, Strategic Partnerships

Ms Philippa Crome, Acting Branch Manager, Human Resources

Ms Tania Martin, Acting Branch Manager, Legal Services

Mr Clive Hawkins, Corporate Group Point Person

Mr Geoff Hill, Director, Portfolio Coordination Unit

Mr Glenn Black, Senate Estimates Coordinator

Mr Dominic Staun, General Manager, Financial and e-Solutions Group

Ms Kym Partington, Branch Manager, Management Accounting

Ms Melissa McClusky, Branch Manager, Financial Accounting

Outcome 1

Mr Phil Bowen, General Manager, Budget Group

Ms Kathryn Campbell, Division Head, Budget Policy and Coordination Division

Ms Susan Page, Division Head, Industry, Education and Infrastructure Division

Mr Peter Saunders, Division Head, Government and Defence Division

Ms Jackie Wilson, Division Head, Social Welfare Division

Mr David Weiss, Branch Manager, Health and Ageing Branch

Mr David Nicol, Branch Manager, Family and Community Services Branch

Ms Emily Wadeson, Budget Group Point Person

Mr Ian McPhee, General Manager, Financial Management Group
Mr Jonathan Hutson, Division Head, Financial Framework Division
Ms Anne Hazell, Division Head, Financial Reporting and Cash Management Division
Mr Brett Kaufmann, Branch Manager, Accounting Policy Branch
Mr Phillip Prior, Division Manager, Budget Framework and Systems Division
Ms Trixie Makay, Budget Framework and Systems Division
Ms Karen Doran, Division Manager, Superannuation and Governance Division
Mr Rod Alfredson, Director, Evaluation and Audit Unit
Ms Sandra Wilson, Branch Manager, Superannuation Branch
Mr Michael Culhane, Branch Manager, Finance & Banking
Mr Marc Mowbray-d' Arbela, Branch Manager, Legislative Review Branch
Mr Michael Loudon, Branch Manager, Procurement Branch
Mr Paul Meiklejohn, Branch Manager, Financial Reporting Branch
Mr Tom Moloney, Financial Reporting Branch
Mr Tony Olliffe, Financial Reporting Branch
Mr Bruce Taloni, FMG Point Person
Mr Guy Verney, Branch Manager, Special Claims and Land Policy Branch

Outcome 2

Mr Simon Lewis, General Manager, Asset Management Group
Mr David Yarra, Division Manager, Shareholder and Asset Sales Division
Mr Rick Scott-Murphy, Division Manager, Business Services Division
Ms Stacie Hall, Branch Manager, Insurance and Risk Management Branch
Mr Mark Heazlett, Branch Manager, Telstra Scoping Study Team
Mr Tim Wise, Branch Manager, Major Projects, Immigration Branch
Mr Owen Hammond, Branch Manager, Major Projects, Domestic Portfolio Branch
Ms Elizabeth Clegg, AMG Point Person
Mr John Grant, Acting General Manager, Australian Government Information Management Office

Outcome 3

Ms Jan Mason, General Manager, Ministerial & Parliamentary Services
Ms Kim Clarke, Branch Manager, Entitlements Policy
Mr Rob Barnes, Branch Manager, Service Centre
Mr Ken Sweeney, National Manager, COMCAR
Mr John Edge, Branch Manager, Account Management
Mr Stephen Taylor, Branch Manager, Legal & Review
Mr Greg Smith, M&PS Point Person
Ms Amanda Toms, Ministerial & Parliamentary Services

Outcome 4

Mr John Grant, Acting General Manager, AGIMO
Mr Patrick Callioni, Division Manager, AGIMO
Ms Robyn Fleming, Branch Manager, Policy
Mr Tony Judge, Acting Branch Manager, Frameworks
Mr John Lalor, Acting Branch Manager, Service Delivery
Mr Lachlan Leslie, AGIMO Point person

Australian Electoral Commission

Mr Andy Becker, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Mr Tim Pickering, First Assistant Commissioner, Electoral Operations
Ms Barbara Davis, First Assistant Commissioner, Business Support
Ms Marie Nelson, Assistant Commissioner, Corporate Services
Ms Kathy Mitchell, Director, Funding and Disclosure
Mr Doug Orr, Assistant Commissioner, Elections
Mr Andrew Moyes, Assistant Commissioner, Enrolment and Parliamentary Services
Mr Brien Hallett, Assistant Commissioner, Information, Education and Research
Mr Phil Diak, Acting Assistant Commissioner, Information, Education and Research
Mr Ken Hunter, Assistant Commissioner, Information Technology

ComSuper

Mr Leo Bator, Chief Executive Officer
Ms Michelle Crosby, Chief Finance Officer
Mr Marcus Markovic, Point Person

PSS/CSS Boards

Mr Steve Gibbs, Chief Executive Officer
Ms Barbara Wilson, Finance Manager

Commonwealth Grants Commission

Mr John Spasojevic, Secretary
Mr Malcolm Nicholas, Assistant Secretary
Mr Owen Rodda, Director, Corporate Services

Department of Human Services**Department overview**

Ms Patricia Scott, Secretary

Department of Human Services outputs**Output 1: Core Department**

Ms Patricia Scott, Secretary
Mr Geoff Leeper, Acting Deputy Secretary
Mr Gary Dunn, Assistant Secretary Delivery Policy Branch

Output 2: Child Support Agency

Ms Sheila Bird, Acting General Manager
Mr Trevor Sutton, Assistant General Manager Business Strategy
Mr Neil Peach, Assistant General Manager Corporate Governance

Output 3: Commonwealth Rehabilitation Service

Dr David Graham, General Manager
Ms Margaret Carmody, Deputy General Manager Service Delivery

Centrelink**Output 1: Effective delivery of Australian Government services to eligible customers**

Mr Jeff Whalan, Chief Executive Officer

Operational Networks (customer based contact issues)

Ms Pat Turner, Deputy Chief Executive Officer, Customer Service
Ms Christine Hagan, General Manager, Network Operations
Mrs Joan Savic, Manager Privacy and Information Access Team

Government Services and Business

Ms Carolyn Hogg, Deputy Chief Executive Officer, Business
Ms Jane Treadwell, Deputy Chief Executive Officer, Business Transformation and Chief Information Officer
Dr Margaret Browne, General Manager, Business Integrity
Ms Carmel McGregor, General Manager, Participation
Mr Grant Tidswell, General Manager, People and Corporate Performance
Ms Sally Babbage, National Manager, Service Development

Corporate issues

Ms Mandy Ritchie, Chief Financial Officer
Ms Katrina Edwards, General Manager, Strategic and Business Planning
Mr Grant Tidswell, General Manager, People and Corporate Performance
Mr John Wadeson, General Manager, Service Offers and Integration
Ms Ann Steward, General Manager, Enterprise Capability
Dr Louise Tucker, General Manager, Operations Management
Mr Karel Havlat, National Manager, Resource Management

Health Insurance Commission**Output 1: Delivery of Australian Government health payments and information**

Ms Catherine Argall, Managing Director
Ms Ellen Dunne, General Manager, Information and Payments Services Division
Mr David Trabinger, Acting General Manager, Development and Strategy Division
Dr Janet Mould, General Manager, Program Review Division
Ms Lyn O'Connell, General Manager, Business Implementation and Support Division
Mr Nic van den Berg, Acting General Manager, Information Technology Services Division
Mr Dominic Downie, General Manager, Governance and Corporate Services Division
Mr Trevor Burgess, Chief Finance Officer, Governance and Financial Management Division
Mr Louie Andreatta, Manager, Medicare and DVA
Ms Lyn O'Connell, General Manager, Business Implementation and Support Division

Australian Hearing

Ms Anthea Green, Managing Director

CHAIR—I declare open this public hearing of the Senate Finance and Public Administration Legislation Committee. On 10 February 2005, the Senate referred to the committee for examination the following documents: particulars of proposed additional expenditure in respect of the year ending 30 June 2005, Appropriation Bill (No. 3) 2004-2005; particulars of certain proposed additional expenditure in respect of the year ending 30 June 2005, Appropriation Bill (No. 4) 2004-2005; particulars of proposed additional expenditure in relation to the parliamentary departments in respect of the year ending 30 June 2005, Appropriation (Parliamentary Departments) Bill (No. 2) 2004-2005; statements of savings expected in annual appropriations made by act, Nos 88, 89 and 90 of 2004; the final budget

outcome 2003-04; the consolidated financial statements for the year ended 30 June 2004; and issues from the Advance to the Minister for Finance as a final charge for the year ended 30 June 2004.

The committee is required to consider these documents insofar as they refer to the portfolios allocated to the committee by the Senate on 17 November 2004 and to report to the Senate on or before 15 March 2005. The committee may also examine the annual reports of departments and agencies at this time, even if no additional appropriations have been sought. The committee has set Friday, 1 April 2005 as the date for the submission of written answers to questions that are taken on notice. The hearing today will examine the department and agencies of the Finance and Administration portfolio. I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order listed on the agenda.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate.

[9.08 a.m.]

Department of Finance and Administration

CHAIR—Welcome. Minister, do you wish to make an opening statement?

Senator Minchin—No, thank you.

Senator SHERRY—Following the election, a reorganisation involving a number of expenditure departments' agencies was announced. They were to be incorporated within the department of finance. Could you give me an update as to the organisational administration arrangements within the department that that has necessitated and an update about where you are at in terms of that organisational structure.

Dr Watt—I am not exactly clear which reorganisation you are referring to. If you are referring to the Department of Human Services, that is a separate department within the portfolio and not related at all to the Department of Finance and Administration. If you are referring to the shift of the Australian Government Information Management Office from the portfolio of Communications, Information Technology and the Arts, then I can talk to you about that.

Senator SHERRY—Firstly, on the Department of Human Services, is there no implication in terms of the internal organisation's staffing levels et cetera within Finance?

Dr Watt—No, there is no direct implication beyond the fact that Finance temporarily seconded a number of officers to the Department of Human Services to help them establish themselves, because it is very rare in the Commonwealth system that you ever establish a

department from scratch, but this is one where that happened—there was no core to build on and therefore there were a lot of mechanical procedural things that had to be done and we seconded officers to help with that process. I think all the secondees have now returned to the department. So certainly the ongoing assistance, which we are happy to provide if anything further is needed, has substantially wound down.

Senator SHERRY—And on the other matter you mentioned?

Dr Watt—The Australian Government Information Management Office?

Senator SHERRY—Yes.

Dr Watt—That was transferred from the communications and information technology portfolio, where it was an executive agency, into the department of finance, where it has ceased to be an executive agency and is a group of Finance. We have taken it in as a stand-alone organisation; it has value as a stand-alone organisation within the department and therefore we intend to keep that. Also, it would not fit very easily within any of our existing structural groups. We have completed the formal integration of the department. I think Mr Suur, who has been involved in our transition teams and is head of our Corporate Group, can talk a little bit more about that.

Mr Suur—AGIMO became part of the finance department on 27 October 2004. There was a total of 111 staff who were transferred to Finance. We have integrated AGIMO into the Finance programs, so we have, for example, created a new outcome 4, which is called Effective and efficient use of information and communication technology by the Australian government. That outcome is listed for discussion today.

Senator SHERRY—There were 11 staff transferred in: has there been a reduction in the number of staff within the group?

Mr Suur—No, there has not.

Senator SHERRY—Any plans?

Mr Suur—Except insofar as some staff have been transferred to our corporate areas because we have a central corporate services model which was a stand-alone organisation, as Dr Watt mentioned. It was an executive agency and had some of those corporate functions embedded within its structure. So those of its personnel who perform corporate service type roles are now working within the corporate areas of Finance.

Senator SHERRY—What is the approximate number of staff transferred?

Mr Suur—To within the corporate areas of Finance?

Senator SHERRY—Yes.

Mr Suur—A total of 6.8 transferred to the Corporate Group and I think a couple were transferred to the Financial and e-Solutions Group.

Senator SHERRY—So the new group within Finance will have approximately 100 staff?

Mr Suur—Just over 100 staff.

Senator SHERRY—While I am on the issue of staff, the annual report shows a significant increase in the staffing levels to 30 June 2004. What are the reasons for that?

Mr Suur—There are a number of reasons. One is growth in the functions and responsibilities of the department, all of which have been requested or mandated by the government.

Senator SHERRY—Such as?

Mr Suur—The role of coordinating Commonwealth construction activity, the impact of the Australia-United States Free Trade Agreement and the need to set up a central procurement role within the department—they are two examples I can think of off the top of my head.

Dr Watt—I can provide you with a few more if you would like, Senator.

Senator SHERRY—Yes, thanks.

Dr Watt—As part of the Australian government's greater involvement in providing direct assistance to some of the Pacific Island states, the Department of Finance and Administration now has a number of Finance officers in line positions in the treasuries and finance departments of PNG, Nauru and the Solomon Islands. As part of that, we have set up a small branch in Finance to support those officers. That adds to our growth.

You might remember that the Kinnaird review of defence procurement required Finance to become more involved in assessing future costs and financial risks around defence procurement. We were resourced to do that some time ago. That is another small branch in the Department of Finance. Mr Suur mentioned that the US FTA has caused us to review our procurement procedures and to provide a slightly more centralised approach, which has added to our numbers in the Financial Management Group. The Office of Evaluation and Audit, which came out of ATSIC, has been transferred to the Department of Finance and Administration. I do not believe that was transferred before 1 July 2004.

Mr Suur—The date of effect was 1 July. So the 30 June figures you were referring to, Senator, would not include them.

Dr Watt—But that is another small addition.

Senator SHERRY—Sorry—it would or would not include them?

Dr Watt—Would not.

Mr Suur—Because we report as of 30 June, whereas the date of effect of OEA moving to Finance was 1 July.

Senator SHERRY—Just on that, what is the approximate number of people involved there?

Dr Watt—It is around 20.

Senator SHERRY—It is a growing empire.

Dr Watt—I would never refer to it as an empire. Firstly, as a CEO I think you actually feel every additional staffer in your organisation, because it all adds to the things that potentially flow across your desk—though you do your best to keep them out. Secondly, I have a strong view that the department of finance should endeavour to stay as small as it possibly can, because it is very hard for Finance to set an example of being a minimalist organisation if we

keep growing. That said, we are responsive to the needs of government. As Mr Suur said, the government has asked us to do these things, presumably because it thinks there is some sense in having Finance do them.

Senator SHERRY—I am not going to disagree. Could you provide me, on notice, with a list of your staffing levels to 30 June 2004 going back to 1996. I do not need the numbers now.

Dr Watt—I am sure we could, but one point to remember is that Finance in 1996 was an entirely different organisation.

Senator SHERRY—I certainly understand that.

Dr Watt—When you look at Finance now, about half the department is the old Department of Administrative Services. Despite the fact that that department was split across a number of areas and DAS businesses were effectively sold off, about half our staff—maybe even a few more—would have actually been in DAS jobs.

Senator SHERRY—Yes. You might footnote that for accuracy purposes.

Dr Watt—We can do that.

Mr Suur—The figures for 1998 and 1999 and possibly 2000 will show a particular spike that has to do with the absorption of the Department of Administrative Services.

Senator SHERRY—You must have a forecast for staffing levels for this financial year. What are you looking at for this financial year?

Mr Suur—As at 30 December, our staff numbers were 1,236 and in January we recruited our new intake of graduates, which number 55. I think at the moment we would be sitting somewhere below 1,300, and I think that that is pretty much where we intend to sit for the year.

Senator SHERRY—So that will be an increase. We will see on 30 June 2005, but at the moment it looks like an increase from 1,078 as at 30 June 2004.

Dr Watt—One hundred of those are from AGIMO, some are from OEA and some of them are in the graduate recruiting program. We would obviously expect to be somewhere near our maximum staffing levels in January-February.

Mr Suur—Also, since July, the US FTA related function has ramped up, so a number of staff are associated with the procurement trial.

Senator SHERRY—I note that back in 2003 there were 928 staff, so Finance is growing respectably.

Dr Watt—Yes.

Senator SHERRY—An issue in the annual report that I want to touch on is on page 38: Budget Advice, output 1.1.1. Looking at that, the budget advice output failed to meet its target for accuracy in forecasting expenditure. Can you give me the reasons as to why the forecast was unable to be met?

Dr Watt—I would like Phil Bowen, who is head of our Budget Group, to handle that question, at least initially.

Mr Bowen—The targets that we have are pretty tight targets. If you go back into history, we have always had some difficulties in meeting those targets.

Senator SHERRY—Before you go on, if you always had some difficulty, presumably you would adjust the targets based on that historical experience, or are you eternally optimistic?

Mr Bowen—I guess we are reluctant to adjust the targets until we are really sure that we do not have appropriate targets, but I think it is a fact that we have had difficulty in meeting a number of those targets. In 2002-03 we met certainly two out of the four targets, but in 2003-04 we failed to meet each of those targets.

Senator SHERRY—That is, four out of the four?

Mr Bowen—Yes.

Senator SHERRY—That is a deterioration by anyone's analysis.

Mr Bowen—On the basis of two years, yes, it is. You need to look at what we are actually trying to achieve. If you take, for instance, the one per cent difference between the first forward year and the final budget outcome, we achieved 2.6 per cent.

Senator SHERRY—That is a 1.6 per cent difference.

Mr Bowen—Yes, but 1.6 per cent of about \$200 billion is what we are talking about.

Senator SHERRY—I understand that argument and I am not surprised you would advance it. Let us take that case of one per cent. It is out by 1.6 per cent or more than 150 per cent.

Mr Bowen—That is true.

Senator SHERRY—That is the other end of the analysis of being out from the target.

Mr Bowen—That is true, and we acknowledge that, but we are talking about very large aggregates and small percentages of those very large aggregates. We are looking at the way in which we do our estimating and we have a number of prongs to our strategy to try and improve the accuracy of the estimate. First of all, we are working very closely with agencies because, after all, our estimates are really only as good as the estimates that we get from agencies as that is where they originate. We have what we call a collaborative model in working with agencies. At the end of the day we take responsibility for the estimates that go into the budget papers, as we should, but they are worked out jointly with the agencies concerned. To the extent we can, we are putting increasing effort into working closely with agencies at each and every estimates update to try and get a much more accurate result.

We are also working with them on their estimating models. Some of these models are very complex. There are a lot of parameters that drive changes in expenditure estimates. We have established within the budget group a very small centre of expertise to work with agencies to help improve and enhance the outcomes from those models. We are also, as you are aware, redeveloping the central budget management system. I do not hold out any of these as panaceas, because it is hard to get this right. But we are very confident that system will provide us with a better basis for analysing the data that we currently collect. Since the budget estimates and framework review of a couple of years ago we have returned to collecting quite detailed information at a program level. With the new system we will have a much better tool to help us analyse that data.

Senator SHERRY—Just on that, that is at least a partial return to the old system, isn't it?

Mr Bowen—To the extent that we are collecting data at a much more detailed level, yes, the Department of Finance and Administration used to collect data at a very detailed level. It is within the existing framework but at a program level. Those are the key things we are doing but it has to be a collaborative effort with agencies using the better tools that we expect to have in the next 12 months or so.

Dr Watt—You began by asking why we did not amend the target. We do review these targets and their usefulness regularly. It is a question we have thought about. The answer is a very simple one. We are not comfortable with the impact that not achieving these targets potentially has on the government's bottom line between various stages of the budgeting process. Therefore, we intend to improve our accuracy with the strategies Mr Bowen has in mind.

As part of this I also intend to be talking to my portfolio secretary colleagues about how we can get better arrangements between us. This is not necessarily talking about arrangements between us and the immediate point of contact in the agencies, which for estimating purposes is usually the chief finance officer's office. Often these estimates are done one or two removes from that CFOs office and that is where the key drivers of the estimates occur. It is the program managers whom we have to get to and to do that we need the help of the CFO in each of the major agencies and the help of the portfolio secretary and the agency head. But we do not feel we should ask government to even consider amending these targets because of the absolute impact they have on the government's bottom line. As you rightly point out, 1.6 percentage points of total expenditure is a large amount of money.

Senator SHERRY—If each year there is a significant reasonable variance from the target it does bring into question the target that is set. At some point in time a call has to be made.

Dr Watt—There may come a time when that will be the case. We do not think we are there yet. We think we have some strategies that are worth pursuing and we will pursue them.

Senator SHERRY—I want to deal with ex gratia payments. In answer to a question on notice, No. 74, which was about ex gratia payments, a list was tabled providing details of act of grace payments. It was on 7 December 2004 under the FMA Act. There were 281 payments on that list. I have a couple of questions about a couple of the payments.

Dr Watt—We can do that.

Mr Lewis—I will certainly attempt to help you.

Senator SHERRY—I am looking at some of the significant expenditures or payments, so hopefully you can provide some information. No. 112 was a payment made by Defence for \$45 million. What was the nature of this payment?

Mr Yarra—We would need to take that sort of detail on notice. We can probably get back to you quite quickly.

Senator SHERRY—Do you have any information on this \$45 million payment?

Mr Yarra—If it was an act of grace payment that was approved under the act then we would have the information, yes.

Senator SHERRY—You do not have anything more on that today?

Mr Yarra—I think we could get it quite quickly.

Senator SHERRY—Okay. Take that on notice. Do you have any details on No. 152, a payment made by Finance for \$53 million?

Mr Yarra—Can we do the same again?

Mr Lewis—I think the best idea might be for us to arrange to have Dr Guy Verney, who is the branch manager responsible for active growth payments, to join us. He is not here at the present time. We can get him up to the house quite shortly. I am sure he would be across the detail of that.

Senator SHERRY—Okay. Thanks for that.

Mr Lewis—We will do it during today's hearings.

Senator SHERRY—Just so that he knows, I have only one other query.

Mr Lewis—What was that number?

Senator SHERRY—It was No. 152. This one you might know. I hope so, because it is such a big payment. No. 280 is a payment of \$1.3 billion. Any information on that?

Mr Lewis—Again, I would prefer to have Guy Verney join us to talk about it. He can give you precise answers.

Senator SHERRY—Okay. Just let us know at some point in time when he can come back. Perhaps you could let the committee know, just for our planning arrangements, what time he is likely to be here.

Mr Lewis—We should have him here before morning tea, I would say.

Dr Watt—We can do it in about 15 minutes.

Senator SHERRY—Thanks for that. I have some questions on the Future Fund. The government submitted its Future Fund policy, which was announced in the election, for costing under the Charter of Budget Honesty, I understand, on 10 September 2004. The department advised on 16 September that further advice was being sought from the Prime Minister. Was further advice received from the Prime Minister's office on this matter?

Dr Watt—As you know, in relation to charter costings, when both Finance, for expenditure costings, and Treasury, for tax revenue costings, seek clarification of a costing or additional information, they have the ability to write to the Prime Minister in the case of the government or the Leader of the Opposition in the case of the opposition in relation to their costings. We wrote on a number of occasions to both the Prime Minister and the Leader of the Opposition. It has been published on our web site. It is a transparent process. We wrote on the Future Fund. To the best of my knowledge, we did not receive any further information.

Senator SHERRY—I note that the media release says:

This costing will be completed as soon as possible following receipt of the requested information.

Dr Watt—That is a standard line that we put in all of our media releases.

Senator SHERRY—I understand that. You do not seem 100 per cent sure as to whether the information was received. Could you double-check that for us.

Dr Watt—I am 100 per cent sure, to the best of my recollection. I am just stating my recollection.

Senator SHERRY—It has now been confirmed. The Future Fund was announced on 10 September. Had the Department of Finance and Administration carried out any examination of the issue of a future fund and its operation prior to that date of 10 September?

Dr Watt—I do not think that is something I should comment on. We look at a number of issues from time to time, for a variety of reasons. I think we should leave it there.

Senator SHERRY—I do not think we should. I think it is a perfectly legitimate question to ask about work being carried out by the department. I am seeking to know whether or not the Department of Finance and Administration had examined a Future Fund or a future type fund internally prior to that date. It is a perfectly reasonable question.

Senator Minchin—My recollection is that estimates are not a mechanism by which internal policy matters, as between the government and the public service, are aired. The internal policy advice to the government is not something that is aired.

Senator SHERRY—I am not asking for the advice.

Senator Minchin—That is essentially what you are asking for.

Senator SHERRY—No. I am asking what work was done, not about the detail of the work. That would presumably be the next question or set of questions that you might intervene on, but I am asking whether work was carried out on a project known as the Future Fund or a like project. I am not asking for the detail of the work, certainly not at this stage.

Senator Minchin—We normally do not comment on or reflect upon what, if any, work may be engaged in that does not relate to existing government policy. The department is there to work on policy options as directed, but we do not normally—and I do not think we would reasonably be expected to—air publicly what potential policy options the public sector may be working on. Once a government makes a policy decision, that is fair enough, but you are really asking the department to canvass all the potential policy options it may ever have been asked to work on.

Senator SHERRY—We obviously know that the department is now working on a Future Fund. That clearly has to be the case.

Senator Minchin—Yes, and you can ask anything you like about that as of 10 September, when the government announced its policy.

Senator SHERRY—I think I can also ask whether there was any examination of issues around anything known as a future fund prior to 10 September.

Senator Minchin—I do not think it is appropriate for the department to comment on what, if any, policy options may or may not have been worked on prior to any announcement of policy.

Senator SHERRY—Let us come forward to the current policy that was announced on 10 September. Who is doing the work on this within the department?

Dr Watt—Work is being done in a number of different areas.

Senator SHERRY—Such as?

Dr Watt—There are, for example, budget issues, issues about our existing superannuation liabilities and governance issues. It spreads across a number of areas of the department, as you would expect.

Senator SHERRY—I understand that would be the case, but is there a coordinating officer responsible for the examination of moving the Future Fund forward?

Dr Watt—We do not have a formal team set up to look at that issue. If there is a coordinating officer, I suppose I am the closest thing to it.

Senator SHERRY—Who have you delegated the work to?

Dr Watt—It is done in the financial management group and the budget group.

Senator SHERRY—Who in the financial management group and the budget group are doing this?

Dr Watt—The people who would be best equipped to answer the questions are Mr Bowen and Mr McPhee.

Senator SHERRY—Mr Bowen and Mr McPhee; we are getting there.

Dr Watt—They are the ones who are best equipped to answer the questions.

Senator SHERRY—That is what I mean: we are getting there. Mr Bowen or Mr McPhee, can you outline the issues that you are examining in the context of the Future Fund that was announced on 10 September? Dr Watt has touched on a few of them.

Mr McPhee—As Dr Watt said, the issues do cover a range of areas, including governance, arrangements for the new Future Fund and issues to do with the accounting treatment and the nature of the surpluses required to fund the superannuation liability within the time frame specified by the government. So there is a lot of preliminary analysis being done, but at this stage it has not been put in any state to take forward in a detailed form to the secretary, the minister or the government.

Senator SHERRY—I will get to some more issues shortly. One of the issues around superannuation liabilities that I was going to touch on a little later but you might have some information on here in the context of the Future Fund is that the public sector super, the DB, will be closed to new entrants on 1 July 2005 and become an accumulation scheme. That would seem to me to necessitate a new forecast on the liabilities of the public sector superannuation fund. Has that been carried out?

Mr McPhee—Certainly those considerations are already factored into the estimates.

Senator SHERRY—You say ‘those considerations’, but a new set of numbers—an actuarial calculational forecast—would have to have been done. Has that work been done?

Mr McPhee—We get actuarial advice on the superannuation liabilities already. That is part of our regular updates.

Senator SHERRY—I just cannot recall seeing a regular update of the liabilities since the government announced, and then the legislation was passed for, the closure of the DB on 1 July 2005.

Ms Doran—The formal actuarial calculations are done on a triennial basis. The last one was done in 2002. The next one is due as of July 2005. We do undertake annual valuations to update the liability figure at each 30 June. The valuation figure was last done as at 30 June 2004. As of that date, the fund had not closed to new members, so there was minimal impact on the unfunded liability figure at that time.

Senator SHERRY—But that does not prevent an examination of the actuarial projection being carried out, does it?

Ms Doran—That is correct. Projections have been carried out on the scenario of the fund being closed from 1 July 2005.

Senator SHERRY—When were they carried out approximately? I am not going to hold you to an exact date.

Ms Doran—It was approximately 12 months ago, when the policy was being developed.

Senator SHERRY—Have they been released yet?

Ms Doran—I do not believe they have been released publicly. The numbers were incorporated in the estimates which go forward in budget figures.

Senator SHERRY—Could you take on notice to release the new figures?

Mr McPhee—Which particular figures?

Senator SHERRY—The new figures that were based on the closure of the DB fund on 1 July 2005 which has just been discussed.

Mr McPhee—As Ms Doran said, the budget estimates already factor that in. Are you asking for the components of the figure?

Senator SHERRY—Yes.

Mr McPhee—We can certainly take that on notice.

Senator SHERRY—Thank you. Was a costing of the Future Fund ever released?

Mr Bowen—No.

Senator SHERRY—Is the cost of the Future Fund contained within additional estimates?

Mr Bowen—The Future Fund does not exist at this point.

Senator SHERRY—I know that. Is it in additional estimates though?

Mr Bowen—There is no provision for it at this time. The policy is still to be fleshed out and decisions are to be taken about how it will operate, so there is really no basis for putting in any change to the estimates at this point.

Dr Watt—As you know, Senator, I think I am right in saying that as part of the additional estimates process the cost of those aspects of government policies announced in the election context that have impacts in 2004-05 were fed into the budget estimates.

Mr Bowen—And there was a bulk provision included for the impact of election commitments going forward, but there is not an impact that we have been able to include for the Future Fund.

Senator SHERRY—So there is zero there for it.

Mr Bowen—Yes.

Senator SHERRY—Other than, obviously, the time and work being devoted by a number of officers on this, which is included within the general staff budget allocation, there is zero on the Future Fund at this point in time.

Mr Bowen—Yes.

Senator SHERRY—What about the operation cost? It has got to cost something to operate it.

Dr Watt—That will be addressed as part of the overall addressing of the shape of the Future Fund when the government makes its policy decisions. Yes, there must be some operational costs, but you would not expect them to be large.

Senator SHERRY—We will see. I suspect it will be a function of the size of it, to some extent.

Dr Watt—To some extent, although you can look at the AOFM's operating costs, and it handles liabilities of the order of \$20 billion or \$30 billion, even \$50 billion.

Mr Bowen—They are not free, though.

Senator SHERRY—The impact of a Future Fund on forward estimates—what would that be?

Mr Bowen—The impact really depends in many ways on how it is set up and exactly what it does, but presumably there would be an impact on revenues earned by the fund and on assets retained. But really it is a bit speculative until the details of the fund and how it will operate have actually been settled. I think, as you are aware, the government's policy announcement talked about surpluses being put into the fund.

Senator SHERRY—It did not talk about it; it stated that.

Mr Bowen—It stated that. So, in a sense, it is what is left after the budget has been set in place, but clearly there would be balance sheet effects as assets accumulate in the fund.

Senator SHERRY—There is an asset in the fund. What is the balance sheet effect?

Mr Bowen—If the fund is part of the general government sector then it is part of the general government sector asset base and hence contributes to the net worth of the general government sector.

Senator SHERRY—You say, 'if it is on the balance sheet'?

Mr Bowen—No, I said, 'if it is within the general government sector'.

Senator SHERRY—Sorry, within the general public sector. What if it is not?

Mr Bowen—If it were outside the general government sector then it would certainly be part of the Commonwealth's consolidated asset position but not part of the general government sector balance sheet.

Senator SHERRY—And for it to be outside the general public sector—what is the type of structure that would be required to achieve that?

Mr McPhee—It would be akin to a financial institution, but these are the sorts of issues that we still have to explore in detail.

Senator SHERRY—I know, but you are obviously exploring them.

Mr McPhee—We are doing some work, but we have not completed it and I am a bit hesitant to go too far down this path at this stage.

Senator SHERRY—But this is a major issue of public policy.

Mr McPhee—It is indeed.

Senator SHERRY—It has been announced.

Mr McPhee—But these are also decisions for the government in the first place.

Senator SHERRY—I know. I understand that, but we have had an announcement and I think it is perfectly legitimate to deal with the aspects of the public announcement. Just going back—Mr Bowen, you mentioned future government surpluses going into the fund. Is that your understanding of the announcement?

Mr Bowen—I do not have the announcement here with me, but that was my understanding of it.

Senator SHERRY—That accords with my understanding. But is it your understanding that it is all future surpluses, or part thereof?

Mr Bowen—I do not think the government was ever as explicit as that.

Senator SHERRY—That was my recollection as well.

Senator Minchin—The words were 'future budget surpluses will be used as a source of assets'.

Senator SHERRY—So it is clearly not a commitment to all surpluses being automatically tipped in?

Mr Bowen—I cannot comment on that.

Senator SHERRY—Well, you can.

Senator Minchin—It is not the nature of the commitment—sources will be a source of funds.

Senator SHERRY—'A source'? So, again, Senator Minchin, that does not rule out other sources, does it?

Senator Minchin—That statement does not rule out other sources.

Senator SHERRY—For example, after the Nationals are finished with the sale of Telstra proceeds, that could be a source, could it not?

Senator Minchin—As you would expect, Treasury and Finance are working up a submission for cabinet on how this fund should operate given the nature of the statement that was made. The government will then make specific decisions about the source of funds for this fund, how it will operate et cetera. It will then make a proper announcement.

Senator SHERRY—But that could be a source.

Senator Minchin—But, on the face of the statement made in election, it was, as I guess you would expect, leaving options open at that point.

Senator SHERRY—Yes. Minister, are you able to identify other possible sources?

Senator Minchin—Not here and now—though I cannot prevent you speculating as to what other sources there may be. I do not want to go beyond the statement that was made in the election; that is, that future budget surpluses would be a source of funds.

Senator SHERRY—Perhaps Mr Bowen or Mr McPhee could answer my next question. Have you examined the New Zealand future fund? Have you had a look at the operation or any of the details of the New Zealand future fund? I do not think they call it a future fund, but are you aware of its existence?

Dr Watt—We are aware of its existence.

Senator SHERRY—And you have had an examination of that?

Dr Watt—‘An examination’ sounds a bit more forensic than what we have done, but we are aware of its existence. We are aware of the existence of a number of other similar institutions around the world.

Senator SHERRY—Such as?

Dr Watt—I think there is one in Norway. There are variations.

Senator SHERRY—The one in Norway is the oil one.

Senator Minchin—I would like one of those.

Dr Watt—There are two or three others. Mr McPhee can probably tell you where they are.

Mr McPhee—There is one in Ireland and Queensland has an investment vehicle as well.

Senator SHERRY—Dr Watt does not appear to like the word ‘examined’, but you are aware of these?

Mr McPhee—Indeed—yes we are.

Dr Watt—Though each of them has the ability, direction or opportunity to deal with future liabilities, each of them is different in what it does.

Senator SHERRY—I understand that. Let us take New Zealand, for example. To your knowledge, Mr Bowen or Mr McPhee, has any officer of the Department of Finance been to New Zealand in the calendar year up to 10 September last year?

Dr Watt—Not that I am aware of. I sign all overseas travel requests in the department. I can check that.

Senator SHERRY—Yes, if you could. You can take it on notice.

Dr Watt—You asked a broad question—that is, had any officer been to New Zealand? That is a very broad question.

Senator SHERRY—Yes, it is.

Dr Watt—If you had asked me whether any officer had been to New Zealand for the explicit purpose of talking to New Zealand government officials about the future fund—

Senator SHERRY—I did not ask you that.

Dr Watt—I know you did not. I can answer the latter question, though.

Senator SHERRY—You must have a pretty good idea why I did not ask that. You can just pop in unannounced when you are in New Zealand and find out about these things.

Dr Watt—We are not a department that travels a great deal.

Senator SHERRY—And I congratulate you on that, but my question still stands. Has any officer of the Department of Finance been to New Zealand in the calendar year leading up to 10 September—or to Ireland or Norway?

Dr Watt—I can certainly assure you that no Finance officer—in an official capacity, as opposed to on holidays—visited Ireland or Norway.

Senator SHERRY—I am not concerned about holidays. I would never go that far.

Dr Watt—I do not think they have been on the visiting list.

Senator SHERRY—Anyway, take that on notice.

Dr Watt—I will get you an answer pretty quickly.

Senator SHERRY—Thank you. With the Future Fund announcement, there would be some coordination with Treasury, would there not?

Dr Watt—That is correct. Both departments' responsibilities cut across the Future Fund. We are working with them in a harmonious and professional fashion to bring a joint submission from the two ministers to cabinet.

Senator SHERRY—We will see who ends up having authority.

Dr Watt—Joint ministerial authority—both ministers will be involved.

Senator SHERRY—For the time being, yes. We will see. In terms of this harmonious relationship with Treasury on the matter, who are you dealing with in Treasury? Which sections of the department and which officers are your equivalents, Mr McPhee and Mr Bowen, on this project?

Dr Watt—I think we can tell you about broad areas of the Treasury we are dealing with.

Senator SHERRY—I would certainly hope you could tell me who you are talking to over there about this.

Mr McPhee—We are talking to David Martine. He is a senior Treasury official.

Senator SHERRY—Which area of Treasury is he in?

Mr Bowen—He is on the budget side.

Senator SHERRY—Are there any other names?

Mr McPhee—I think he is the most senior one on an operational basis.

Senator SHERRY—Yes, but I did not ask—

Mr McPhee—No, I appreciate that. And Matthew Flavell.

Senator SHERRY—Thanks. So we have two and two.

Mr McPhee—A balanced team.

Senator SHERRY—A balanced team, yes. That gives me sufficient to lead to the trail into Treasury. Thank you. Have you examined the impact on each relevant forward revenue and expense estimate of the Future Fund, including but not limited to departmental expenses—including salaries for staff managing the fund—and administrative expenses—including the impact on interest received, interest paid, dividends received, dividends paid and fund manager fees?

Mr McPhee—Only at the very broadest level. We have not got down to the detail of that because much depends on the nature of the investment charter of the fund, the method of operations and the governance arrangements, so any work is only broadly indicative rather than detailed.

Senator SHERRY—Are there any discussions with the private sector fund managers at this time?

Mr McPhee—Finance has not had any discussions.

Senator SHERRY—I find it a bit odd that you would not have had some discussions with fund managers about this.

Mr McPhee—As I say, it is early days and we are still developing the proposal in consultation with Treasury.

Senator SHERRY—I understand that but I would have thought that fund managers would certainly have ideas about administrative structures, even to the extent of issues like fees and governance. They would have a valid point of view, I would have thought—but nothing at all?

Mr McPhee—Not that I am aware of.

Dr Watt—I think there may well be discussions once the government has set the basic architecture, but until then I think the questions really are primarily for government rather than for those who might become part of the assistance of managing the fund in future.

Senator SHERRY—I certainly can understand the very detailed level of discussion once you have signed off on that but I would have thought that some view from fund managers would have been useful in the context of putting together even the structures.

Dr Watt—I think we are still dealing with first-order questions.

Senator SHERRY—They might have a view on first-order questions as well.

Dr Watt—I am sure they might.

Senator SHERRY—I know in New Zealand they did. Are you going to add anything, Mr Bowen?

Mr Bowen—No, I am not. At this point I do not think I can usefully add anything.

Senator SHERRY—I am happy to judge whether or not it is useful.

Mr Bowen—I think it is better that I make the judgment first.

Senator SHERRY—So we have no initial size of the Future Fund and no assumptions on any impact on the forward estimates period.

Dr Watt—As Mr McPhee said, there is not much point in focusing in any detail on this, and certainly not in forward estimates quality, until you set the broad architectural arrangements. Once you do that, the other stuff drops out much more easily.

Senator SHERRY—We know there is \$15 billion in deposits with the Reserve Bank. That is reported in ANAO report No. 22, *Investment of public funds*. Will all of that or part of that flow into the Future Fund?

Dr Watt—There has been no decision made on that. That is an issue for the government to consider in due course. All or any is the question; or some or any.

Senator SHERRY—Some or any. Has there been any consideration of asset allocations of investments in the Future Fund?

Mr McPhee—These are matters for decision by government. For instance, what range of assets could the fund invest in? Is it appropriate to invest in real estate or equities or financial instruments? These are again subject to decision.

Senator SHERRY—ComSuper are obviously carrying that out at the moment. Have there been any meetings or discussions with ComSuper?

Dr Watt—The relevant organisations would be the CSS and PSS boards.

Senator SHERRY—Yes.

Ms Doran—We have had some preliminary discussions with the boards' executive members.

Senator SHERRY—Who are they?

Ms Doran—Steve Gibbs is the CEO.

Senator SHERRY—What about the issues relating to the interest and/or dividend income of the Future Fund?

Dr Watt—There are many issues that can relate to interest or dividend income.

Senator SHERRY—Such as?

Dr Watt—There are many: size, volume and whether they happen, for example. That begs some questions about the investment mandate. How do you characterise it? Do you set rates of return? They are architectural questions the government has yet to address.

Senator SHERRY—What is the dividend yield on Telstra?

Dr Watt—I would have to ask someone that. I am not a shareholder.

Senator SHERRY—I saw an officer move. He obviously seems to have some information.

Dr Watt—I think we have someone who has a fair idea of what the dividend yield is. At the moment, it is of the order of 5.5 per cent but we can get a more accurate calculation from today's *Financial Review* if you would like that.

Senator SHERRY—While we have that helpful officer half attending us—

Dr Watt—I think he is on the way to find the *Financial Review*.

Senator SHERRY—I have a couple of other questions, the answers to which might not be in today's *Financial Review*. What is the dividend yield compared to the average dividend yield for the market?

Dr Watt—We will see if we can find that out for you.

Senator SHERRY—You will come back a little bit later?

Dr Watt—Yes.

Senator SHERRY—Thanks. Has consideration been given to the issue of movements in capital value of investments?

Dr Watt—I am sorry; I missed part of your question.

Senator SHERRY—Has consideration been given to the issue of movements in capital value of investments in the Future Fund?

Dr Watt—Is the Department of Finance and Administration aware over time of the value of any investment changes? The answer is yes. Has there been government consideration of this issue in particular? No, not yet. Again, that is architectural. Clearly, there are some accounting issues around that—for example, how you record it.

Senator SHERRY—That was one of the matters I was going to raise.

Dr Watt—The impact of that depends upon whether it is inside the general government sector or out.

Senator SHERRY—Just coming back to you, Senator Minchin, do I correctly recall that there has been an announcement that there will be more detail of the Future Fund in the budget?

Senator Minchin—I am not sure whether or not we have specifically said that. You should anticipate that that is likely to be the case.

Senator SHERRY—I seem to recall a media report.

Senator Minchin—I cannot recall exactly but I think you could reasonably anticipate that that is likely to be the case.

Senator SHERRY—Have you made any comment on the Future Fund publicly in recent months?

Senator Minchin—No.

Senator SHERRY—What about in parliament?

Senator Minchin—I have not said anything. I think the Treasurer may have, but I have not said anything about it since the election.

Senator SHERRY—Moving to Telstra, on 1 October 2004 the Labor opposition submitted a request for costing its policy of not proceeding with the planned sale of Telstra. I have a copy of the request here. Finance advised in their response that the costing was undertaken by removing from PFA the impact of the sale, including the impact on Telstra dividends received by the government, the public debt interest, PDI impact and sales costs. That is correct, isn't it?

Mr Lewis—That is correct.

Senator SHERRY—Finance advised that, if Telstra were not sold, there would be a positive impact on both the fiscal and underlying cash balance of \$255.5 million between 2004-05 and 2007-08 and an ongoing positive impact beyond 2007-08. That is correct, isn't it?

Mr Lewis—That is correct.

Senator SHERRY—Can you provide the committee with a breakdown of the annual figures in costing by Telstra dividends received by government, the public debt interest, the PDI impact and the sale costs?

Mr Lewis—The answer to that question is no and, consistent with longstanding practice, we do not provide the breakdown of those details. We do it for some important reasons, as we have discussed in this place in the past. First of all, we are required, in accordance with the Telstra Corporation Act, to confidentially receive information in relation to dividend projections by the company. As a consequence of that requirement, we do not reveal the components. If you are provided with some details, you will be able to work out others. I should mention that the factors do of course change over time.

Senator SHERRY—I understand that they do change, but with that caveat we would be happy to receive the figures.

Mr Lewis—I understand but, for the reasons I just articulated, we do not propose to provide those details.

Senator SHERRY—I am a very reasonable person.

Mr Lewis—I understand that.

Senator SHERRY—If you give me some figures with the caveat that they can change, I would understand that and would not come back to you at a later hearing and say, 'You told me this, and I'm going to hold you to the nearest million dollars.' I am very reasonable.

Mr Lewis—I understand completely.

Senator SHERRY—So dish the figures up. You will see just how reasonable I am if you provide those figures.

Mr Lewis—I understand, but for the reasons I just articulated and as a matter of extremely longstanding practice, the Commonwealth is a vendor in the market here and it needs to look after its interests as a vendor and protect confidential information supplied by the company.

Senator SHERRY—Would those figures be released when the sale proceeds?

Mr Lewis—No.

Senator SHERRY—Not at any point?

Mr Lewis—Subsequently, I would be stunned if the Auditor-General did not choose to do a performance audit in relation to Telstra 3, if there were to be a Telstra 3 decided upon by the government. At that point in time, all details in relation to such matters would be open to the Auditor-General to review and report to the parliament, and he has consistently done so in the past.

Senator SHERRY—You say ‘if’.

Mr Lewis—It is a given in my opinion.

Senator SHERRY—That is my assumption as well. There will be a bit of argy-bargy with The Nationals, but we do not worry about the doormats too much in this debate. We will get the odd little comment bleated from the corners of the paddock from them.

Mr Lewis—I am sorry. My ‘it is a given’ was referring to the fact that, if the government decides on a T3, we would be subsequently audited. I think that is essentially a given.

Senator SHERRY—Okay.

Dr Watt—It is a major transaction. We would be surprised if it were not looked at.

Senator SHERRY—My point is that you would take it as a given that the figures would come out once the Audit Office had done its report. Why wouldn’t you release the figures before the Audit Office tabled its report?

Mr Lewis—Just for the reasons I articulated before. I will start with the point that we are supplied with information confidentially, in accordance with a section of the Telstra Corporation Act—and I am sure my colleague can provide the detail—on the basis that we keep that information confidential. You can understand the company’s reluctance to have a forward projection of its dividends released in such a way.

Senator SHERRY—In 2007-08 the cost saving for not selling Telstra is \$140.6 million. Would it be reasonable to expect that the cost saving would increase over time, given that the dividends tend to grow in real terms over time?

Mr Heazlett—The precise effect will vary depending on the assumptions. Historically, there has been some real growth in Telstra dividends. Whether you can project that forward is a difficult question to answer.

Senator SHERRY—Let us go back a step.

Dr Watt—There is another complicating factor which I think you need to be aware of. The net impact in any given year is influenced in part by Telstra sale costs. They wash out in the early years, so you would not have the ongoing impact of them. It is more than just dividends versus PDI.

Senator SHERRY—I understand that, but it is still a legitimate issue to take into account. In the case of Telstra it is a significant amount of money, isn’t it?

Dr Watt— In Australia today, any IPO for a major corporate involves a significant amount of money.

Senator SHERRY—Yes, and the bigger the corporate, the more the fees, generally.

Dr Watt—There are economies of scale. The Commonwealth has always driven a very hard bargain over its sale fees, partly because of the economies of scale and partly because we drive a hard bargain. It has the cheapest sale fees of any seller in Australia, I would venture.

Senator SHERRY—Yes, but there is still a cost, isn't there?

Dr Watt—Yes, there is a cost.

Senator SHERRY—Whatever the bargain you drive, we are still dealing with hundreds of millions of dollars, aren't we?

Dr Watt—There is a cost.

Senator SHERRY—Yes, of hundreds of millions of dollars.

Dr Watt—Yes. We promised that we would give you an exact dividend on Telstra. It is 5.13 per cent in today's spend. We will pursue the issue of the yield against the market, which we should have shortly for you.

Senator SHERRY—Thanks for that. I move to Telstra and Australia Post superannuation. On 18 June 2004 the government announced that it had paid out its Telstra superannuation liability that it had retained despite the sale of 49 per cent. Is that correct?

Dr Watt—That is correct.

Senator SHERRY—Can you elaborate on the payout of that Telstra super liability?

Dr Watt—Yes. The liability was very longstanding. It goes back to the corporatisation of Telstra, when Telstra formed its own superannuation scheme. It goes back to the beginning of the nineties. The government had been making a stream of payments over time and the government chose to pay out the outstanding liability as a lump sum. This came after extensive negotiations with Telstra and with the agreement of the Telstra trustees of the Telstra superannuation fund.

Senator SHERRY—In the case of Telstra, isn't that a full payout?

Dr Watt—That is correct. As it is in the case of Post. They are both full.

Senator SHERRY—I was getting to that one. I could not find the press release on the Australia Post payment in 2004-05. I assume one was issued. I found the one for Telstra.

Ms Doran—I think it was a joint press release. I cannot remember if there was a separate one for Post.

Dr Watt—There is a big difference in the sense that Telstra has to keep the market informed, but Post is not a listed company.

Senator SHERRY—Yes, Australia Post does not have to.

Dr Watt—That is right. But I can assure you that the payment was made. I have a copy of the cheque on my wall. It is a large cheque.

Senator SHERRY—Is it the largest cheque that you will ever have to sign off on?

Dr Watt—I did not sign it; it is all done electronically. But they are very large cheques, as in one single lump sum cheques, and I do not think that I in my public sector career will see the likes of them again.

Senator SHERRY—You might have another cheque up there on the wall for the Future Fund.

Dr Watt—Perhaps.

Senator SHERRY—It is interesting to know about the memorabilia you keep in your office, Dr Watt.

Dr Watt—That is my only vice: those two cheques, or rather electronic funds transfers.

Senator SHERRY—Copies of electronic funds transfers. In the case of Telstra the payment was \$3.125 billion, and for Australia Post it was \$1.433 billion. Is that correct?

Ms Doran—I think the number was \$1.443 billion.

Senator SHERRY—The press release which I have just found says ‘\$1.433 billion’.

Dr Watt—We will check that for you.

Senator Minchin—It was my press release, and I am sure it is right.

Senator SHERRY—It is \$1.433 billion.

Senator Minchin—That must be the figure.

Senator SHERRY—That is not an issue I am going to pursue. In another context \$10 million might be significant, but in this context I suspect a typographical error. Did paying out the Telstra liability involve a cash payment by the Commonwealth?

Dr Watt—That is correct.

Senator SHERRY—Was the level of the cash payment equivalent? What was the level of the cash payment?

Mr McPhee—Yes, it was.

Senator SHERRY—Where is that recorded in the budget papers?

Mr McPhee—It is a financing transaction. We would need to provide you with the details, but it did not hit the bottom line per se.

Senator SHERRY—Even though it is a cash payment?

Mr McPhee—Yes. It depends how the transaction is classified, and it was classified as a financing transaction, and they do come in below the cash budget bottom line.

Dr Watt—I think primarily it is a financing transaction. The other thing is that, of course, it happened after the last budget.

Mr McPhee—Dr Watt is correct. I think there was some above the line impact.

Dr Watt—Small impact.

Mr McPhee—But, in relative terms, it was not that significant. We can provide the details for you.

Senator SHERRY—What was the above the line impact?

Ms Doran—I believe the above the line impact on the Telstra payment was about \$484 million.

Senator SHERRY—Why is \$484 million above the line and the balance below the line?

Ms Doran—It is the nature of the transaction. Being a financing transaction, there were two components to all payments: those that reflected interest on essentially the debt element and those that reflected repayment of principal. As we finalised the payment, the above the line component is the last payment of interest. The residual amount is the principal. The significant amount of principal was retiring the debt.

Senator SHERRY—If it did not do so, my question meant to go to the Australia Post payment. Was that treated in the same way?

Dr Watt—Yes.

Ms Doran—It was similar treatment but the final payment that was made was actually 100 per cent principal because of the timing of that payment.

Senator SHERRY—Was that below the line?

Ms Doran—That was totally below the line.

Senator SHERRY—I am not clear as to the difference in treatment below the line and above the line with Australia Post. Was it a timing issue that none of it went above the line?

Ms Doran—Partly timing and partly history of the transactions. There was, if you recall, Senator, a determination that set out a schedule of payments for repaying these amounts on quarterly basis. It really depends on the relationship between the prescribed payments that were made under that schedule and the interest which accrued on a quarterly basis as to whether there was any residual interest component left at the time that we finalised the arrangements. In the case of Telstra, there was some residual interest which was taken above the line. In the case of Post there was in fact no residual interest at the time of finalisation.

Senator SHERRY—You have gone to the next issue I was going to raise—the quarterly payments each year to both Telstra and Australia Post. What were the approximate figures for those?

Ms Doran—I am afraid I do not have that at hand at the moment, but I can certainly find that out for you.

Dr Watt—We can get that for you fairly quickly. They were substantial, as you would expect.

Senator SHERRY—I think I can recall an aggregate figure of around \$500 million.

Ms Doran—That is of the order.

Dr Watt—That order of magnitude sounds about right.

Senator SHERRY—How did the payments in relation to Telstra superannuation liabilities impact the budget balance—the quarterly payments?

Ms Doran—Again, the same fundamental treatment applied. The majority of those payments would have been interest in each quarter and, accordingly, would have impacted on underlying cash.

Senator SHERRY—Was the quarterly payment an annual expense that reduced the budget balance?

Ms Doran—It would have been, yes.

Senator SHERRY—So the liability has now been extinguished. Has the reduction in expenses?

Dr Watt—That is correct.

Senator SHERRY—Was there a one-off increase in expenses of \$3.125 billion in 2003-04 that reduced the budget balance, reflecting the cash paid out to extinguish the liability?

Ms Doran—No, there was not.

Senator SHERRY—It was treated below the line and it did not impact on the budget. Why was that the case?

Dr Watt—The budget is done on two bases: fiscal balance and underlying cash balance. In both cases, financing transactions are below the line. So, insofar as it was the repayment of the principal of an outstanding liability, there is no impact on the budget balance from that payment per se. That is why the repayment of the principal did not impact on either underlying cash or fiscal.

Senator SHERRY—I am just a bit puzzled, Dr Watt, because the GFS accounting standards under which the budget is prepared state that changes in superannuation expenses may only be treated as a re-evaluation in two circumstances: where there has been a change in benefits or a change in the discount rate. Those two circumstances do not apply. Why was the transaction treated as a re-evaluation?

Mr McPhee—We had specific ABS advice in relation to this matter. That guided the accounting treatment. In fact, I think it was the subject of a public press release at some stage.

Dr Watt—That is right.

Mr McPhee—I think we could make that available. I do not have it with me. In these matters of GFS accounting, the ABS tends to be the best advice we can get.

Dr Watt—We can find that press release for you. It is not a problem. It was made about two—

Senator SHERRY—Thank you. The press release goes to the ABS recommendation.

Dr Watt—The GFS treatment.

Senator SHERRY—Does it refer to the ABS within that?

Dr Watt—It is an ABS press release. It was done some time between 18 months and two years ago, if my recollection is correct.

Senator SHERRY—It might be useful to use ABS advice on the treatment of GST payments to the states and their treatment of tax. That would be useful, would it not, to be consistent?

Dr Watt—I think one of the differences is that the government has always had an established policy that the GST is a state tax.

Senator SHERRY—You can have a policy—you can call it a policy—but it does not necessarily make it true, does it?

Dr Watt—I think the government's policy is reflected in our accounts.

Senator SHERRY—That is not the ABS's position, apparently, is it?

Dr Watt—We do reflect the GST in a number of different ways for transparency.

Senator SHERRY—But that is not the ABS's view of it, is it?

Dr Watt—In some parts of the budget statements, yes, the ABS's approach is shown—in statement No. 10.

Senator SHERRY—But not in others?

Dr Watt—No, if it is not there. As you know, we show our budget on a variety of different bases.

Senator SHERRY—So when it suits you, you follow the ABS's approach; when it does not suit you—

Dr Watt—There is a strong consistency and always transparency between the different statements, so you have no doubt what you are getting in each statement.

Senator SHERRY—Not in this one. I do not agree with you about the consistent treatment of GST. Mr McPhee moved me into that area when he started mentioning the ABS.

Dr Watt—You can move very easily from one to the other.

Senator SHERRY—It is not a path I intended to go down. You have made the point.

CHAIR—Senator Sherry, Senator Murray wants to ask a few questions. Is it all right with you?

Senator SHERRY—Sure.

Senator MURRAY—I have three sets of questions. Some of them may take longer than others. If Senator Sherry has finished his train of questions—

Senator SHERRY—I had finished the Telstra and Australia Post super.

CHAIR—It is no good talking about GST. You do not want to go down that track!

Senator SHERRY—No, I did not have questions about that. I did not intend to go down that path. But Mr McPhee kindly reminded me about the ABS's treatment, and we slightly digressed.

Senator MURRAY—For the record, I agree with the ANAO's opinion, too, that GST should be recorded as a Commonwealth tax. But we have not won that battle. I suspect it will need a change of government to win that.

Senator FIFIELD—I would not hold your breath. I do not think they will start to make that change.

Senator MURRAY—No, I am not holding my breath, although I hope I do not detect any hubris over there.

Senator FIFIELD—No, just in relation to whether the treatment was changed under a change of government.

Senator MURRAY—Firstly, my thanks to you, Dr Watt, to your department. I got some good responses to my series of questions on procurement policy and to the Senate order on departmental and agency contracts across the board, with perhaps the exception of the Commonwealth Grants Commission, which were a bit light on. Overall, it was very helpful. I want to turn to question F24. I think there is a serious point that emerges there, and in question F25. In question F24 I had asked, ‘What other mechanisms can be put in place to ensure agencies consider confidentiality during contract negotiations?’ You made two points. Your second point in the answer was, ‘The incorporation of appropriate guidance, checkpoints, model clauses et cetera within agencies internal procurement procedural guidelines, tender documentation and contract templates were key determinants for agencies to consider with respect to commercial confidentiality.’ Later on, with regard to the second point, you said, ‘Officials’ awareness of these issues is significantly reliant upon agencies taking steps to reflect ...’ et cetera, and you refer agencies to Finance guidance on commercial confidentiality in the Senate order on departmental and agency contracts. In question F25 you said:

Finance does not validate the currency or coverage of agencies internal operational guidelines, as this is the responsibility of agencies.

I think there is a really important point that emerges out of that, and it is this: I think the quality of your Finance directions have improved over the term of this government and have become more comprehensive and more incisive, however, you are clearly stating that you have no means of enforcement; it is advisory only. Later on I will take you to some material which indicates the dangers of that. What is the point of a department of your status, your authority, your wisdom and your expertise putting out financial guidelines and other directives to, I think, 170-plus agencies with no means of enforcement and no comprehensive means of audit—because, as you know, the Auditor-General just dips into agencies periodically on performance contracts? Isn’t there a great gap between the intent of government—quality, professional intent—and the execution because you have no way of ensuring agencies’ outcomes?

Mr McPhee—You quite rightly point out a tension in the current system. Finance’s role is very much about the framework and addressing systematic issues that we become aware of through guidance and other means of getting to agencies. In some areas we do get formal sign-off from agencies—for instance, on the use of delegations in some areas of foreign exchange—and we have been looking just more recently at opportunities for bringing some of those sign-offs together. But at the end of the day with the devolved model that we have, where agency heads have a statutory responsibility to adhere to not only legislation but also government policy decisions, we have to be very careful that we do not muddy the waters in that respect, so we do what we can. As you said, in recent years we have issued a lot more guidance in terms of assisting agencies and pointing out issues and areas that they need to give attention to. But at the end of the day I think it is very important in a devolved model to understand the benefits that devolution brings. It allows agencies to focus their administration on the best way of delivering government programs. So there are significant benefits from devolution. But one of the areas that we need to continue to keep an eye on is to ensure that CEOs continue to meet their statutory responsibilities. It has been a tension for a long period

of time, and we do, as a department, respond where we can, but we do not have a flying squad that goes in and checks agencies' performance. That would be inappropriate.

Dr Watt—It is worth reflecting on this in a couple of other ways, because I suspect this is a question we are going to come back to later in the morning, given the discussions with the ANAO last night.

Senator MURRAY—You read my mind.

Dr Watt—It is something we have thought a bit about in the department. No matter where you draw the line between the agency's responsibilities and the department of finance's responsibilities—and that line has moved over the last 20 years in government quite a lot—

Senator MURRAY—And it should continue to.

Dr Watt—it has never been the case that Finance has told the agencies what to do about everything, just as it has never been the case that we are completely uninvolved. But the line has moved. No matter where you draw the line, there will always be tensions between what are Finance's responsibilities and what are the agencies' responsibilities. No matter where you draw the line, there is always a question of accountability. One thing about the devolved model we have is that now there is a relatively clear line of accountability. Quite frankly, if CEOs do not fulfil their accountabilities properly, then they are not behaving in the way they should.

Senator MURRAY—What bothers me is that there is no intermediate step. Let me give you an analogy of Corporations Law. I deliberately want to interrupt you because—

Dr Watt—I want to go on, but do interrupt.

Senator MURRAY—I do want you to go on, but I want you to understand my thinking—and this is not a debate; I think it is a serious problem that government faces. Corporations Law takes a view similar to the one you have just described. It sets the parameters but says that companies must get on with it and it is their responsibility. Accountability rests with the company. But it says that directors and auditors and other people have specific responsibilities to sign off and declare that they have complied with certain key fundamentals. The body that examines whether they have done that is ASIC, by and large. Now and again it is other agencies such as APRA, but by and large it is ASIC. ASIC will either, on its own motion or on complaint, examine compliance. We do not have an ASIC in the public sector. That is what is missing. There is no body to which you can go and make a complaint or which on its own motion will go and establish that somebody has broken the law.

At the heart of this is a concern not that people do not do the right thing but that they either break the law or break from government policy. So my question to you is: how can you improve compliance with what is strict government policy determined by the Minister for Finance and Administration under his authority and his powers and expressed in directions, many of which also have a statutory component? You have mentioned signing off on some, but do we not need a more formalised version whereby key elements are attested to, are warranted by the CEO that they have done this? This is why I wanted to interrupt you, because I wanted to put it into a framework that we could access.

Mr McPhee—Certainly the current model, Senator Murray, as you are aware, just puts the responsibility on the CEOs directly. Importantly, it requires agencies to have internal audit committees et cetera and those processes. The model very much is designed to get the agency working properly as a satellite entity and to get Finance, where it becomes aware of systemic issues, to raise them, to address them. In some cases, in serious areas, Finance has been given a little more authority to act—for instance, in the more recent issues dealing with qualifications of agencies' financial statements. Agencies are now required to inform Finance about issues which potentially could impact the consolidated financial statements. So we have a little more authority than we have had in the past but, as Dr Watt has said, wherever you draw the line, is it possible that we would ever get to find out about issues of departures from chief executive instructions on procurement, for instance? Is it a realistic expectation for Finance to ever get to that situation? I do not think it really is. The model has to be that that is the CEO's responsibility and they need internal processes to address that.

Dr Watt—It is not really just a matter of the 190-odd agencies that you point out, Senator, and the complexity of the Commonwealth; it is also a matter, really, of accountability. I emphasised that the line of responsibility between Finance and the agencies had moved over time partly to make the point that it is very easy for busy CEOs to look for things to be other people's responsibility. The more we appear to take responsibility for fewer things, the less likely the CEO of an organisation is to do it themselves. I think that is one reason why you have to be very careful about muddying the accountability.

There is another point as well. Mr McPhee touched on it when he mentioned the importance of internal audits and the requirement that agencies have internal audit committees. There may or may not be an equivalent of an ASIC in our model. There is, however, a requirement for both internal audit—and they are quite strict and we all do have serious internal audits—and a high level of probity approach to any major thing that the Commonwealth does. They both provide a means of insuring that the CEO's instructions are (a) accurate and (b) followed. You will say to me: 'That's not perfect.' That is probably correct, but it is not like we are completely without mechanisms to make sure that we have chief executive instructions and that they are regularly updated. I know that in the case of my own we take our CEIs very seriously. We update them regularly and we follow them. If we do not then I have a problem with my organisation.

Senator MURRAY—Yes, but that does not solve the problem. I am not attacking the devolved model. That is a practical and responsible way of dealing with the business of government.

Dr Watt—I think the point we are making is that it is not a problem of the devolved model per se, it is a problem of whatever model you have.

Senator MURRAY—Yes, but the point I am making is that the government, through the parliament, has produced legislation which addresses these issues for the private sector, which essentially has the same kind of model, and it has put together institutions and means of requiring accountability. It does not make for a perfect world where companies never collapse and there is no wrongdoing—I am not suggesting that—but there is a missing element. What we keep experiencing as senators in our accountability role through various inquiries are departments which are not abiding by very straightforward, sensible, professional, well

thought through finance directives. They are just not doing what they should be doing. The question is, whilst requiring them to retain accountability and complete responsibility, how do you ensure or better ensure the system? You have mentioned sign-offs, but it is very much part of Corporations Law. The CEO and the CFO particularly under the new CLERP 9 changes must sign off, and the directors must sign off, and they are liable at civil and criminal law, depending on the circumstance, if they sign off inadequately. Are we approaching the need for such a system in the public sector?

Mr McPhee—Over time certainly the extent of the sign-offs have increased, but I would not call them comprehensive at this stage to cover issues dealing with all legislative and government policy requirements. There is no single sign-off by the chief executive.

Senator MURRAY—But there must be core issues which are worth looking at on that basis.

Mr McPhee—As I say, we do require a range of sign-offs, but together they are not covering the full territory. The question is whether that would assist the process at all were Finance to put in place arrangements for that, but I thought a lot of these issues do not necessarily come to light unless, for instance, the Australian National Audit Office is doing work et cetera. So, even if we went to a model such as that, it is still very much dependent on the chief executive having the systems in place to inform him or her as to their own operations.

Senator MURRAY—I am not talking of solving the problem, I am talking about advancing the cause, and I am not satisfied from your answers that you have advanced the cause as far as you are capable.

Mr McPhee—I understand your position.

Dr Watt—We understand your point. There is one other point that might be worth making and that is, as a CEO, I am certainly very conscious that if I do not implement government policy properly my minister might have something to say about it.

Senator MURRAY—Yes, but it depends on the minister, and that is the difficulty.

Dr Watt—That is always correct, but I would have thought that ministers would take an interest in the implementation of government policy in their department, and I think most ministers do. I would be very surprised if they did not. Certainly I think the tendency at government level over time is to emphasise the importance of policy implementation. This is not going to solve the particular issue you have raised here, but I think generally the emphasis in the last four or five years has been increasingly on the implementation of policy—not policy development but implementation and delivery. That is a much broader issue.

Proceedings suspended from 10.44 a.m. to 11.03 a.m.

CHAIR—I call the committee to order. Dr Watt, did you want to contribute something?

Dr Watt—It is a very small thing. You asked about travel to New Zealand, Senator Sherry. It seems we travel a little more than I thought. In the 12 months to the end of September—and I think this would be really for the last calendar year—three finance officers visited New Zealand. Two visited New Zealand to discuss the issue of trans-Tasman harmonisation, the Therapeutic Goods Administration. The third visited New Zealand to attend a national

counter-terrorism committee meeting. None of them went with the purpose of discussing anything like the Future Fund with New Zealand.

Senator SHERRY—I noted your wording: ‘none of them went with the purpose’.

Dr Watt—As far as I am aware, none of them did.

Senator SHERRY—Have you checked with them?

Dr Watt—I have checked with two of them. The third has since retired.

Senator SHERRY—I would not expect you to chase him up.

Dr Watt—No, I do not think it would be worth it. But I can assure you that, of the two officers who are still in the department, neither discussed the Future Fund.

Senator SHERRY—Just to complete this issue, I did ask about discussions with fund managers but—and I do not know why—I forgot to ask about asset consultants. Have there been any discussions with asset consultants?

Mr McPhee—Certainly not that I am aware of, but I can ask Karen Doran, who is the divisional manager, whether she is aware of any contact.

Senator SHERRY—Ms Doran, I was asking about asset consultants and discussions in relation to issues on the Future Fund. Have there been any discussions with asset consultants? Chair, I am just finishing. It is a once-only question.

Ms Doran—No. We at the department of finance have not had any discussions with asset consultants as yet. We have had, as I said before, some preliminary discussions with the executive of the PSS and CSS boards, but that is as much as we have undertaken at this stage.

Senator SHERRY—It is just that I left out asset consultants and they are a different breed to fund managers. I do not know why I left them out. They are the next level. Thanks, that completes that.

Senator MURRAY—Just to continue on the line of questioning I was running with: I want to move from the general concern that I expressed to a more specific instance. I am referring to Audit report No. 22 2004-05, which Senator Sherry asked some very interesting questions on last night and which I addressed in a speech to that report a week ago in parliament. My questions follow along the lines that I have been exploring already, and that is this concern: that Audit audited six entities, which between them own \$1.84 billion in investments—so roughly 10 per cent of the total Commonwealth exposure, as determined by that report.

The audit found that there was \$566 million in unauthorised investments, so about one dollar in four was unauthorised, in a clear breach of your directives, of the law and so on. The audit conclusion said that implementation of the recommendations—that is, the recommendations of Audit report No. 22—should collectively lead to a level of management and focus commensurate with the quantum of public funds under investment. As I said at the time, if you decipher that it is a nice fat slap on the wrist. So my question to you is about a specific and serious example of agencies failing to comply with the law, with government policy and with the finance department’s directives. What can be done about it?

Mr McPhee—As you say, it is an extension of the issue that we discussed prior to the break. Certainly, as you would be aware, Finance does reinforce the importance of agencies

keeping their administration consistent with the expectations of the financial management framework. We are looking to do some further work in the area of informing agencies of the best way to manage their frameworks through some level of training facility, but at the end of the day I do not see that Finance can always have an answer to these sorts of issues. We can take action when we are aware of it, but the fact that entities have invested in a category of investment which is not entirely consistent with the framework is something that we, in the normal course of our work, would not be aware of and that I do not think we would be expected to be aware of.

Senator MURRAY—I happen to agree with you. I do not think you can do much. That returns me to my ASIC analogy. There is no ASIC to which we can turn, to whom either a complaint could be made or who would initiate action on their own motion. The Auditor-General's office is plainly not the right body to investigate breaches of the law. It should report them and then it is up to others to carry out investigations. What are the mechanisms by which anyone—a department, parliament, a parliamentary committee, a member of the public or a minister—can say, 'There has been a breach of the law here; we want this investigated either as a criminal or a civil matter, with prosecution to follow'? How does that happen? What can happen? It cannot just be left in the air. To me, Audit report No. 22 says that the law was broken. Therefore, the question is: what is the punishment?

Mr McPhee—Finance at the moment tends to have an advisory role when asked. In some cases we take action and ask the agency what they have done in response to matters of this kind. In some of these cases, for instance, Finance was involved in meetings to address the particular issue to assist the agency to take remedial action in terms of some of the investments they have made. We do work in a collaborative way with agencies but we do not take the prosecution role by any stretch of the imagination.

Senator MURRAY—Exactly, and neither should you, but who could you refer it to? If it goes to the DPP, the DPP needs a file brought up. If a parliamentary committee, a political party or a parliamentarian is concerned about a breach of the electoral law, they refer it to the AEC. If the AEC investigates it and find that there is a case to be put, it puts a file to the DPP and off he or she goes. What is the process where the law is broken—which it has been, as I understand this report—for the matter to be looked at as to whether a prosecution should occur?

Mr McPhee—In relation to these matters, while I have not checked with each agency, my reading of this report is that in many cases these were inadvertent breaches of the legislation.

Senator MURRAY—In which case an investigation would say that there is no case to answer, but you are not the body to make that judgment, as you have just outlined.

Mr McPhee—Correct.

Senator MURRAY—So what is the body? How does a parliamentary committee, for instance, or a finance department, both of which regard these matters as serious, get somebody to look at whether there is a case to answer?

Dr Watt—I cannot speak on behalf of the government, but I would imagine that the committee would have the means to draw it to the attention of the relevant minister and have it properly investigated should it need to be investigated.

Senator MURRAY—Take the Treasury, for example. It appears that the Treasury did not keep proper records of approvals of investments. It is unfair to any minister where there is a conflict of interest with their department to ask that minister to make such a decision. He or she would properly want it to be looked at independently. I gave the example of the AEC, an independent commission, where there are breaches of the electoral law. I do not think that your answer suffices. What I am driving at is that there is a gap in your or our ability to get someone to investigate and decide whether there is a case to answer where there are breaches of law of this kind.

Mr McPhee—Certainly at the moment our accountability mechanisms are very much public disclosure and obviously the appearance before parliamentary committees and questions in the parliament. That is our existing model. As you have pointed out, we do not have an ASIC equivalent.

Senator MURRAY—I have sympathy with a minister not wanting to take the rap on this, in the same way as it is impossible for you to know what has been done. Quite often it would be impossible for a minister to know what has been done. But I consider that \$566 million in unauthorised investments, if that occurred in a public company, would result in ASIC being asked by somebody to review the matter to decide whether there was a case to answer. If it is inadvertent or a mistake, there will be no case to answer. That is not the issue. I do not wish to punish people who make mistakes. But if it is a deliberate defiance of your directions, of government policy and of the law simply because they know it cannot be enforced, we have a problem as a parliament and as a government.

Dr Watt—Again, we have not spoken to all the agencies involved, but my understanding—and I will look to my officers on my right in a minute to see if they can confirm this—is that there was no deliberate defiance of the law or whatever. Often the distinctions in investments were, for example, as I understand it, quite fine between what was allowed under the act and what was not—for example, deposits in a bank as opposed to deposits in bank-issued securities, which are effectively at the margin no different. There was no suggestion that there was any defiance of the law or of anything that Finance or the Commonwealth parliament had said.

Senator MURRAY—But you can see the point, can't you? A parliamentary committee is not competent to decide whether there is a case to answer when it comes to a civil or criminal matter and neither is the department. We have no-one to turn to. I guess what I want you to give some thought to is advising this committee—which I doubt you can do, given the nature of your answers so far—about what process, what means there is for referral of these matters or matters like these to decide whether there is a case to answer to be done and assessed. I cannot think of any authority or body. The DPP needs a file. He cannot do it out of his own motion.

Dr Watt—We are happy to take it on notice and come back to you.

Senator MURRAY—Thank you. That is all I have on that.

Senator SHERRY—I have some questions in the area that the senator has been asking about. Are we coming back to it?

Dr Watt—Back to you on act of grace payments, Senator. Would you like to deal with that now?

Senator SHERRY—Yes, if we could. It should not take very long. I have some questions about three act of grace payments. On question No. 112, payment made by Defence for \$45 million: what was the nature of the payment?

Mr Yarra—I think you are reading from an answer to a question on notice. We have tracked down the answer to the question on notice. There are many act of grace payments in that answer.

Senator SHERRY—Yes, hundreds.

Mr Yarra—Yes. We have only researched three, so if you have other questions we will have to go back and research them.

Senator SHERRY—No, I only have the three that I asked about earlier in the day.

Mr Yarra—The most incomplete answer I have is in relation to the \$45 million. It was a waiver of debt owed to the Commonwealth by ADI, which was a Commonwealth company at the time. That was reported on page 37 of the department of finance annual report for 1999-2000, but it is not very revealing. So I would have to find out more about the circumstance of that waiver.

Senator SHERRY—Okay.

Mr Yarra—The second one we had was No. 152, which is \$53 million. My understanding of that one is that it was a waiver of debt in consideration for the issue of shares in ComLand, which was a Commonwealth company that ended up owning the land after the ADI sale. So ADI had St Mary's and Maribyrnong in Melbourne. ComLand ended up owning the land that was left over after the ADI sale. We did a transaction, apparently in August 2000, which was effectively the waiver of the debt in exchange or consideration for the allotment of 50 million ordinary shares. So I think it was the Commonwealth taking equity in ComLand via a waiver of debt. That is my understanding of that one. The last one, which was a big number—

Senator SHERRY—Was that No. 280—\$1.3 billion?

Mr Yarra—Yes. I understand that one related to a debt from the Victorian government to the Commonwealth government, under the Commonwealth State Housing Agreement. The Victorian government wanted to repay their debt early, but the mechanics of the Commonwealth State Housing Agreement say:

When early repayment of housing loans that had been advanced was anticipated, unless the Commonwealth waives in future rights to the payments—

I think that should read 'its future rights'—

of principal and interest, which would otherwise fall due, then they cannot be legally classified as actual repayments.

So it was a mechanical arrangement that arose out of the early repayment of that debt by Victoria, and it was necessitated by the nature of those agreements.

Senator SHERRY—So it is an unusual arrangement to deal with unusual circumstances?

Mr Yarra—I think so. I would be surprised if we would have an agreement like that now. To mechanically achieve the outcome of early repayment we had to waive the future rights to those repayments. It was mechanical device to achieve that early repayment.

Senator SHERRY—If there is any further information, particularly with respect to the first matter—

Mr Yarra—ADI?

Senator SHERRY—Yes. You could take it on notice.

Mr Yarra—Yes, we will look at that one.

Senator SHERRY—Thanks for that, and thank you for coming from the department.

Mr Lewis—The other question you asked us to consider and come back to you on was in relation to the yield across the market. My colleague Mr Heazlett has some information on that.

Mr Heazlett—The average market yield for the ASX 200 at the end of January was 3.56 per cent.

Senator SHERRY—So Telstra is doing pretty well at the moment compared to that.

Mr Heazlett—Telstra's yield is higher than that, but there is a range of factors which contributes to shareholder returns.

Senator SHERRY—Effectively, Telstra is a great future fund, isn't it?

Mr Lewis—When you consider an investment, as an individual or as a government, you need to consider a range of factors: one would be the yield, another would be the risk and another would be the capital appreciation. I am sure all of us think about those things as we contemplate our investment portfolios.

Mr McPhee—Just to complete the list of matters to be tabled, I have a copy of the ABS news release relating to the accounting treatment of that superannuation transaction.

Senator SHERRY—Thank you. Can Finance provide the committee with total appropriations for each year, from 1998-99 through to the year 2003-04, broken down into annual appropriations and standing appropriations? I assume you do not have that list here at the moment, but taking the question on notice is fine.

Mr McPhee—That is a pretty long list. Certainly we do not have the list here. Do you just want the total dollar amounts or do you want the detail?

Senator SHERRY—I want it broken down into annual appropriations and standing appropriations. I have some more detail on this, so let me conclude the questions. I want it to include but not be limited to special appropriations—section 20, special accounts; section 31, net appropriations; and section 30A, GST appropriations.

Mr McPhee—Do you need those in categories or individually?

Senator SHERRY—Individually.

Dr Watt—Do you mean listing those four categories individually?

Senator SHERRY—Yes.

Dr Watt—I figure that we currently need about six numbers per year. Is that right?

Senator SHERRY—Yes.

Mr McPhee—We will see what we can do. I am conscious, for instance, that even in the Audit report it talked about 414 special appropriations. There would be many annual appropriations. There would be many section 31 agreements. It is quite a significant compilation task. But we can take it on board and do the best we can.

Senator SHERRY—Thank you. In each category of appropriation, is there a breakdown of the total amount drawn down—that is, what is actually spent?

Mr McPhee—Yes, there would be.

Senator SHERRY—Could you take that on notice. Are you aware of any money spent in excess of any appropriation other than those already reported by the Auditor-General so far?

Mr McPhee—I am not aware of any.

Senator SHERRY—Is the department aware of any?

Mr McPhee—We can take that on notice.

Senator SHERRY—Could I also have the breakdown of the amount, if any, still available to be drawn under any appropriation and what those appropriations are for.

Mr McPhee—The second part suggests we need to get into quite a level of detail. If you are happy, I will take it on board to see whether we can aggregate it in presentation. What you are asking is the details of the unexpected balances of appropriations across the board, and that would be extremely time consuming to get.

Senator SHERRY—Let us see how you go. Appropriation Bill (No. 3) 2003-2004 and Appropriation Bill (No. 4) 2003—they are last year's bills—include amendments providing a mechanism for the finance minister to lapse appropriations which are no longer required. Is that correct?

Mr McPhee—That is correct.

Senator SHERRY—Have any appropriations lapsed?

Mr McPhee—Under that mechanism?

Senator SHERRY—Yes.

Mr McPhee—I understand that one appropriation has been lapsed in that manner.

Senator SHERRY—Do you have any more detail?

Mr McPhee—We do not have the details here but I can provide them.

Senator SHERRY—Could you also provide the detail of any others you find.

Mr McPhee—We will do a check for any others.

Senator SHERRY—I want to go back to 1997. I know you were not around then, Dr Watt. We had some reform of the financial framework that was first introduced at that time. Firstly, what were the objectives of those reforms?

Dr Watt—The objectives were broadly to make the framework less proscriptive and to increase devolution. In a sense, they were no more than confirmation of a route down which the government and the Department of Finance and Administration had been going for a decade or more. Mr McPhee was there at the time.

Mr McPhee—To add to the issues that Dr Watt raised, one of the aims was the provision of more comprehensive information, particularly financial information, to government for decision making. That has added also to the dimension of the accountability of the executive government to the parliament. As you would be aware, the nature of the Commonwealth's financial reporting is now much more comprehensive than it was under prior regimes.

Senator SHERRY—Were you around then, Mr McPhee?

Mr McPhee—I am bit like Dr Watt; I have been around for a while. I was in the Department of Finance and Administration between 1987 and 1992 or something like that.

Senator SHERRY—Mr Bowen, you were around, weren't you?

Mr Bowen—Yes, I have been, in various guises, in the Department of Finance and Administration for the last 10 years.

Senator SHERRY—I am just taking my memory back to the 1996-97 period and I can recall you being around then. Do you have anything to add to the objectives of the reforms?

Mr Bowen—No, I do not think so. I think my colleagues have articulated them pretty well in terms of the financial framework.

Senator SHERRY—Dr Boxall is not in Finance anymore but he certainly articulated them at the time, as I recall. That is right, isn't it, Mr Bowen?

Mr Bowen—He was secretary of the department at that time.

Senator SHERRY—Yes, and he articulated the objectives of the reforms at that time.

Mr Bowen—The FMA reforms came to fruition in 1997. The changes in the legislation had been in train for some time and were passed in 1997.

Dr Watt—I think the point that Mr Bowen is making is that the passage of legislation was in some sense a culmination of a reform process that had gone on a lot longer. When I restarted in Treasury in 1985 I think we still divided departmental running costs, or whatever we called them in those days, into things like postage, telephone and so on. I can remember serious ministerial decisions having to be taken to move from one to the other. So in a sense Finance had gone through a long journey of change before 1997.

Senator SHERRY—I understand the period leading up to 1997, but how do you judge the success or otherwise of the changes made?

Dr Watt—I think overall the changes made to the framework have been positive. We have had this discussion on a number of occasions in this committee. I think the changes made were in the right direction. I think a lot of them have given agencies the ability to be properly responsible for their obligations and their accounts and be properly responsible for only things that they can be responsible for while at the same time ensuring that government has the ability to make appropriate decisions to monitor and implement its programs.

As we have discussed before, the framework that was introduced in the late 1990s has, with the benefit of experience, needed a bit of tweaking. The government has done some tweaking. We have discussed the budget estimates and framework review here in the past. We have also discussed the changes that that has meant for the department of finance and agencies. I am sure that the framework will continue to need tweaking. That is the nature of an accounting framework. If you say, 'This is perfection,' and you put it on the wall and walk away from it, it certainly will not be perfection within a couple of years. So I think there will be some further tweaking, but I think on the whole the changes have been positive.

Senator SHERRY—I note a couple of your terms there—'on the whole', 'positive' and 'a bit of tweaking'.

Dr Watt—It is a word we have used here before.

Senator SHERRY—I will come to the tweaking shortly. With the Auditor-General's reports I will come to some of the detail in a moment, but how do you explain the systematic failures that are identified in a number of audit reports we have seen in the last six months?

Mr McPhee—There is certainly no denying them. Agencies have gone through significant transformation, particularly on accrual budgeting, and I think it is fair to say that a lot of their energy has been devoted to getting those arrangements in place and as a result perhaps some of the other areas have not got the attention that we would have also liked. I think the reports by the Auditor-General have assisted to highlight to all agencies the importance of looking at these matters of process and these matters of compliance to ensure that their operations are as expected to be within the legal and administrative frameworks.

We issue advice where we can to try to address the issues. I expect there will always be a level of non-compliance. The Commonwealth government is a huge operation. There are many agencies. Realistically, we probably need to expect a level of non-compliance. But I think the message has got through: agencies have responded very positively to the Auditor-General's reports in saying they will address the matters that he has raised. As I say, Finance has done what it can to reinforce the importance of agencies complying with these frameworks.

Senator SHERRY—I was listening to the earlier questions by Senator Murray and the answers. An example of training facilities was mentioned by Finance. Do you think in retrospect there should have been a greater emphasis on training some years ago to ensure a greater level of preparation with agencies and departments about their new responsibilities?

Dr Watt—With the benefit of hindsight the changes introduced not just in 1997 but particularly in the 1999-2000 budget with the introduction of accruals have required of the Public Service a level of understanding of financial issues, which was easily underestimated. We have not had the pool of financial expertise in the Commonwealth in the last number of years that we would have liked. That matter is being addressed. It not only needs to be addressed by Finance, incidentally—although you heard Mr Suur talk about our 55 graduates, virtually all people with financial backgrounds whom we are trying to bring in and develop for Finance and for the APS, because we will not finish up keeping most of them in Finance; they will move, but we hope we will get them back one day—but it is also a matter for agencies. I do not think anyone had a proper appreciation of how limited the

Commonwealth's pool of financial expertise was, when the changes were made in the second half of the nineties. I do not think anyone, either at Finance level or at the agency level, moved quick enough to expand that pool. There were a number of reasons for that: the difficulty of attracting financial talent, given our level of remuneration; Canberra itself means that people have to move; the fact that I can go out and hire—and I am sure you have heard me on this subject before—10, 15 or 20 financial analysts tomorrow from the agencies around this town, and they will take 10, 15 or 20 financial analysts back from me a week later.

Senator SHERRY—I understand that is an issue. But I can recall these proceedings, particularly in 1996, 1997, 1998, when the finance department had the expertise and lost a level of expertise because there was a significant reduction in staff numbers. If many of them had transferred over to the agencies and other departments to take up at least part of the responsibility, I could understand, but that did not happen.

Dr Watt—There was a mix of things. If you walk around Canberra, you can find a large number of people in agencies who left in the late nineties, early 2000s, who were Finance officers, and there has always been that ebb and flow.

Senator SHERRY—But this was exceptional. I can recall sitting here—and I am not having a go at you, but I did have a go at Dr Boxall at the time—and expressing my concern at the very significant number of staff who left Finance at that time. It seemed logical to me that, with the devolved responsibilities, at least a significant proportion of them would have been transferred to other departments to assist, at least for some period. But that just did not seem to happen.

Dr Watt—Perhaps I can answer the question best this way. I suspect that, even if every one of those people had been retained in Finance, or retained in the APS financial system, we would still need a good deal more by way of financial expertise than we had back in the late nineties. We would be on a par with corporate Australia, I suspect, in that respect.

Senator SHERRY—I accept that that is an argument, but it just strikes me that, on reflection—and it is looking back—a very significant number of experienced people were lost at that time. I can recall Dr Boxall sitting here—and I actually felt a little bit of sympathy for him, I have to say—when the going got very tough in Finance and he had to outline to the committee that he had to bring in counsellors to assist some of the staff. That is how tough it got for a period of time there.

Dr Watt—I am sure that the changes that were made did have an impact, but I think the real issue is that the financial world in which the Commonwealth now operates is a much more demanding one than it was a couple of decades ago.

Senator SHERRY—Let me just give you an analogy. I think somewhat of a shambles has been exposed by the Auditor-General's reports. I can recall sitting at estimates when APRA and ASIC were created. They were a merger of a number of existing authorities. They moved to Sydney and there was a massive loss of staff—whatever the reason that people decided not to move—particularly in the old ISC, the old Insurance Superannuation Commission, and there was a downgrading of actuarial surveillance. All of this has been recorded over the years in the estimates. Then we had HIH. No-one will argue that, in part, that collapse was due to the loss of expert staff. And this sorry episode that has been highlighted—not in such a

dramatic form in terms of the public attention the collapse of HIH received—by the Auditor-General's reports does remind me of that approach: a significant loss of skilled staff over a number of years and then a serious problem emerging.

Dr Watt—I am not able to comment on a comparison with HIH, ASIC and APRA. That is well beyond my bailiwick. I can say to you, Senator, that Finance is committed to building its expertise and would be delighted if we had a larger cadre of experienced staff. One would always appreciate that. That is what we are trying to do.

Senator SHERRY—I understand you are trying to do it. You use the phrase 'a bit of tweaking'. If we look at what has happened since 2002, we see: 20 major reforms in the November 2002 review, including returning control of appropriations to Finance; since 2002, 28 Finance circulars to agencies explaining how the framework should work—we have that as an attachment; extensive amendments to the finance minister's orders; and then just last week we dealt with the 130-page financial framework bill, which was amending the original FMA Act, which ran to only 16 pages. So there is a considerable body of evidence and material. We are not looking at merely a bit of tweaking here, as you describe it.

Dr Watt—It would be very easy to make more of those changes than they are in reality. Take the financial legislation amendment bill. The reason that is so big is not that there are changes of huge magnitude in there or indeed even any changes—and I will get the relevant finance officer to comment on that in a minute—but that there are so many acts that need to be formally amended or abolished. It is more a case of size rather than substance in the case of that legislation.

In relation to our Finance circulars, I am not actually sure that our level of activity has been all that unusual. We feel we are a little bit betwixt two stools here. We like to be seen to be active and to make sure the framework stays up to date—which we do want to do and have to do—but, on the other hand, if we are active and see the framework stays up to date, it can easily be taken as something more than just a little bit of tweaking. As for the results of the budget estimates and framework review, the government did properly review the results of the changes made in the late 1990s and some things were introduced, but I really do not think it was a return to the past in a significant sense. Yes, a few things changed but, by and large, the government maintained a framework.

So I am not sure that we have really done more than a little bit of tweaking—but you and I might have to disagree on that. Perhaps Mr Hudson can talk about why the financial legislation amendment bill looked a lot larger than it really is.

Senator SHERRY—We had the debate in the parliament last week. I am making a point, but we just do not like to see these sorts of things occur. The Auditor-General's report really rammed home that message in the last couple of months.

Mr McPhee—The other thing we have tried to do is to be a lot more proactive in putting out information, putting out circulars, in areas where we have become aware of a particular issue. We have tried to get on the front foot to put the investment in up front to avoid serious audit reports downstream. So we have had a deliberate strategy of trying to raise the awareness of agencies to particular issues which have arisen in financial management. While it is very early days in our formulation of the training effort, it is very much about putting the

investment in to raise the awareness of agencies and to avoid the extent of the issues that these reports really highlight.

Senator SHERRY—Is the inclusion of the spending agencies, including Centrelink, that we touched on earlier, in part going to result in greater financial control over those agencies?

Dr Watt—Is this bringing Centrelink, HIC and the other four under a Department of Human Services? It is very difficult for me to answer that question because I am not the portfolio secretary of the department concerned. You will have Patricia Scott here before you this evening, and I would really prefer to leave the answer to her. But I think you can say that it does depend upon the governance structures that are adopted for the agencies. For example, the Prime Minister's press release has noted that the current deliberative boards that exist for both Centrelink and HIC will be replaced by an advisory board, which suggests greater direct responsibility of the minister of the agencies concerned. I would prefer not to say any more than what is on the public record.

Senator SHERRY—I am sure she will have her perspective, and I am sure you have yours from the finance department's point of view. I want to turn to that latest audit report of the financial statements. That is the Audit report on the consolidated financial statements that contains nine qualifications in the table on page 42. That was obviously higher than in 2002-03. I spent a bit of time with the Audit Office last week. What is the finance department's view of this?

Mr McPhee—Sorry, which particular aspect?

Senator SHERRY—Look at the table on page 42. We had a bit of a discussion last night with the Audit Office. For example, it shows that there were four qualified audit reports, including the CFS audit reports, in 2002-03, then in 2003-04 there were 12. That is a reasonable increase.

Mr McPhee—Firstly, we are not pleased with this position. We have the agreement of our minister to communicate with agencies to get early advice on potential issues which may cause qualification of the accounts. I do not think it would be a surprise to you that neither the minister nor the government is extremely pleased with this particular outcome, so we are seeking to head off any issues, to the extent that we can, going forward.

Senator SHERRY—On page 43, the Auditor-General says:

Qualified audit reports are issued when the financial statements do not present a fair view of the entity's financial position, nor of the results of its operations and its cashflows, as well as reducing the reader's ability to analyse, interpret and compare financial statements.

That means that not only this committee but also the parliament are unable to rely on financial statements as representing a fair view.

Mr McPhee—It is very important that the Auditor-General will generally say that it presents a fair view except for a particular issue or a particular area of concern. He will have explained that and, generally speaking, so will the entity have explained it in the notes to their financial statements. One particular agency breached the Constitution by spending moneys in excess of appropriation. The audit report explained that and clearly the Auditor-General saw

that as significant enough to qualify the accounts. In most cases it is true and fair except for particular issues.

Senator SHERRY—In the consolidated financial statements Finance are responsible for nine qualified audits.

Mr McPhee—In terms of the opinion on the consolidated financial statements, the Auditor-General made quite a number of references to issues which he took into account in forming his opinion. Many of those, as you will know, arise from qualifications of entities' financial statements, and they come to bear on the consolidated financial statements because at whole of government level we consolidate agencies' accounts. If you like, we wear the consequences of material qualifications in agencies' financial statements, which is why we are seeking to take a more active role in heading off those issues.

Senator SHERRY—But whatever arrangements are put in place, the finance department is responsible under the Constitution, isn't it?

Mr McPhee—For what?

Senator SHERRY—Financial management.

Mr McPhee—Not under the Constitution.

Senator Minchin—I do not think there is any reference to the finance department in the Constitution.

Senator SHERRY—No, there is no direct reference to the finance department; it is delegated through legislation. Someone or some department has to be responsible, and it is Finance.

Mr McPhee—We are responsible for the financial framework and the maintenance thereof, yes.

Dr Watt—As Mr McPhee said, we are addressing this by earlier engagement with agencies when they have potential or actual qualifications with audit, and helping agencies develop plans and processes to work through those qualifications. That is consistent with the minister's and the department's responsibility. But at the end of the day we cannot do their audits for them.

Senator SHERRY—I understand that you cannot do their audits for them but Finance has been around for a long time. You do have a responsibility to ensure that agencies are able to do them. You cannot sit down and do the minutiae; I accept that.

Dr Watt—No, we do not have the responsibility to see that they are able to do their audits; that is expected of the agencies.

Senator SHERRY—But they are failing in some instances. They have been given an additional range of responsibilities over the last six or seven years—with devolution, particularly. I am not here to bag the public servants who have these responsibilities, whether they are adequately trained, whether there are enough of them, whether they are skilled or whether they have appropriate backgrounds et cetera. Doesn't Finance have some oversight or liaison or training role in these areas?

Dr Watt—Firstly, I think it is wrong to link the qualifications of this particular audit in any sense to devolution. Some of the problems have been around a lot longer than devolution. Some of them have been thrown up because, with the accrual framework in place, we now audit against an accrual framework and audit a balance sheet. If we did not have that accrual framework in place, which you could have with or without devolution, you would not have that auditing issue. It is also quite clear that agencies are responsible for their own accounting and audit arrangements. We have discussed the issue of whether we have enough financial management expertise in the Commonwealth, but a lot of this is not about financial management expertise; it is about basic systems and basic audit issues. Senator Sherry, you asked about the additional qualification this year. My sense is that some of it has come about because auditors over the last few years have started to look harder at the people they audit both in the public and private sectors. And, the harder you look, the more you throw up.

Senator SHERRY—Page 35 says:

The CFS were signed by the Minister on 17 December 2004 and tabled in Parliament on 23 December 2004. The significant delay was primarily caused by the delay in the finalisation of the Department of Defence accounts.

You touched on this earlier. We have a department like Defence, in this case, which caused a significant delay. You mentioned that some of these things have been around for years, but in the case of the Department of Defence—and I am not going to go into it in any great detail; there are some horrible details about in respect of the Department of Defence—caused a significant delay in the signing off by the minister. Why was there a considerable delay this year?

Mr McPhee—The considerable delay was influenced heavily by the form of opinion that the Auditor-General was contemplating in relation to Defence—that is, he was considering and, indeed, did form a no opinion or a disclaimer of opinion in relation to Defence. Defence did work fairly hard to see if they could provide any evidence to persuade the Auditor-General that their systems and their information were not quite as bad as a disclaimer of opinion would suggest. But, in the end, they themselves were convinced that they did have serious issues, but they did take time to work those issues through with the Audit Office.

Senator SHERRY—I understand that they took time to work them through or try to work them through.

Mr McPhee—As you would appreciate, we cannot consolidate our accounts until the Defence numbers are settled.

Senator SHERRY—Yes, that is right.

Mr McPhee—It is an inevitable consequence.

Senator SHERRY—Presumably you have had some liaison with Defence since this issue arose.

Mr McPhee—We have.

Dr Watt—We have had extensive liaison.

Senator SHERRY—I am not going to go to the issues of Defence today; that is for another estimates. The audit reports in that regard were as bad as any you could pick up, I suspect. Page 41 says:

Audit reports on the financial statements of six agencies reported breaches of section 83 of the Constitution.

I know there was a bit of discussion about the practical consequences of breaching the Constitution with Senator Murray earlier. Have you identified practical consequences of breaches of the Constitution?

Mr McPhee—It is viewed by us, and obviously by the Auditor-General, as extremely serious, because it is spending public funds in excess of those appropriated by the parliament. Again, many of these will be inadvertent, but we believe that, in this day and age, agencies should have the system controls necessary to not allow that to happen. It is a significant issue for the parliament and the executive government's authority to spend. In terms of other consequences, the money is spent. It has gone, and we would seek to recover in some way the excess spending. But that is a budgetary type consequence. It is nowhere near as significant as the overall breach of parliamentary appropriation.

Senator SHERRY—Are you aware if there was any examination of the actions of the individual officers? Again, I am not hunting for heads. Was additional training required or were new backup staff brought in?

Mr McPhee—I am not aware of the specifics. Again, these are agency issues, and I would expect all CEOs to take these matters very seriously and include those considerations that you have raised.

Senator SHERRY—Dr Watt, have you had discussions with the heads of the agencies? You would meet regularly, I assume, and highlight these sorts of problems.

Dr Watt—I do talk to my colleagues about problems of financial management from time to time at the portfolio secretaries' management advisory committee. I have not discussed these particular issues. I will be discussing a number of issues with them over the next couple of months. I am sure they will come up.

Senator SHERRY—On page 12 of Audit report No. 15 2004-05: *Financial management of special appropriations* the ANAO notes that appropriation management arrangements changed in 1999 following amendments to the FMA Act. In particular, two key responsibilities were devolved from Finance to agencies, namely:

- legislative controls on who may lawfully draw upon appropriations; and
- maintenance of accounts and records concerning the use of individual appropriations.

Can you briefly explain special appropriations and indicate their share of total appropriations?

Mr McPhee—Special appropriations are generally for a particular purpose. They do not lapse, in any sense of the word. There is a range of criteria which are generally used to determine whether an appropriation should be a special appropriation or an annual appropriation. My memory is that we mentioned that to the Audit Office, and they repeated that on page 21 of the report:

... Special Appropriations ... would generally be appropriate where there is a need or desire ... to:

- fund a legal entitlement to a benefit which is to be provided to those who satisfy criteria set out in law ...
- give effect to inter-governmental funding agreements or arrangements;
- demonstrate the independence of an office from Parliament ...
- demonstrate Australia's ability to meet its financial obligations independently of parliamentary approval—

and so on. Some reasonably clear criteria are used. The second part of your question was: do we have a list of the 414 special appropriations? I think we could, consistently with our earlier response, provide you with that.

Senator SHERRY—Do you have an indicative figure as a share of total appropriations?

Mr McPhee—It used to be about two-thirds. I am advised that it is about 80 per cent. It is fairly high, certainly.

Senator SHERRY—If we look at pages 12 and 13 of Audit report No. 15 we see that five years after the changes a number of entities have not updated their instructions, procedures and/or delegations for managing appropriations, that \$393 million had been drawn from consolidated revenue with the wrong appropriations, that \$7.2 billion was spent against legislation not passed by parliament, that \$26 billion in payments was not disclosed—Treasury; AOFM—and that more than half of all existing special appropriations were not appropriately disclosed. Is that a fair summary of what is contained there?

Mr McPhee—Yes.

Senator SHERRY—The ANAO identified irregularities or breaches involving some \$47 billion. Is that correct?

Mr McPhee—Correct. You do have to analyse that figure to understand the nature of the issue, but there is no denying that if you add it all up that would be about the figure. For instance, Treasury had a misunderstanding about whether when they invested funds in the Reserve Bank it was part of the consolidated revenue fund. So there were very technical legal issues, which have been resolved and which have obviously been reported.

Dr Watt—Another illustration—and I am not particularly proud of this—is that \$7.2 billion in superannuation payments were made by Finance in 2001-02 and 2002-03, but through a clerical error they were recorded against a bill before parliament rather than the relevant acts in Finance's annual report. That is an error but it is not a hanging offence.

Senator SHERRY—No, I would not suggest that that is a hanging offence. I am not looking for hanging offences in the sense that I want to have a go at individual public servants. I understand the difficulties, but I think the point is to at least try to anticipate a bit better—

Senator MURRAY—I should add that where it is a hanging offence we would want somebody hanged. Do not think that on every occasion we would take it lightly.

Senator SHERRY—I am being too sympathetic, Senator Murray, to the demands on the public servants.

Senator MURRAY—That is what I was worried about.

Dr Watt—I think we are agreed that in this case it is not a hanging offence.

Senator MURRAY—I agree.

Senator SHERRY—Let us move to hanging offences. In any of these matters, do you have knowledge of whether anyone was disciplined, cautioned, warned or moved sideways, or up or down?

Dr Watt—No, I do not and I would not expect to. Disciplinary proceedings are a matter for the agency head rather than for me.

Senator MURRAY—If I may make the point and put the question: that is the point—none of us know, and there is no means for us to know. That alludes to my earlier question.

Senator SHERRY—Senator Murray raises a good point. It may be appropriate that there be some disciplinary action taken. We simply do not know that. We can go off to each individual agency and ask, but the process seems a little bit tortuous, given the serious nature of at least some of these matters. To what extent did the financial management issues identified in this report arise as a consequence of that devolution—the control of appropriations to agencies being passed from Finance in 1999? Do you think it was a factor?

Mr McPhee—With the introduction of, say, accrual budgeting and full-scale accrual reporting, the disclosure requirements were enhanced. The finance minister's orders in terms of disclosure requirements have gone from being a reasonably slim volume and have been getting bigger and bigger. There are greater disclosure requirements. Some of the disclosure requirements that are required today may not have been required in years gone by. So, in a sense, we have a more comprehensive model which allows—if you want to look at the negatives—more opportunities for people to run into strife. But we think, having said that, the benefits of the model make it clearly superior to the old arrangements. There is no easy answer to your question, Senator Sherry. In some ways constitutional breaches were around even in the cash days, as you will recall, and we have them today. So some of these fundamental control issues have not changed one iota, and the importance of them needs to be continually underlined to agencies.

Senator SHERRY—Let me give you one example: I can recall the Department of Veterans' Affairs, I think it was, opening an illegal bank account with, of all banks, the Reserve Bank. That seems to me to be—I am not suggesting there was any fraud or anything like that—a pretty basic and simple but fairly substantial silly thing to do.

Mr McPhee—I think one of the things that we need to continually reinforce is the issue in the public sector of where the authority is derived from. Is it legislation or is it a delegation? Where does it come from? That would be the sort of issue that we would cover in any sort of guidance to agencies, and we are looking to produce more general guidance material for agencies just on the framework itself.

But if you are a newcomer to the Public Service, you may not necessarily be in the mindset of 'what is the appropriate authority before I go and open a bank account'. It might be a very sensible thing to wish to open a bank account and, particularly in the case of the Reserve Bank, to maintain public funds, but in the public sector you have to think, 'Have I got the authority to do that?' despite it being an admirable idea. So, as I say, it is the nature of the public sector and the importance of the framework we have. I do not know whether I have

answered your question, but we need to continually emphasise that as well as the importance, obviously, of achieving program objectives and doing many other things.

Senator SHERRY—I must say that it did beg the question of whether the Reserve Bank checked to determine whether the person or persons who opened the bank account had the proper authority in the first place and not just the officer or officers who had opened the illegal bank account from a departmental point of view.

Mr McPhee—That is a fair question, but we would say it is the agency's responsibility.

Senator SHERRY—I have no doubt about that, but the fact that the Reserve Bank allowed an illegal bank account does raise questions. I have not questioned them. I have not heard an explanation of why they allowed it to happen; presumably they did not do adequately checking. When the Reserve Bank does that, I think it is a cause for some concern. I mention that as another example that I came across. In Audit report No. 22, on page 13 it states:

... ANAO identified that, at least 11 entities, and up to 13 entities, have purchased and reported holding investments not authorised by the relevant legislation. In total, more than \$566 million in unauthorised investments were identified.

That is correct, isn't it?

Mr McPhee—We have no dispute with the report.

Senator SHERRY—Are there any other entities which have made unauthorised investments that you have become aware of?

Mr McPhee—We are not aware of any.

Senator SHERRY—Have you checked? Have you done any work in this area?

Mr McPhee—It really goes to the issue we discussed earlier this morning. We do not observe the nature of the investment transactions entered into by particular agencies so we would not be aware whether they were invested in non-compliant investments or not.

Senator SHERRY—For example, since the audit report was released, has there been any sort of communication go to agencies about this issue of unauthorised investments?

Mr Culhane—I am not sure that we have written to agencies subsequent to the audit report, but prior to the audit report in April 2004 I wrote to the chief finance officers of those FMA agencies that have a delegation to invest public moneys reminding them of their responsibilities in terms of compliance under the FMA Act.

Senator SHERRY—When was that?

Mr Culhane—April 2004.

Senator SHERRY—Do you think they read it?

Mr Culhane—I can only hope that they read it.

Senator SHERRY—Obviously some of them did not. I suppose some of the activities occurred prior to that date. The ANAO certainly highlighted the issue.

Dr Watt—Quite often there is a fine gradation between what the acts allow for by way of investments and the range of very similar or seemingly similar investments that are actually not allowed under a strict interpretation of the act. At least in some cases, I am reasonably

sure that agencies believed they were investing in accordance with the act, but when they looked closely they realised they were not—they did not have a deposit with the bank; they had a bank-backed security. That is not a deposit, but you could perhaps understand why an agency might have been confused about which was which. By bank-backed security I mean a security deposit not a bank share or anything.

Senator SHERRY—Given that you wrote back at that time, Mr Culhane, and we had had the audit report, was it not appropriate to write to them again?

Mr Culhane—We have talked to a number of agencies since then about it. I think the agencies identified in the audit with the breaches are, from my observation, well aware of the problem and working towards correcting it. Indeed, I know of one agency that has traded out of the instruments and another agency that has traded out of the instruments which it knows are non-compliant with the act and is currently liaising with the ANAO about a number of instruments which it is not clear whether they are compliant with the act with a view to establishing whether they are not compliant. I am reasonably confident that action is in train to get the investment activities back into compliance with the act.

Senator SHERRY—Where they have traded out of the investments, do you have any knowledge whether that has been at a financial disadvantage? For example, there might have been a penalty.

Mr Culhane—I believe in the case of one of those agencies that it was not at a financial disadvantage but I have no knowledge in relation to the other entity.

Senator SHERRY—Which is the one that you have the knowledge of, the one you just mentioned?

Mr Culhane—I understand in the case of ATSIC it was not at a financial disadvantage.

Senator SHERRY—Was Finance notified of the rates of return on these various investments?

Mr Culhane—No.

Senator SHERRY—So presumably the individual entity has to provide that information on the rate of return on investments.

Mr Culhane—Provide it to whom?

Senator SHERRY—To me and the committee. To get that information I have to go to the agency or entity?

Dr Watt—Yes, you would need to.

Senator SHERRY—You do not think it would be worth while, Dr Watt, for individual agencies and entities to at least be reporting their rate of return and the type of investment just to try to judge whether a better rate cannot be determined and to keep a bit of a check on them?

Dr Watt—I do not, and for this reason: we give the responsibility to the CEO. We say, ‘You make the best judgments based on a proper assessment of the risk and return and an assessment of your financial needs.’ The CEO really is the best placed person to do that. Finance could collect information and it could then set about asking, ‘Could you have done

better by some form of investment?’—I assume that would start by saying, ‘Could you have done better by investing in Commonwealth bonds?’ which is a handy benchmark around the place. Probably one or two of them may have done worse, but most of them I am sure would have done better. And then we would be asking ourselves the question, given the additional return, have we got a much higher spectrum of risk as a result? I think that gets Finance into trying to make decisions that it is very difficult for us to make.

Senator SHERRY—I am not going the next step of you making the decision—not at this point in time anyway. But at least providing the information. Don’t you think you could make some helpful suggestions?

Dr Watt—Helpful suggestions and decisions are not far apart.

Senator SHERRY—No, but they are different.

Dr Watt—They are different, but both of them blur the lines of accountability, and as a senior agency head once said to me when I kindly thanked him for participating in something that the department had put on—a speaking engagement which he did at considerable inconvenience to himself—‘Be realistic, when you ring up and make a suggestion of course I do whatever you want.’ That is the problem. That is a little example of the issue of where do accountabilities lie. If I make a helpful suggestion on a matter financial I have taken accountability responsibility for it in my view.

Senator SHERRY—I think the department of finance is there to make helpful financial suggestions.

Dr Watt—Sometimes.

Mr McPhee—There are some annual financial reporting disclosure requirements around effective interest rates, so it appears in agencies’ financial reports, but there is no reporting, as Dr Watt has said, back to the central finance department.

Senator SHERRY—But to make a judgment it would be useful to have this information as a whole. Is it efficient in terms of the rate of return? You could pool the investments and get a lower management fee, for example. That might be one issue. I am not suggesting that is what should occur but it is a legitimate issue to look at.

Mr McPhee—Picking up on your point, the more fundamental point perhaps is who should be allowed to invest separately from our other investments with the Reserve Bank and through the AOFM. As the audit report points out, there are only 11 or 13 entities of the global number that are allowed to do it, and they were allowed to do it for particular reasons that were seen to carry the day. So it is a very small subset of agencies that have this authority.

Senator SHERRY—And, given the outcome of the audit report, thank goodness.

Dr Watt—It is also true that at times there have been quite deliberate decisions made by governments that these entities will be independent of central government control and therefore those investment powers have gone with that independence. At least in the case of some of those entities those decisions were quite deliberate. You could ask if you wished an entity to have financial independence whether you could not give it investment powers.

Senator SHERRY—In 2003 I understand financial officials assured the JCPAA that the then draft Financial Framework Legislation Amendment bill was not in response to any known wrongdoing and would not have any retrospective impact, either actual or through clarifying intent, which would make past acts of uncertain legality legal. Does that remain the case?

Mr Hutson—Yes, that remains the case.

Senator SHERRY—Prior to the repeal of the Audit Act in 1997, what arrangements were in place to manage the investment of public funds? Was each entity responsible for their investments or was there a centralised investment and compliance function with the Department of Defence?

Mr Hutson—I am informed that prior to the 1997 legislative amendments some agencies were investing under a delegation from the finance minister.

Senator SHERRY—Less than—

Mr Hutson—They were investing prior to 1997.

Senator SHERRY—But was the number less than now?

Dr Watt—We would have to take that on notice.

Senator SHERRY—I would submit that less were doing it.

Mr Hutson—Less than doing it now?

Senator SHERRY—Yes.

Mr Hutson—That would probably be the case. We will take it on notice.

Dr Watt—We will take it on notice and check it. We cannot be sure.

Senator SHERRY—Wasn't there a centralising investment and compliance function in the Department of Defence up until 1997?

Dr Watt—In the Department of Defence?

Senator SHERRY—Sorry; in the Department of Finance and Administration.

Dr Watt—I think we need Mr Bowen back.

Mr Bowen—Not to my memory.

Senator SHERRY—We do not want to search out Dr Boxhall? Can we bring him over for another estimates?

Mr Hutson—My memory is actually to the contrary. Some agencies that did have investment powers were making decisions, within the confines of the act, about where to place those investments on their own recognisance.

Mr McPhee—My memory is that, in the large, the interest came from the Reserve Bank in those days. There were some trust funds or trust accounts in those days that had investment authority. I have no idea of the numbers. I do not think it was widespread. But they did have the authority in some cases to invest funds on the basis that they were seen to be trust funds and trust accounts rather than public moneys. But in the main we used to get our interest returned through the Reserve Bank.

Senator SHERRY—Section 81 of the Constitution says the CRF comprises all revenues or moneys raised by the government. In report No. 15 on page 33, the Department of Finance and Administration is quoted as saying:

The wide range of circumstances in which Commonwealth money is raised or received makes it impracticable to identify the precise balance of the CRF at any particular time.

Does that mean that the department is saying it is not possible to say how much money the government has on any given day?

Mr McPhee—In the light of the legal advice that the consolidated revenue fund is a self-executing fund and further that there is no requirement to keep a record of the consolidated revenue fund, we derive the balance of the consolidated revenue fund based on information provided by agencies to us on their cash holdings. That information has been published in the minister's consolidated financial statements and in the budget papers for the last couple of years.

Senator SHERRY—Finance was able to determine the exact cash balance before the decentralisation of financial management to agencies, wasn't it?

Mr McPhee—Yes. We have covered some of this territory before. The audit act used to refer to a consolidated revenue fund. In fact, it established three funds: the consolidated revenue fund, the trust fund and the loan fund. But legal advice suggested that the consolidated revenue fund in the audit act was not conterminous with the constitutional consolidated revenue fund. To cut a long story short, the audit act CRF is not the same consolidated revenue fund that we deal with today. We did used to account for the cash receipts and payments out of the audit act CRF prior to accrual budgeting, but I emphasise that that was a different consolidated revenue fund from the one we refer to today.

Senator SHERRY—Different in its nature? It is certainly different in its amount.

Mr McPhee—Different in its nature. The current CRF is really the combination of the former consolidated revenue fund, the trust fund and the loan fund. We genuinely have one consolidated revenue fund now. In fact the whole basis on which the FMA Act was established was to get the alignment between the Constitution and the Financial Management and Accountability Act—to line up the CRF so that there would not be the confusion that existed when we had the audit act in place.

Senator SHERRY—I note the description on page 33:

Finance reported that, as at 30 June 2003, the derived balance of the CRF was \$1.461 billion.

What is your understanding of 'derived'?

Mr McPhee—The meaning of 'derived' arises because to get to the balance of the CRF we actually start with the overall general government sector cash position. We then take off the agency cash balances that are held by CAC bodies. These are entities who act in their own right, and so their funds do not form part of the consolidated revenue fund. So we deduct those. We add the special public moneys to derive a balance of the CRF. To do our consolidation exercises on a monthly or annual basis, we get returns from agencies on their cash position. Some of those agencies' balances do form part of the consolidated revenue fund; some do not. That is why we derive it in that manner.

Senator SHERRY—Page 176 of the consolidated financial statements shows that it had declined to \$744 million by 30 June 2004. Page 23 of Audit report No. 22, *Investment of public funds*, states:

As at 30 June 2004, Commonwealth entities reported financial investments of some \$20.208 billion.

Can you explain the difference?

Mr McPhee—Some of it, yes. A significant amount would be investments by the AOFM, and they are seen to be outside of the consolidated revenue fund, so that would be a very significant flow.

Dr Watt—In fact, I think that is virtually all of them. We can get you an answer and have it back here by 1.30 p.m.

Proceedings suspended from 12.30 p.m. to 1.32 p.m.

Senator FAULKNER—I have a general question which is perhaps best directed to Dr Watt. During the election campaign there was extensive media reporting about leaked material, and it was suggested some of it might have been leaked from the Department of Finance and Administration. I am sure you would be aware of that media coverage.

Dr Watt—Yes, I am.

Senator FAULKNER—I read in that media coverage that this had caused you some embarrassment. I do not know whether that is true or whether you care to comment—and it is frankly neither here nor there.

Dr Watt—I think embarrassment is the wrong word. I am not embarrassed by it. I am disappointed when, *prima facie*—and you can say no more than that—public servants release information in an unauthorised manner. I say ‘*prima facie*’ because we have asked the Australian Federal Police to come in, and their inquiries are still under way, so there is no conclusion, but I am disappointed when public servants apparently conduct an unauthorised release of information.

Senator FAULKNER—Fair enough. Would you briefly give the committee a status report of where these investigations are up to? I deliberately use the plural, because I understand that there is more than one incident. I do not know whether that means there is more than one investigation. Perhaps you can inform the committee about that.

Dr Watt—I will get the head of our Corporate Group, who has been a little closer to it than I have lately, to join me at the table.

Mr Suur—The incident that you are referring to is a matter that has been referred to the Australian Federal Police for investigation.

Senator FAULKNER—How do we describe that incident? Let us get some nomenclature that we can use.

Mr Suur—It was a reference by the then Leader of the Opposition on the *Sunday* program at the beginning of the election period to an alleged briefing to the Minister for Finance and Administration about something pertinent to the family tax benefit.

Senator FAULKNER—Are you saying this was raised by Mr Latham on the *Sunday* program in the early period of the campaign?

Mr Suur—Yes.

Senator FAULKNER—So that is the first issue. Are there any others?

Dr Watt—That is the only issue that is before the AFP, from memory.

Mr Suur—At this stage. There was a reference to Finance information in an article by Laurie Oakes earlier in the year. If my memory serves me correctly, it was in March or April 2004. It was a reference to particular information about the relativities between the salaries of opposition staff members and government staff members. That article referred to Finance material as well.

Senator FAULKNER—So that is a second issue. Are there any others? I appreciate the point that Dr Watt makes—that there is only one issue currently with the AFP—but I am just trying to get the full suite of inquiries. I accept that there are other categories than those that are necessarily before the AFP. Obviously, if they are before the AFP they are at least treated a little differently by me in the way I ask you questions about them. Others may not take the same approach, of course.

Mr Suur—They are the two matters that we believe involve the leaking of information that originated from the Department of Finance and Administration.

Senator FAULKNER—Could you just repeat that, please? I am sorry. It was extremely difficult to hear what you said. I was not sure whether you said there were no other matters or there were other matters.

Mr Suur—They are the two matters that involve information that we believe originated from the Department of Finance and Administration.

Dr Watt—Or may have originated.

Senator FAULKNER—I appreciate that. Are there other matters relating in some way to the department, where the material may not have originated with the department, that are also subject to investigation? I noticed that use of language, so I just wondered if it was significant.

Mr Suur—The language was considered because there was an investigation earlier in the year about particular information to which a number of departments had access. Finance was investigated in that context by the Australian Federal Police. My recollection is that they were not able to make any finding as to how the information came into the public domain.

Senator FAULKNER—The usual outcome. How would we identify that particular case? I do not want to go into it in any detail. What was it about, in other words?

Mr Suur—Again, it related to matters to do with the family tax benefit.

Senator FAULKNER—And in this case DOFA was one of a number of agencies involved. Is that right?

Mr Suur—That is right.

Dr Watt—I might just correct that. It was the work of the work and family task force that was the one that affected several agencies.

Senator FAULKNER—This is the third one we were just talking about?

Dr Watt—That is right. I am not sure what progress has been made on that.

Senator FAULKNER—I am sorry; I thought Mr Suur just told us that it was completed.

Mr Suur—My understanding was that no conclusion could be drawn about that.

Dr Watt—Perhaps that is why I am not sure.

Senator FAULKNER—I suppose the issue is: is that matter finalised?

Dr Watt—I do not know the answer to that. We certainly have not seen finalisation of it.

Senator FAULKNER—So, Mr Suur, what are you saying to us? Do you have more inside knowledge than the secretary on this?

Mr Suur—That would be rare. However, it is possible; these things happen! Perhaps I am drawing conclusions from the fact that we have not heard about that matter in recent times; it seems to have come to some kind of halt.

Senator FAULKNER—So that is the work and family task force. It involves DOFA but it involves other agencies also. You do not know where that is up to. At some point it went to the AFP—wasn't it subject to an AFP investigation?

Ms Campbell—Yes, it was subject to an AFP investigation.

Senator FAULKNER—As far as you know, that AFP investigation has not concluded, is that right?

Ms Campbell—We did not instigate the investigation and I have no further knowledge of it at this time.

Senator FAULKNER—Fair enough. Do you know who initiated that investigation?

Dr Watt—From memory, it was the Department of the Prime Minister and Cabinet.

Senator FAULKNER—That is what I had understood to be the case in relation to that investigation also. But anyway it is another agency; that is clear. Were there any knock-on consequences for DOFA in relation to that investigation? Was a broader security review or the like initiated?

Mr Suur—We have initiated a security review. From time to time we undertake threat risk assessments and things like that for the organisation. We have security reviews that involve input from professional bodies within government about physical security, personnel security, information security issues and so on. It was about time for us to do one of those. But to broaden out the review and to look at issues like how we handle information and things like that, we have engaged Mr Len Early, who is a former deputy secretary of the department of finance.

Senator FAULKNER—Yes, those of us who have been here a long time know Mr Early from appearing on the other side of the table. We are showing our age.

Mr Suur—In a sense, Mr Early, as somebody who is independent of the department, is coordinating a series of inputs from particular expert organisations.

Senator FAULKNER—He is described as independent of the department. He was the deputy secretary of the department, wasn't he? Tell me if my memory fails me.

Mr Suur—Yes.

Dr Watt—Your memory is perfectly accurate. He is independent of the department, though, in the sense that we wanted someone to head up the review who was an outsider—and he is now—and who understood how we do business, so that we would get the benefit of an independent review and the benefit of someone knowing how Finance operates. We want to make sure that whatever changes to arrangements might or might not come about as a result of this review are compatible with our business model.

Senator FAULKNER—Did this security review emanate from that third inquiry that we have spoken about, the one on the work and family task force that was initiated by PM&C, or was it also as a result of the other two that we have been speaking of?

Mr Suur—It was a result of all three. As I say, the timing was roughly right to look at these sorts of issues. They were factors in our planning but the review is a normal thing that would happen on a regular basis, except that we have added Mr Early into the mix, because we wanted the broader set of inputs about how we managed information security, business processes and things like that.

Senator FAULKNER—I think you mentioned the inquiry relating to matters raised by Mr Latham on the *Sunday* program at the beginning of the election campaign—I think they were briefings to the minister. What is the status of that inquiry? Is that now a police inquiry?

Dr Watt—In relation to the material released by Mr Latham, yes, the AFP is inquiring into that. That is the one active inquiry that Finance has.

Senator FAULKNER—So that is an active inquiry and it is an AFP inquiry. The second one which you have mentioned relates to matters that were reported on by Laurie Oakes in the *Bulletin* magazine in either March or April 2004. What is the status of those inquiries?

Mr Suur—We are unable to answer that at this stage. Ms Mason may have some information.

Dr Watt—I would like to be able to get the definitive answer for you, Senator. I can give you what I believe to be the status of the inquiry.

Senator FAULKNER—Why don't we deal with that when MAPS are before us, if you are happy with that.

Dr Watt—I am happy with that.

Senator FAULKNER—Minister, can we come back to that when MAPS are before us?

Senator Minchin—That is fine.

Senator FAULKNER—So let us leave the Laurie Oakes article aside and come back to it at a later stage. Is it true that these alleged leaks caused an absolute furore in the department, Dr Watt? That is what I was informed. Not all of my sources are reliable, but some have proved to be very reliable over the years.

Dr Watt—For once I think I would take issue with your sources. I think there was a level of disappointment and a level of concern, both from me and from senior executives, because of the seriousness of the leak. As a result of that and the previous occurrences we decided to look at a more holistic view of our security than we had up until then.

Senator FAULKNER—Did this not result in a mad scramble and attempts to round up suspects in the department and the like?

Dr Watt—No, there was no attempt by the department to round up suspects. That is not our role in life.

Senator FAULKNER—A lot of looking for suspects and scapegoats, but no proof.

Dr Watt—I am not aware of any suspects or scapegoats. I understand that the AFP have interviewed a number of people. Those interviews may or may not be at an end. As far as I am concerned, everyone in the department of finance is treated fairly without suspicion and without scapegoating until we get the results of an investigation.

Senator FAULKNER—Aren't these periodic security reviews that you and Mr Suur speak of—and this one now being conducted by Mr Early—normally done internally?

Mr Suur—No. We have made a practice of engaging expert agencies within the Commonwealth to advise us on things like, for example, IT security, physical security and document security. We do that because these are the agencies who, in a sense, set the standards for organisations like ours and we like their input about what we need to do to conform to those standards.

Senator FAULKNER—Have you ever invited these agencies in for any of your security reviews before?

Mr Suur—Yes, on multiple occasions.

Senator FAULKNER—And I suppose you have invited ASIO in, have you?

Mr Suur—Yes, that is one of the agencies I am referring to.

Senator FAULKNER—Would you have invited DSD in?

Mr Suur—Yes.

Senator FAULKNER—And you have invited DSD in before?

Mr Suur—Yes.

Senator FAULKNER—And what other agencies have you invited in?

Mr Suur—They are the two agencies that provide that sort of expert input, but we do talk to the PSCC.

Senator FAULKNER—Are there any agencies that I have not identified that you have managed to drag into that net?

Mr Suur—I do not know that anybody has been dragged into the net.

Senator FAULKNER—Are any other agencies involved in the security review, apart from the two that we have mentioned—ASIO and DSD?

Mr Suur—No.

Senator FAULKNER—What sorts of resources have ASIO and DSD thrown at this attempt to find the leakers in DOFA?

Mr Suur—That is incorrect.

Dr Watt—They are not playing that role. The review that Mr Early is leading is not about attempting to find leakers; it is looking at broad security procedures. The two are quite distinct.

Senator FAULKNER—What sorts of resources have ASIO and DSD thrown at this review?

Mr Suur—They have not thrown any resources. We have engaged them as consultants, so we are paying them for their services.

Senator FAULKNER—How much are you paying them?

Mr Suur—I do not have that information with me. We are in the process of identifying a DSD endorsed IT security expert to play that role, so that is a tender process that is currently under way. I cannot answer that part of the question. In relation to ASIO, I probably could give you a figure.

Senator FAULKNER—How much are you paying ASIO?

Mr Suur—I do not have that figure with me. I can provide you with that later.

Dr Watt—We are happy to take that on notice.

Senator FAULKNER—How much are you paying Mr Early?

Dr Watt—It depends on how much work he does.

Senator FAULKNER—What is the going rate?

Dr Watt—I do not think I should reveal that.

Senator FAULKNER—Of course you should, Dr Watt, and you know you should. It is a perfectly proper question. We should expect an answer and expect it frankly across the table now. This is a standard issue of transparency and accountability. Frankly, in previous estimates committees involving your department, it is something you have always been forthcoming about. I am just asking for the daily rate—whatever it is—or the weekly rate that is being paid to Mr Early.

Dr Watt—I am not aware we have, but I will certainly have a look at that. I am quite happy to reveal the amount we pay to Mr Early when the review is over. That will be properly reviewed and released in our annual report, in the way we do for all consultancies.

Senator FAULKNER—That is not good enough, Dr Watt. There is no reason for not having a minimal level of transparency now about this sort of issue.

Dr Watt—I think the rate that Mr Early and the department might strike in negotiations should remain confidential between Mr Early and the department.

Senator FAULKNER—Has the rate been struck?

Mr Suur—Yes, it has.

Senator FAULKNER—If it has been struck, it ought to be provided. If it has not been struck, fair enough, we will wait until it is. But it has been struck, so can you tell us what it is?

Senator Minchin—Senator Faulkner, I would prefer it if you did not badger the department in the way that you are doing. They have given their proper and appropriate

responses. You may not like them, because you would like to sensationalise this matter. They are not going to cooperate in your political endeavours. They are doing the proper thing and the contractual arrangements will be reported in due course, as appropriate.

Senator FAULKNER—Go back to your briefs, Nick.

Senator Minchin—But they are not going to be badgered into giving you your sensational little story for today, okay?

Senator FAULKNER—I am glad that you have woken up. All we are asking for is the daily rate being provided to Mr Early, which has already been agreed to by the parties concerned. I do not think that is badgering anybody, and I am sure in your more reasonable moments you would probably agree with me. So why don't we just cough up the rate and get on with it?

Senator Minchin—I do not agree with you. The remuneration which Mr Early receives for this body of work will be reported in due course.

Senator FAULKNER—Are you saying now that you are not going to provide this committee with the rate that has already been determined by the department that is being paid to this consultant?

Senator Minchin—That is right—we are not going to.

Senator FAULKNER—Why not?

Senator Minchin—I have just given you the reason.

Senator FAULKNER—What is the reason?

Senator Minchin—I have just explained it to you.

Senator FAULKNER—What is the reason you are making an unprecedented decision not to provide this sort of information?

Senator Minchin—I would be happy to be corrected but, as Dr Watt indicated, I think it would probably be unprecedented just to lay on the table a commercially negotiated daily rate in the course of a body of work being undertaken. The department—as all departments do—does report at the appropriate time on the amounts paid for the consultancies it engages, and the department will do so in due course.

Senator FAULKNER—It beggars belief that the department of finance would cover up such an issue. It is totally unprecedented—

Senator Minchin—It is not covering up; it is a question of when it is appropriate to report it, and it will be appropriately reported.

Senator FAULKNER—Mr Acting Chair, I think you would have to agree with me that this is utterly unprecedented in terms of the process of Senate legislation committees—utterly unprecedented.

ACTING CHAIR (Senator Murray)—I am not sure where we can take it further. I think your questions are entirely proper. I recall that other contracts have been exposed to Senate estimates committees at their inception, not at their completion. As I understand the question, you are not asking for quantum, you are asking for the rate. However, if the minister declines

to answer, it is then up to the committee to consider alternative means of getting the information, and they would need to consider that separately from the moment. If the minister will not reconsider his answer then there is not much more you can do, Senator Faulkner.

Senator FAULKNER—The witnesses at the table do not know what DSD has been paid, they do not know what ASIO is being paid and they will not tell me what Mr Early is being paid. Are any other consultants engaged in this security review?

Mr Suur—That is not quite right. What I said was that a tender process is taking place at the moment in relation to DSD endorsed suppliers to identify who will provide advice on IT security issues. I cannot advise you what the cost of those services will be, because the tender process is ongoing. It is not a normal thing for a department to reveal tender bids before a decision has been made.

Senator FAULKNER—Yes, but that is only one element of DSD's work, isn't it?

Mr Suur—That is one element. The other element is the ASIO—

Senator FAULKNER—What are the other elements of it?

Dr Watt—No, it is all DSD's work.

Mr Suur—No, it is one element of the security review.

Dr Watt—It is one element of the security review, but it is all DSD's work.

Mr Suur—That is all they are doing for us.

Senator FAULKNER—What is DSD's role?

Mr Suur—DSD's role is to look at our IT system and IT security management within the organisation, our network and our network security, and things like that.

Senator FAULKNER—Has DSD been engaged to do that?

Mr Suur—No, DSD does not do work like that itself. It has a list of endorsed suppliers or accredited people who do this work on its behalf, and we have undertaken a tender process to engage one of those people to do that work.

Senator FAULKNER—Is that a publicly advertised tender?

Mr Suur—It is. The tender has closed, but the evaluation is currently taking place.

Senator FAULKNER—What about ASIO?

Mr Suur—ASIO has been engaged by us to advise on protective security issues, including physical security and information security issues.

Senator FAULKNER—We know about Mr Early. Has anyone else been engaged on this?

Mr Suur—PricewaterhouseCoopers, our internal auditors, as part of their normal internal audit program, are doing some work within Ministerial and Parliamentary Services. Again, I would prefer that you ask Ms Mason questions about that work.

Senator FAULKNER—How much of the entire security review has gone out to tender? Is it just the DSD element?

Mr Suur—The ASIO component has gone out, but it did not go out to tender. We approached ASIO directly because of their expertise in this area.

Senator FAULKNER—So only the DSD element is going out to tender?

Mr Suur—Yes.

Senator FAULKNER—What is the budget for the review?

Mr Suur—We have a tentative budget in the order of \$150,000. There may well be costs associated with implementing any recommendations that come out of the review.

Senator FAULKNER—What is the timetable for the review?

Mr Suur—We hope that the review will report by May this year.

Senator FAULKNER—What is the reporting line?

Mr Suur—The reporting line is to me, and I will report to the executive board of Finance, which consists of the secretary and the seven general managers of the organisation.

Senator FAULKNER—There have been no public statements about this review, have there?

Mr Suur—It is a normal internal review, with a couple of extra elements to cover the field.

Senator FAULKNER—So there has been no public statement about this review at all?

Mr Suur—No, there has not.

Dr Watt—We do not make public statements, as you know.

Senator FAULKNER—You do about certain matters.

Dr Watt—Not very often.

Senator FAULKNER—I am not going to comment on the effectiveness of DOFA's publicity machine, but—

Dr Watt—I do not think we have one—effective or otherwise.

Senator FAULKNER—Who knows. Who made the decision to have the review? At what level was that made?

Mr Suur—I did, in consultation with the secretary.

Senator FAULKNER—And agreed to by the minister? Is this departmentally or ministerially determined?

Dr Watt—No, this is a departmental issue. There were discussions between me and the head of corporate. That is the appropriate reporting line. It was discussed at executive board and it is a departmental decision.

Senator FAULKNER—Did Mr Early's task go out to tender?

Mr Suur—No, it did not.

Senator FAULKNER—Not in any limited tender process at all?

Mr Suur—No, it did not.

Senator FAULKNER—Why not?

Mr Suur—When we discussed an appropriate person who could bring together the review, who had knowledge of the department and how it operates its business processes and systems and who understood the nature of the work that Finance does, we identified a limited number of people. Mr Early was on top of the list. I rang him and he was available and I asked him whether he would undertake the review.

Senator FAULKNER—Is there not a risk that this smacks a bit of an old boy network? Is that not a risk in this instance, if that is how you determine who is the key person undertaking the review?

Dr Watt—You are looking for someone who understands how the department operates, understands the work it does, understands its systems and understands its culture. It is highly likely that the person you are looking for will have been someone who has spent some time in the department. You are also looking for someone who has got the ability to manage a ‘team’ of different people—at least two different security consultants—and has the ability to help them to work together. Again, it is quite likely to be someone who has been around the Public Service for a while. You are also looking for someone who has a reasonably high level security clearance.

Senator FAULKNER—Will the review recommendations be made public?

Mr Suur—It is not usual to make these sorts of recommendations public, because they go to revealing your security processes and the areas for improvement may be weaknesses and that kind of information is, of necessity, kept out of the public domain.

Senator FAULKNER—Are you going to inform staff, because that is part of the nature of the exercise?

Mr Suur—We have not received the report yet, but we usually inform staff of any upgrades to IT security. Certainly when we instituted a range of physical security improvements to Finance buildings in 2001 and 2002 we advised staff of the changes that were taking place to those physical security arrangements, because they impact on staff and how they work, how they operate and how they can access and egress a building and so on.

Senator FAULKNER—Mr Chair, could you read the relevant part of the opening statement that you made at this committee in relation to the refusal to answer questions. Could you remind the witnesses of that?

CHAIR—I am sure the witnesses are aware of that.

Senator FAULKNER—I am not sure that they are. Can you repeat that element of the opening statement?

CHAIR—Senator Faulkner, I have missed this discussion, sadly.

Senator FAULKNER—I just want that small part of the opening statement reiterated for the *Hansard* record.

CHAIR—I know the minister and Dr Watt know the rules.

Senator FAULKNER—Dr Watt, are you aware of the chair’s opening statement?

Dr Watt—I am aware of the chair’s opening statement.

CHAIR—Dr Watt was here for that.

Dr Watt—I was.

Senator FAULKNER—Because this has taken a little longer than I anticipated and so Senator Sherry can have some reasonable time, could we bump MAPS back half an hour, so he can conclude. Some of this material, of course, is relevant to MAPS. I will follow through some of the other issues, as Dr Watt has suggested, when other officials are available.

Dr Watt—Senator Faulkner, we will be releasing the information on the cost of the review as part of our normal transparency process. Once the review is over, we will be happy to have that released.

Senator FAULKNER—Dr Watt, just so you know, it is utterly unprecedented for such figures to be refused at committees like this. I do not intend to waste a great deal of time on it. I could ask for a private meeting. I have asked for the chair's statement to be reiterated to you. Just so you know, that is a new low in transparency. It is disappointing that such a new low in transparency comes from your department, where, frankly, my own expectations are higher. I am flabbergasted and very surprised that you have responded in that way, given a rate has been struck. I think it is very disappointing that you are not willing to provide that for the information of this committee. I do not intend to make a great song and dance about it; time is short. Other senators have a lot of other issues that they wish to raise. For your information, such information has never been refused before at this or any other committee like it. It is a new low.

Dr Watt—We are sorry that you are disappointed.

Senator FAULKNER—I am not disappointed.

Senator SHERRY—We were just going on to page 23 of Audit report No. 15 when we broke for lunch. In relation to surplus revenue, it states:

Finance is responsible for calculating the Commonwealth's financial position for the purposes of Section 94 of the Constitution.

Is Finance required to prepare these calculations each year?

Dr Watt—I think we can get you that answer.

Mr McPhee—Certainly, in my experience, Finance undertakes calculations to that effect each year.

Senator SHERRY—And they have been done each year?

Mr McPhee—They are done each year, yes. I cannot go back in time, but they are done on an annual basis. They are done after the conclusion of the consolidated financial statements.

Senator SHERRY—Page 37 says, 'Finance advise the ANAO that the first step in calculating surplus revenue involves adding the AOFM's term deposits with the RBA to the balance of the consolidated revenue fund.' Is that correct?

Mr McPhee—That is the basis of the calculation that is done. That is correct.

Senator SHERRY—Does this mean that the total available funds of the Commonwealth as at June 2004 were approximately \$15.594 billion, made up of approximately \$14.850 billion in AOFM investments, plus \$744 million in the CRF?

Mr McPhee—There is a fine point about whether some of these investments are on call or on term deposit, but broadly the approach you have outlined is correct. My understanding of the legal position is that, strictly speaking, it should be the moneys on call that are added to the CRF balance rather than those on fixed deposit—or moneys on term deposit which are breakable at no penalty are the ones that should be added to the CRF balance. But, for the purpose of the exercise, you could also take the larger figure just to be on the safe side.

Senator SHERRY—So we are taking the larger figure.

Mr McPhee—If you want to. I would want to dissect it later, but for the purpose of the discussion I am happy to go with the larger figure.

Senator SHERRY—I accept the validity of that, but making sure that people understand that X amount is not on call or available is an appropriate indicator, possible warning sign et cetera.

Mr McPhee—Indeed.

Senator SHERRY—On page 38, Finance further advises that surplus funds, which under the Constitution may be and have previously been paid to the states, are calculated by subtracting outstanding appropriations and the balance of special accounts. Is that correct?

Mr McPhee—That is correct.

Senator SHERRY—On page 38 it also notes:

Finance subsequently provided ANAO with details of Finance's October 2004 calculations of surplus revenue for the financial years 1999–2000 to 2002–03 inclusive, indicating that no surplus revenue was available for distribution to States ...

Is that correct?

Mr McPhee—I believe it is correct that we provided that to the audit office. Certainly that was the conclusion.

Senator SHERRY—Would you be able to provide the calculations to the committee, and are they available for 1997–98 and 1998–99?

Mr McPhee—Can we take that on notice?

Senator SHERRY—Yes.

Mr McPhee—We will certainly provide you with the calculations of the ANAO material. It is not a problem.

Senator SHERRY—On page 38 it also says:

Finance sees no benefit in disclosing the ... calculation ... nor has there been any demand for its disclosure.

Does Finance believe that there is no benefit in telling parliament the total of the Commonwealth's available funds?

Mr McPhee—I am not sure what we were responding to with that particular quote.

Dr Watt—As I understand it, this was in response to a particular ANAO question.

Mr McPhee—I think we had an issue but, setting that aside, as far as I am aware it has not been provided for since 1901 or whatever—

Dr Watt—It has not been provided to parliament.

Mr McPhee—It has not been publicly provided, and in the past there has not been a lot of interest shown in it. It would not be difficult, if the minister were agreeable, to broadly indicate, following our striking of the CRF balance, the nature of any surplus revenue. That would not be difficult to do. The comment was really just to say it has never been sought before and we have never provided it, because within a set of financial statements there are many reconciliations done which are not actually published, as you would understand. This was seen as one of the family of reconciliations and checks that are done in preparing the consolidated financial statements.

Dr Watt—It is also fair to say that, as far as anyone can ascertain, there has been no surplus revenue at least as far back as 1908-09, so any practical interest in the calculation has to be pretty limited.

Senator SHERRY—This may have been raised at the commencement of estimates—I am not sure. The portfolio additional estimates papers were not tabled until Thursday, 10 February. Was that raised at the beginning of estimates? I am wondering whether there was any discussion about this, because the day of tabling did cause a little concern. When were the documents printed?

Dr Watt—Are you talking purely about Finance's documents?

Senator SHERRY—No, the budget—the portfolio additional estimates papers.

Dr Watt—Just Finance's or others?

Senator SHERRY—Both if you have got the information.

Dr Watt—If I can refine the question, Senator—are you talking about the bills or are you talking about Finance's portfolio additional estimates statements?

Senator SHERRY—Both.

Mr Staun—They were printed last Monday.

Senator SHERRY—They were printed on Monday. Why could they not be provided to the parliament earlier than Thursday?

Mr Staun—I do not know the answer to that.

Senator SHERRY—There must be an answer.

Mr Staun—I can find the answer.

Dr Watt—We will find the answer.

Senator SHERRY—They are printed and available on the Monday and they did not get up here until Thursday.

Dr Watt—We will get you an answer.

Senator SHERRY—Okay. Do you want to come back to that?

Dr Watt—Yes, we will come back to it.

Ms Hazell—The bills were not printed until 8 February and they were tabled on the 10th. The normal practice is that agency portfolio additional estimates statements are not tabled until after the bills are tabled.

Senator SHERRY—Will I move on and come back?

Dr Watt—We are seeking an answer.

Mr McPhee—I think the generic answer is as Ms Hazell provided. That is consistent with past practice, the additional estimates documents are made available on the same day that the bills are introduced, and I think that is quite appropriate that they not be introduced—

Senator SHERRY—Why were the bills printed at that period? It is very inconvenient for committees—and I am not just speaking for myself here—to receive these documents on a Thursday afternoon, I think it was, by the time we finally got them in our offices.

Mr McPhee—All I can say is that we can take on board the issue you are raising. I do not know what the determinants were for the timetable for the introduction of the bills.

Dr Watt—Why don't we take on board the issue about the introduction of the bills and whether there was anything in particular that drove the timing this time. We will take that on notice and as part of that we will also give you a response about the Finance portfolio additional estimates statements.

Senator SHERRY—Chair, this is the issue of the timing: they were printed on a Monday and were not made available until Thursday and it is an inconvenience to everyone. You might like to examine this issue more broadly.

CHAIR—We might indeed, Senator Sherry. We will mention that in our report for starters.

Senator SHERRY—On the sale of Telstra: there is a scoping study into the sale of Telstra announced by the minister for finance on 18 December.

Dr Watt—There will be a scoping study. There is not one yet.

Senator SHERRY—There is to be. What is the process being undertaken by the department of finance in respect of the scoping study?

Dr Watt—I would ask Mr Lewis to answer that question for you.

Mr Lewis—On 17 December advertisements were placed on the government's tender web site, AusTender, and on 18 December in the *Weekend Australian* for various Telstra scoping study adviser roles. Expressions of interest were sought initially from firms for the legal and business adviser roles as the first stage of a two-stage process. Tenders were then sought from a short list of firms who expressed an interest in the business and legal adviser roles. Tenders were also invited for the provision of process advisory services. Sparke Helmore has been selected and is supporting the selection of other advisers. Concurrent with these processes, requests for tender documentation have been forwarded to selected firms to provide communications and market research advice on a range of issues relevant to the government's decision about whether to proceed with the sale of its remaining shares in Telstra. It is expected that the scoping study will conclude by mid-2005.

Senator SHERRY—The press release I have, dated or numbered 65/04, states:

... if, how and when an appropriate return for taxpayers could be achieved.

How will a scoping study help determine that?

Mr Lewis—The scoping study will involve the appointment of the range of advisers I have just referred to, to work with Finance to assess all matters relating to how to structure a possible offer in Telstra shares, issues to do with timing and issues to do with products that might be offered to the marketplace as part of a broad assessment. The detailed structure of the scoping study report is a matter that we have yet to put our minds to.

Senator SHERRY—What about how and when an appropriate return for taxpayers could be achieved?

Mr Lewis—All those matters will be looked at through the course of the scoping study.

Senator SHERRY—How is the short list to be determined?

Mr Lewis—A short list will be determined by Finance via a very usual process whereby we formulate a panel in relation to each of the selections. For major appointments we usually seek the involvement of several individuals with appropriate credentials from the private sector to assist in relation to the exercise, to lend a degree of independence to the exercise, and that applies, for example, to both business and legal adviser appointments.

Senator SHERRY—Have the panel been selected yet?

Mr Lewis—The answer is yes but I would prefer not to disclose the names of the individuals just yet because we seek to keep that information confidential from the parties who will be asked to short-list and come along for interviews.

Senator SHERRY—And that panel includes the people from the private sector?

Dr Watt—Yes.

Mr Lewis—Correct.

Senator SHERRY—And they will carry out the interviews for short listing?

Mr Lewis—They and we. Finance members will be on the panel. There are different statuses for different advisers. We have already made one appointment: Sparke Helmore. We are in the process of going into the second stage in relation to the business adviser appointments and the legal adviser appointments.

Dr Watt—In other words, we have completed short lists for those.

Mr Lewis—That is step 1. We are going into the second phase, which is the request for proposals for those parties that are short listed.

Senator SHERRY—And the number of parties that are short listed?

Mr Lewis—My preference would be not to disclose the number of parties we have short listed for those roles.

Dr Watt—It is a small world in both fields. If you know the number of parties and you are astute you can probably work out who they are.

Senator SHERRY—Then there would be no reason not to tell us how many made the short list.

Dr Watt—Yes, there would.

Mr Lewis—Some of them did not make the short list.

Dr Watt—Some did not make the short list by any means.

Mr Lewis—We will provide feedback but not until the conclusion of the process.

Senator SHERRY—Will that list be provided when the process is concluded?

Mr Lewis—Once the process is concluded.

Senator SHERRY—Is there an indicative date?

Mr Lewis—We expect to have all appointments in place by the end of March.

Senator SHERRY—And probity checks?

Mr Lewis—Probity checks? Can you clarify the question, Senator?

Senator SHERRY—Have they been carried out?

Mr Lewis—We will have a process adviser—I have just mentioned Sparke Helmore—who will assist us in relation to the process issues for each of the appointments we make and will assist us thereafter through the course of the scoping study. Does that answer your question on probity or are you thinking of other matters?

Senator SHERRY—I am not sure whether it does answer it.

Mr Lewis—They will attest to the process having been conducted fairly and equitably amongst those competing for the roles, that we have dealt with any issues that arise on a basis which is non-discriminatory, and essentially give us a sign-off in relation to the process we run in each of the instances of the appointments I mentioned.

Senator SHERRY—When the panel has concluded and made a recommendation—it is to be signed off by the minister, presumably—will it go to cabinet?

Mr Lewis—Not usually. These appointments will be made by Finance and in each case the panel will be chaired by either the secretary or me.

Dr Watt—It is signed off at departmental level.

Mr Lewis—Or, in one case, by Mr Heazlett.

Senator SHERRY—The press release indicates the return from the sale is, amongst other things, dependent on the use of other financial instruments. Does that mean there may be an issue of debt instruments as well as selling equity?

Mr Lewis—The scoping study will be a very broad-ranging review. We will look at all possible means of divestment. It will include the prospects for equity offerings, hybrid instruments and convertible notes of that kind. It will look at whether it should be done in multiple tranches and over what number of years seems to make best commercial sense. In the broadest sense, it is going to look at all those issues. Nothing will not be explored, to the extent that we feel capable of analysing that through the course of the scoping study.

Senator SHERRY—I would now like to turn to private financing.

Mr Lewis—Senator, before we do, there was one element of a question you raised this morning which we said we would get back to you on. It was in relation to act of grace payments and the \$45 million waiver of debt in relation to ADI. I can confirm that that was a waiver of debt which was made in August 1999. The issue related to a waiver of debt which formed part of the structuring of ADI for sale whereby, at the time of the sale, ADI debt to the Commonwealth would be extinguished. In practical terms, that was trying to achieve a company that could be sold without an ongoing debt to the Commonwealth, because once the company was in private ownership we no longer wanted to have the Commonwealth lending funds to the company on an ongoing basis. We essentially crystallised the debt and achieved the benefit by virtue of the nominal sale price realised in that sale.

Senator SHERRY—I have a couple of questions on private financing. There was a document called ‘Draft bilateral agreement on private financing’. The heading on page 2 reads—

Dr Watt—We are not aware of the document. ‘Draft bilateral agreement on private financing’ does not necessarily sound like us. It may be, but it does not necessarily.

Senator SHERRY—I think it was from the Department of Transport and Regional Services.

Mr Lewis—It is not ringing a bell with me, Senator, I am sorry.

Dr Watt—We do not seem to be aware of the document. Finance has broad policy responsibility and provides assistance to departments in relation to the investigation of potential private financing initiatives. If, however, this comes from the Department of Transport and Regional Services, there is no guarantee that we would be aware of it.

Senator SHERRY—I am not suggesting that it would be a guarantee, but I thought there may. Given it involves private financing initiatives, Finance may have been consulted.

Mr Lewis—You may well be right. Maybe if you complete the question—

Senator SHERRY—The heading on page 2 of the document issued from the Department of Transport and Regional Services is ‘Agreement between the Australian government and the government of Victoria relating to the implementation of the AusLink national land transport plan’. Was the department of finance consulted on the preparation of the document? Did it provide any comments to the department of transport?

Dr Watt—I think we would have to take that on notice. We do not have that level of detail with us.

Mr Lewis—It would be entirely possible that someone from our private finance unit was consulted and may have discussed the issue with the department of transport, but we just would not know.

Senator SHERRY—I have a couple of other questions about it, so I might put those on notice. I have one other issue before we move on—that is, the public sector superannuation advice. We are going on to ComSuper, the CSS board and the PSS board, but there is a

finance department officer on public sector superannuation advice, is there not? The other three appear together, I think.

Dr Watt—I am sorry, Senator, could you ask the question again?

Senator SHERRY—I have not asked the question yet. I wanted to ask a question relating to public sector super advice under output 1.2.3. I think the officer usually appears separate to ComSuper and the CSS and PSS boards.

Dr Watt—We can move to that now. Does this mean we are finished with general questions?

Senator SHERRY—Yes.

[2.30 p.m.]

CHAIR—We will now move to output 1.2.3, Public sector superannuation advice.

Senator SHERRY—As we are aware, the defined benefit public sector fund closes for new employees from 1 July 2005. Could you confirm my understanding that choice of superannuation fund is not being offered from 1 July 2005 for new Public Service employees?

Ms Doran—At this stage, the legislation as it has been drafted under SIS does not require choice to be introduced in the PSS and CSS schemes, so they are exempt until changes to legislation are made.

Senator SHERRY—My question only goes to the new employees who will go into the accumulation fund—obviously not the existing ones.

Ms Doran—The accumulation fund is a subplan of the PSS and so that legislative exemption extends to that fund at the moment.

Senator SHERRY—The annual report refers to other superannuation advice. The Defence Force superannuation is not covered by the legislation from 1 July 2005, is it?

Ms Doran—That is not a question that we are in a position to answer. That is for the Department of Defence.

Senator SHERRY—That is a matter of fact.

Dr Watt—No, it is an issue for the Department of Defence.

Senator SHERRY—Surely you would know that.

Ms Doran—Off the top of my head, I do not know.

Senator SHERRY—I am a bit surprised—it is public sector super.

Dr Watt—The schemes are quite separate.

Senator SHERRY—I know it is a separate scheme—DFRDB.

Dr Watt—We do not have any involvement in setting policy for the Defence Force scheme.

Senator SHERRY—Okay. Are there any other public sector funds, other than the couple we have just touched on—the CSS, the PSS and DFRDB?

Dr Watt—AGEST.

Senator SHERRY—What is the position with AGEST?

Ms Doran—It is effectively open to choice in that it does not have mandated membership at the moment.

Senator SHERRY—Is it open to choice at the moment?

Ms Doran—It is a different form of scheme in that it does not have a mandated membership. So it is not restricted from choice in the way that our schemes are.

Senator SHERRY—Is it on public offer at the moment?

Ms Wilson—I understand that it is not on public offer at the moment.

Senator SHERRY—Do you have a list of other public sector superannuation funds belonging to various authorities, or do they have to be researched through the reports of each of the entities? For example, the Reserve Bank has its own fund.

Ms Doran—Are you talking about only in the Australian government sector, or are you talking about the states?

Senator SHERRY—In the Australian government sector. The Reserve Bank is a good example.

Ms Doran—It is fairly arm's length from the public sector. There is the judges' pension scheme, a small scheme for the Governor-General and a number of defence schemes.

Senator SHERRY—Is there any published list of these, other than actually having to go and look at them individually?

Ms Doran—Not that I am aware of.

Senator SHERRY—So your role is not to at least have a collection of information on each of these schemes?

Ms Wilson—No.

Senator SHERRY—Mr Gibbs, your name was mentioned this morning in the context of Future Fund. I do not know whether you were here.

Mr Gibbs—Yes, I did hear that exchange.

Senator SHERRY—So you can confirm that there has been a discussion or discussions on the Future Fund?

Mr Gibbs—I have had some discussions with officials from Treasury and the Department of Finance and Administration. I think the modern term for those discussions would be 'high level', although in my vintage they would have been general discussions. That was on some of the issues about how we operate, more than anything else.

Senator SHERRY—Have you had ongoing discussions with anyone else about issues relating to Future Fund? I am not talking about anyone within the Department of Finance and Administration; I am referring to outside.

Mr Gibbs—Within government or outside government?

Senator SHERRY—Outside government.

Mr Gibbs—There has been a number of people who I might generally describe as participants in the industry who have inquired as to whether PSS/CSS has a role. Obviously, I have informed them that that is a matter for government policy and not a matter for me. But I have had general inquiries along those lines.

Senator SHERRY—For example, from asset consultants and/or fund managers?

Mr Gibbs—I am not sure about asset consultants, but certainly some fund managers have asked me questions along those lines.

Senator SHERRY—Isn't the public sector fund effectively a future fund?

Mr Gibbs—Do you mean one of the funds that I am the CEO of the board for?

Senator SHERRY—Yes—or a type of future fund.

Mr Gibbs—For both the PSS and the CSS we manage an amount of money which is largely employees' own contributions. The boards have a statutory obligation—it is expressed slightly differently to this, but it is essentially the same—to maximise the value of the fund. When somebody retires from a fund the amount of money that is effectively standing to a member's credit is paid to consolidated revenue. Consolidated revenue then pays the benefit, be that a lump sum or an ongoing indexed pension.

Senator SHERRY—But the money you manage is off-budget, isn't it?

Mr Gibbs—Yes.

Senator SHERRY—It is a statutory organisation off-budget. You are managing money for the future for people when they retire. It did not seem to me to be unusual that you would have been consulted about aspects of the Future Fund that was announced last year. What is the approximate amount of money under management at the present time?

Mr Gibbs—It is approaching \$13 billion. That is the combined PSS and CSS.

Senator SHERRY—Given that the fund becomes an accumulation fund from 1 July for new employees, have you done any estimates or projections on the revenue implications of that?

Mr Gibbs—We have certainly done some estimates of the size of the accumulation plan component within the PSS. They are very broad estimates based on numbers of new employees by—

Senator SHERRY—Turnover?

Mr Gibbs—average salary and by 15.4 per cent of that average less contribution tax. It is not a science, but we have certainly done those estimates.

Senator SHERRY—And you have done that on the basis of the closure of the DB fund and the accumulation fund taking over?

Mr Gibbs—Yes, on the basis that there are historical numbers of new employees per year and so on.

Senator SHERRY—We had a discussion earlier this morning about an examination of the actuarial projections of the PSS longer-term liabilities given the closure of the DB and accumulation. Are you aware of that?

Mr Gibbs—I am not. The issue of liability is not a board issue; it is a department issue. In other words, the actuaries report to the department on those issues, not to the board. The board does not commission the actuaries to do those sorts of liability calculations.

Senator SHERRY—But you are aware that that has been carried out. Have you been privy to it?

Mr Gibbs—No.

Senator SHERRY—I thought you would be. Can you make available the projections that you have done on the size of the fund?

Mr Gibbs—Yes. It is done internally for our purposes, but I do not see any reason—

Senator SHERRY—Approximately what year did you carry that out to?

Mr Gibbs—We did it for the PSS and divided it between the defined benefit, which will still grow considerably strongly, and the accumulation. We have taken it out to the year 2013. There are many assumptions of course, including investment returns, which are very difficult to predict, but we use our long-term goal and we have taken it out to 2013. They are projections of how much money will be in the fund as distinct from other calculations.

Senator SHERRY—So it is \$13 billion. What is your current funds management cost, on average?

Mr Gibbs—There is the amount that is charged out of the funds for all costs that are able to be charged to the funds. When I say ‘all’ I mean except fees that are within a unit trust. The fees within a unit trust get taken off the return in the unit trust before we get it, so we do not know what those fees are. So, excluding those, the cost is 25 basis points—0.25 of one per cent in one fund and 0.26 in the other, so they are very similar. That is effectively what we call our MER. It may be slightly more if you can establish and take into account those costs within unit trusts, but of course it is quite common in the industry that you just do not know those.

Senator SHERRY—How does that measure against other superannuation funds in the private sector? There would be some comparative data available, wouldn’t there?

Mr Gibbs—There is. We would think that is very low. We would certainly be amongst the lowest in the country in that sort of cost.

Senator SHERRY—Is that because of the economies of scale?

Mr Gibbs—It is largely because of the economies of scale.

Senator SHERRY—Is there an economy of scale for the management of funds?

Mr Gibbs—Of course. The larger the mandates that you have to give investment managers, the better your bargaining position in terms of the amount of money that they are going to charge you.

Senator SHERRY—For example, there would be no logic in the CSS and the PSS being managed as two groups of money from separate entities?

Mr Gibbs—There would be cost implications if they were. Going forward, there may be other reasons that one might contemplate that. That is not a matter for me. But certainly, by being able to manage the two funds together, there are cost advantages.

Senator SHERRY—Have the figures of 0.25 and 0.26 varied much over the last 10 years?

Mr Gibbs—Not a lot. The way we get to that figure has changed slightly because we have brought some functions in-house that we used to outsource. But, if anything, the overall number might have gone up by one or two basis points in recent times as we have gone to an increased allocation to alternative investments, which tend to be more expensive in terms of management. These market-neutral type strategies and private equity strategies tend to be more expensive. So there has probably been a slight increase in the cost as we have gone out of all-in listed markets to those sorts of investments.

Senator SHERRY—I understand that both presently and from 1 July 2005 the administration cost is paid for by government. Does that include the funds management costs?

Mr Gibbs—Funds management costs come out of the funds.

Senator SHERRY—Out of the return?

Mr Gibbs—Out of the funds. And administration costs are paid by government.

Senator SHERRY—Do we know what that figure is?

Mr Gibbs—For the administration costs?

Senator SHERRY—Yes.

Mr Gibbs—I do not know. Are you asking for a total or are you asking for a percentage?

Senator SHERRY—A percentage. Your MER is 0.25 and 0.26. I am interested in what it would be as a percentage.

Mr Gibbs—We calculate the total costs, including those administrative costs—which members do not pay for, so it is a misleading number—as an internal measure. I think it comes to 0.41 if you put the two together.

Senator SHERRY—So it is a total of about 0.67—

Mr Gibbs—No, 0.41 is including—

Senator SHERRY—So it is the total.

Mr Gibbs—It is the total.

Senator SHERRY—I wonder if you could take this on notice: the quantum of funds under management each year for the last 10 years, year by year; and the rate of return for each of those years—not the declared rate of return, because I know you have that not declaring a negative, but just the rate of return on funds under management.

Mr Gibbs—So you mean, rather than the rate we credit or exit, the actual earnings?

Senator SHERRY—The actual earnings.

Mr Gibbs—The investment earnings?

Senator SHERRY—Yes, for each of those years.

Mr Gibbs—That is easily obtainable. For the last 10 years?

Senator SHERRY—For the last 10 years, yes. I was going to ask for the funds management cost for each of those years but you say that it does not vary much.

Mr Gibbs—To the extent that I have it, I do not mind providing it.

Senator SHERRY—Okay, if there is any information on that. In terms of the \$13 billion as a fund, approximately where does it rate by size?

Mr Gibbs—In terms of funds under management, depending on how you look at it, probably third or fourth largest in the country. It is a bit hard to know because some are growing a little faster and so forth but it is probably third or fourth.

Senator SHERRY—Given the new accumulation element from 1 July 2005 and the current parameters and rules, would the funds grow more rapidly than other superannuation funds?

Mr Gibbs—That is a very hard question because it depends. We would expect that component to grow more rapidly. It is hard to say. For example, Unisuper is about our size but it is fully funded with employer contributions in the 20 per cent category, so we are not going to get near its growth. In the current PSS the amount of money going into the fund is on average seven to eight per cent of salary, so we are slightly under because it is unfunded, whereas the new scheme will have 15.4 per cent, so we are likely to outgrow in that component. Overall, I am not sure what that actually means but that is as best I can answer that question.

Senator SHERRY—By the way, do you accept co-contributions?

Mr Gibbs—Not currently.

Senator SHERRY—You do not?

Mr Gibbs—I am sorry, we accept co-contributions. My apologies. We accept co-contributions, yes.

Senator SHERRY—I would have been a little taken aback if you did not. I know you did not accept children's super accounts. By the way, have we any of those yet? They seem to be long forgotten. I am still trying to find one.

Mr Gibbs—I cannot comment for the industry.

Senator SHERRY—No, I know you cannot but you can still confirm that you do not offer children's super accounts.

Mr Gibbs—We do not.

Senator SHERRY—Has the payment of the co-contribution been completed, in the case of your fund, from the tax office?

Mr Gibbs—I have to ask my colleague from ComSuper if he can help. I do not know.

Mr Bator—The bulk of that download from the tax office has occurred. There are probably about 400 to 500 member accounts from which we have not got information yet.

Senator SHERRY—So 'bulk' means 80 or 90 per cent approximately?

Mr Bator—Well above that—about 96 per cent.

Senator SHERRY—And that has been a succession of batches or one payment or—

Mr Bator—We have two batches in the tax office so far and one to come.

Senator SHERRY—Is that being data transmitted and matched or have you had to individually input the co-contribution to each account?

Mr Bator—No. We follow the specifications of the ATO and we put data into the system.

Senator SHERRY—On the surcharge, perhaps Dr Watt will be interested to know that we had a long talk—for once you were not the subject of considerable critique—with the Audit Office last night. We were a bit astounded by the fact that some 10.4 million assessments of surcharge liabilities have not yet been made within the tax office. The Audit Office is completing its audit of that program at the moment, and it is a matter for the tax office that I will be taking up with them. Are you aware of this issue as it applies to public sector funds?

Mr McPhee—You are talking about 10 million accounts.

Senator SHERRY—Some 10.4 million assessment notices have not been entered in order to collect surcharge tax. It is an extraordinary figure. We got all sorts of comment last night from the Audit Office about this, and it is something I will take up with Tax. But in terms of the impact on the public sector and those who would have been assessed for the surcharge, what is happening in this area in regard to these 10.4 million? Presumably some part of them have not been assessed?

Mr McPhee—I do not know to the extent of our schemes who has not received an assessment from the ATO. The bulk of our people have tax file numbers so, as I understand it, some of those assessments would not have been issued because a tax file number was not quoted.

Senator SHERRY—That is certainly true, but apparently a significant number of the 10.4 million assessments did have tax file numbers, which really worried me.

Mr McPhee—We have no information on whether we have not got all of the assessments. We do not get the information that the tax office get; we report to the tax office and they then make an assessment of whether the people are in this frame or not. I can check it out in terms of whether we have any information, but I do not have any that I can see readily.

Senator SHERRY—Okay, that is something I will certainly be taking up with the tax office. One of our other colleagues had some specific questions about CSS and PSS payout matters. She could not be here, so we will get her to put those on notice.

Dr Watt—You raised earlier the issue of AusLink. I think we now have the ability to at least start to answer your questions if you would prefer us to.

Senator SHERRY—Good, we will see what we can deal with there.

Dr Watt—Part of the answer is that the answer resides in a different part of the department.

Senator SHERRY—Okay, thanks.

Ms Page—Finance, together with the other central agencies, has been consulted concerning the content of draft agreements between the Australian government and the states and territories which will set out the conditions for the receipt of AusLink land transport funding. All those agreements are currently in draft form. None has been finalised pending comment from the states and territories and pending approval of the final text by Australian government ministers.

Senator SHERRY—So you were consulted in the preparation of the document?

Ms Page—We were given copies of the draft document to comment upon.

Senator SHERRY—And you provided comments?

Ms Page—We did.

Senator SHERRY—Were there any changes as a result of the comments?

Ms Page—There were some changes, yes.

Senator SHERRY—Are you able to detail those?

Ms Page—From memory, Finance's principal interest in the agreements was in relation to our role in governing the framework that governs specific purpose payments. Our particular interest is in relation to the establishment of clear objectives such as performance indicators and reporting requirements—the sorts of requirements that we would make of any other SPP.

Senator SHERRY—Under the section headed 'Encouragement of private sector participation'—this is the PPP approach—clause 70 states that both parties acknowledge that the encouragement of increased funding from the private sector is important to meet future land transport infrastructure requirements. Can you explain what that means?

Ms Page—I think that simply reflects the broad commitment in the AusLink white paper, which the government released in June last year, that the AusLink land transport program would seek participation from a variety of groups and sectors.

Senator SHERRY—So from a Commonwealth perspective there is no objection to this provided it is done correctly?

Ms Page—It does not raise any new issues that have not already been announced in the AusLink white paper. It is simply a commitment to explore; it is not a commitment to finance roads by particular means.

Senator SHERRY—In clause 71 it states that both parties acknowledge that financial participation by the private sector may take a number of forms, including ownership, financing and operation of a project, operation of business concessions associated with a project or a financial contribution in recognition of special benefits flowing from a project. Are they all issues which Finance would have some experience with and knowledge of? Was Finance consulted on these?

Ms Page—I am not aware whether Finance was consulted in the early development of the AusLink white paper. I think those aspects predate me.

Dr Watt—I think we had better take that one on notice.

Ms Page—I think that is another series of questions you might want to raise with the department of transport. Those are policy responsibilities of that department.

Senator SHERRY—Yes, but you were consulted. With private sector involvement there would, by necessity, be a revenue stream, to be paid to the private sector, wouldn't there?

Ms Page—I think the paper suggests that there are a variety of mechanisms. AusLink does not solely deal with roads; it also deals with rail projects, rail track projects and a variety of land transport projects.

Senator SHERRY—Logically revenue can be obtained through charging tolls in the case of road projects, can't it?

Ms Page—That is one mechanism. It is not the only mechanism.

Senator SHERRY—Clause 72 states that for future projects for which an Australian government funding contribution is to be sought Victoria will provide an assessment of the potential scope for private sector participation to reduce the cost to government of the project, together with a description of the process employed by Victoria in making its assessment. What is meant by 'private sector participation to reduce the cost to government of the project'? What do you understand that to mean?

Dr Watt—I think that might be a question for the department of transport. It is getting very specific and is certainly beyond our specific policy responsibilities.

Senator SHERRY—It says in clause 73 that in the case of projects estimated to cost in excess of \$500 million the parties agree that formal expressions of interest will normally be sought from the private sector as part of the assessment.

Dr Watt—Again, I think that is a question for Transport.

Senator SHERRY—Thank you, that concludes my questioning on this issue.

Proceedings suspended from 2.59 p.m. to 3.19 p.m.

CHAIR—I welcome Special Minister of State Senator Abetz. We are now on output group 3.1, Ministerial and Parliamentary Services.

Senator Abetz—Before we go to questions, I have a very brief opening statement acknowledging the services of John Gavin, who will not be joining us at the table today as he retired in October last year. This is the first opportunity since that time for me to say a few words about John. He has had an outstanding career in the Australian Public Service. He commenced work in 1957, which I can honestly say was before I was born, with the old Department of Labour and National Service, before going to the Public Service Board and the Postmaster General's Department. But what we most remember him for are the 32 years or so that he spent in the various incarnations of the Department of Administrative Services. He has seen it all, from the Department of the Special Minister of State in 1972 to the Department of Finance and Administration in 2004. During that whole period there was one constant and that was John.

John has been a valuable sounding-board for ministers and officials, and his remarkable knowledge saw him conferred with the position of Special Adviser. His knowledge of entitlements history was as voluminous as it was accurate. You could ask him, 'Why is it this

way?’ and he would then reminisce about what Malcolm Fraser did at a certain period of time or what Mick Young did or what somebody else did. Or he could tell you that something had its genesis in a Remuneration Tribunal determination in 1974 which was really based on a precedent some time in the 1920s.

He was a great adviser and was of great benefit to me and my predecessors as Special Adviser in this portfolio. In my time he was central to the drafting of regulations in relation to the Parliamentary Entitlements Act, the Members of Parliament (Life Gold Pass) Act and its associated regulations, advice on the conventions for entitlements use during elections and proposals for Senate and House of Representatives printing. John was of great assistance to the Senate estimates process. I will miss his corporate memory, his cheerful advice and his ability to baffle not only opposition senators but me on some occasions as well. I am sure that we all wish John Gavin all the best for his retirement. All sides of politics would want to thank him for his devoted service to the Public Service and in particular to this area.

CHAIR—The committee joins you in those sentiments, Minister.

Senator FAULKNER—As does the opposition. It is true what the minister says about Mr Gavin’s long and meritorious service. I think he has been a very fine public servant. He has certainly been of great assistance to this committee with many and varied difficult issues over the years. He certainly will be missed, and we are very jealous that he can be other places apart from a Senate estimates committee.

Senator Abetz—You do have a choice, Senator Faulkner.

Senator FAULKNER—Not really, actually. Ms Mason, are there any statistics on the number of MOPS staff who received the 30 per cent severance loading after the recent election?

Ms Mason—I do not have the numbers with me, but I am advised that we can get them quickly and will do so.

Senator FAULKNER—Perhaps it might be best to come back to that issue. I am happy to do that. It might save time. My next question is perhaps best directed to you, Minister. I want to ask about the definition of ‘voting information’ in relation to the circular that went out under Mr Edge’s name. It might be best to ask Mr Edge. I do not mind who tells me. It is circular 2004/43 ‘Change to members’ printing entitlement—inclusion of voting information’. Are you aware of that circular?

Senator Abetz—I am.

Senator FAULKNER—The circular basically indicates in layman’s language what is approved printed material. I think that sums it up in a nutshell. It effectively says five material things have been approved by the minister. Was this done by a ministerial decision, Senator Abetz?

Senator Abetz—Yes.

Senator FAULKNER—It lists five dot points: magnetised calendars; business cards for the member; compliment slips; magnetised emergency and community information cards; and postal vote applications and other voting information. My question goes to—and it is

something that has been raised with me by a number of parliamentarians—what is ‘other voting information’? Can someone clarify that for me, please?

Senator Abetz—I can try to assist you with that, I think. The circular goes on to say ‘Other voting information includes how to vote cards’.

Senator FAULKNER—That is true. To be fair, I should have said that—

Senator Abetz—It goes on:

In approving the inclusion of this material, the minister—

which is me—

has indicated that, in addition to how to vote information in relation to the member’s seat, the card may also include a panel dealing with how to vote for Senate in the state or territory in which the member’s electorate is located.

Senator FAULKNER—That is true, and I appreciate that. We know that ‘other voting information’ includes how to vote cards, with the qualifications that you have identified. But the issue is: what else is included? What does it mean? It is not very clear at all, is it?

Senator Abetz—Given the explanation, ‘Other voting information includes how to vote cards’ and it explains that it can include a panel, if there is other voting information that you can think of I suppose what I did not want to have happen is for somebody to accidentally fall foul of the regulation or entitlement doing something which might be acceptable. I cannot think of anything at the moment, other than the purpose was as indicated in the circular for the how to votes and postal votes.

Senator FAULKNER—Does this basically mean that any material produced in an election campaign can be printed on entitlements and paid for by the taxpayer? Is that really what is being said? That is the only way I can interpret your statement.

Senator Abetz—No, it is voting information—postal voting, how to vote—if you like, the technical aspects of voting. MPs have their entitlement to tell their constituents how good they are, how well they are performing, what the issues are that they are working on, which community groups they have been liaising with, what speeches they have given in parliament—whatever MPs feel like putting into their newsletters.

Senator FAULKNER—Is that voting information? It is not what I would call voting information. I would not have thought it was voting information per se.

Senator Abetz—I would not have seen telling your constituency what you have been up to, what the issues facing Australia are and what concerns you have as their federal member as voting information. What are you hinting at? Are you suggesting that it is too broad because it might inadvertently cover something?

Senator FAULKNER—This may come as a surprise to you, but I was not hinting at anything.

Senator Abetz—If that is your suggestion I am prepared to look at something if you think it is too wide.

Senator FAULKNER—These are the words that you have approved. This has caused some level of consternation amongst some parliamentarians. I cannot say any more or less

than that, because it is not clear. To be fair, it says in this circular dated 1 September 2004 that that ‘other voting information’ includes how-to-vote cards, but there is a massive grey area and level of uncertainty here. As you know, my view has always been: keep this as clear and tight as possible so these areas of uncertainty do not exist. I am not using this forum to get into the debate of whether it is appropriate for how-to-vote cards to be printed on entitlements. That is not the issue that I am raising. We can have that debate in another place. I am raising what your decision means—what is acceptable under the definition of ‘other voting information’ and what is not.

Senator Abetz—It is always difficult when you are asking somebody to be both the legislator and the judiciary on a certain matter. My intentions were to deal with the mechanics of voting—how to cast a valid vote for the House of Representatives and the Senate. It stands to reason that potentially rather than actual voting with numbers there might be a situation where there is a controversial referendum on the republic, for example. In those circumstances it might be appropriate for people to know how their local member feels on that particular issue and how they would encourage them to vote for the future of the country. That would be another mechanical aspect of voting for a referendum. Other than that, I do not see that its meaning would have a broader application than that which is already an entitlement by way of newsletter entitlement.

Senator FAULKNER—The problem here is that ‘voting information’ is such a general term. It could encompass a whole magnitude of political paraphernalia.

Senator Abetz—Depending on how fertile your imagination is I suppose it could. I am not sure what the newsletter entitlement is.

Senator FAULKNER—As you know, the imagination of many parliamentarians is very fertile.

Senator Abetz—Some clearly have very fertile imaginations. It is interesting that you do not have any concern about community information, which has stood in the circular for a long time. What does community information mean?

Senator FAULKNER—Yes, but I have to say, with respect to you, that I think the term ‘community information cards,’ which you have approved—magnetised emergency and community information cards—is clear. I have seen those produced by members and senators from all sides of the parliament—fridge magnets and so forth. I do think there is clarity about that. I am not unclear or uncertain about what that means. You have approved ‘magnetised emergency and community information cards’. I am clear about that and I think most reasonable people are. I am not clear about—

Senator Abetz—Voting information.

Senator FAULKNER—Well, postal vote applications, which is clear—

Senator Abetz—I would have thought ‘voting information’ would be a lot narrower than ‘community information’.

Senator FAULKNER—It says ‘magnetised emergency and community information cards’.

Senator Abetz—So ‘magnetised’ is the important thing; is it? We will stick magnets on how-to-vote cards.

Senator FAULKNER—Minister, they are your words. They are not mine. It says you have approved ‘magnetised emergency and community information cards’ and I think most people understand what that means. Let us be serious about this. You understand and I do and I think anyone listening to this would.

Senator Abetz—‘Community information’ could have a whole range of potential interpretations. I would have thought ‘voting information’ would be pretty limited—dealing with the mechanics of an election.

Senator FAULKNER—Is that what it means—it is information dealing with the mechanics of an election?

Senator Abetz—Yes, as to how to vote for Joe Bloggs, the member for seat A.

Senator FAULKNER—Doesn’t that really mean that we are now saying that parliamentary entitlements—that is, taxpayers’ funds—can basically be utilised for anything that goes in a letterbox in an election campaign? That is what you are saying.

Senator Abetz—No. This is a change to ‘members’, so you have got to be a sitting member, and it is a printing entitlement for use by them and it is for their electorate. I think it has been long established and accepted that the use of entitlements is such that it is pretty difficult to disengage that which is electoral information and that which might be seen to assist somebody in their re-election campaign. From time to time you have what I consider to be—potentially, anyway—quite artificial lines being drawn.

Senator FAULKNER—To repeat: doesn’t this mean that anything that a sitting member puts in a person’s letterbox in a pamphlet or in another form in an election campaign can now be paid for with parliamentary entitlements under this definition? That has never been the case before.

Senator Abetz—Your assertion is false, because—

Senator FAULKNER—No, it is not an assertion. It is a question.

Senator Abetz—No, you said it never happened before. There was nothing stopping the member for seat A writing out to his or her constituents saying, ‘Please vote for me on Saturday, 9 October 2004 so I can keep on representing you,’ et cetera. That has always been allowed, as I understand it, under the interpretation of the guidelines. So whether somebody has to use the word processor and the stationery and put it into an envelope and mail it out—all, might I add, under their entitlements—or whether they can simply put it in a simpler form with a how-to-vote card I do not think makes any difference. It does not really change things other than, I think, to include something which has been potentially happening in another form.

Senator FAULKNER—I beg to differ. I do not think such a broad definition has ever applied. Unfortunately, Mr Gavin is not here to be able to confirm that, but I hope that other officials can. This is a very significant change to what, acceptably, can be distributed by sitting members in an election campaign. It is basically anything at all goes. What does not fit

this definition? Maybe that is a better way of looking at it: what does not fit this definition of what might be distributed by a sitting member?

Senator Abetz—That is a ridiculous situation. It does not include commercial activities. It does not include family correspondence. We can be here all night, telling you what it does not include. What it does include—and that is the important thing—is how to vote information which could have been transmitted, in any event, to the member's electorate in another form under the guidelines that existed before 1 September.

Senator FAULKNER—Given that we now have a situation where any form of political paraphernalia from a sitting member of parliament can now be produced and paid for with entitlements—in other words, by the taxpayer—can you or the department apply your mind to appropriate limitations for the use of this entitlement, because I have not heard of any limitations at all. I think it would be a surprise to a significant number of members of parliament—it is a surprise to me—that anything goes. Having had that surprise, I think someone had better do something about it.

Senator Abetz—This is a bit of hyperbole.

Senator FAULKNER—We urgently need a definition 'of other voting information' so there is clarity around what is or is not, in your view, in the view of the minister, an appropriate use of this entitlement.

Senator Abetz—You have been around long enough to know that there are, unfortunately, certain grey areas with a whole host of entitlements. It is like community information. Does that mean that you can magnetise a particular community information card and put on it the dates of all the branch meetings of the local ALP branch? I think we would all be agreed that, no, that is not the purpose of it, because you should not be using it for party political purposes. Yet, you could try to stretch the argument and say, 'My local Labor Party branch is part of the local community, and therefore when they meet it's appropriate to tell the electorate that and give everybody a magnet for their fridge which tells them about the local Labor Party branch meetings.' I would have thought that everybody in this room would accept that that would not fall within the accepted approach to the use of entitlements. It is the same with the postal vote applications. It is interesting that you do not seem to have any difficulty with that category. If you do not have any difficulty with inviting people to vote and having printed postal vote application forms, then other voting information such as how-to-vote cards—and, might I add, how-to-vote cards only for your electorate so you could not start printing them off for the neighbouring electorate which happened to be a Liberal held seat—is your entitlement only for your particular seat.

Senator FAULKNER—Whether I have an issue with how to votes or postal votes is not the issue here. I put aside my own views about this or whatever the respective party views might be. There is clarity about that. I repeat that: there is clarity about what a postal vote application is. There is clarity about how to votes, whether you agree with that or not. I personally do not agree with the funding of how to votes paid for by the taxpayer; that is my personal view. But, nevertheless, it is clear. The issue is that other voting information is not clear. There is no definition, and it effectively means that any sitting member can have their

whole political campaign in any general election funded by the taxpayer. If I were asked, ‘Do I think that is a good idea?’ my answer would be categorically, ‘No.’

Senator Abetz—How-to-vote cards and not the whole political campaign. You cannot fund your TV, radio or newspaper advertisements. This is the sort of hyperbole that we were used to when Senator Faulkner was Leader of the Opposition in the Senate. I thought he might have no longer seen the need for this, but it looks as though it is going to continue.

Senator FAULKNER—Will you look now at the definition of what ‘other voting information’ means, and could parliamentarians be further informed as to what is acceptable under that terminology and definition and what is not? That is my request.

Senator Abetz—This memo has been around since 1 September 2004. You tell me that there has been a degree of consternation. I have not had much expression of that consternation to my office. Unless somebody can come up with a few potential examples as to what ‘other voting information’ might mean beyond how-to-vote cards, I am not going to sit down and ask, ‘What might a fertile mind include under other voting information?’ I do not think anybody in this room would suggest that it would apply to local government or state elections or voting in a particular union or community organisation. I would have thought it is very much limited to federal parliamentary elections or referenda but, if you can think of some interpretation that would allow it to be more expanded than that, then I am willing to look at it again to seek to limit it to that which it was designed to do. However, apart from asserting that it might happen, you have not come up with an example of where it actually might be a bit grey or uncertain for anybody.

Senator FAULKNER—I have made my request. It is up to you to deal with it how you will.

Senator MURRAY—There is the question of people perhaps falling foul of being accused of using their entitlements incorrectly. Would it be the advice of the minister that anyone proposing to use this entitlement should check with the department regarding what they intend to do, just to be sure?

Senator Abetz—I think prudence would dictate that with all entitlements you would try to make sure as much as possible. But at the end of the day the department cannot give definitive rulings as to what can or cannot be used by way of entitlements. It can provide some gratuitous guidance or conventional advice.

Senator MURRAY—If someone were thought to have used that entitlement incorrectly—I cannot anticipate how but say they were—and they were required to repay the cost of what they had done, I suppose they would have to appeal to the AAT if they felt hard done by. Is that what would happen?

Senator Abetz—That is interesting, because we cannot necessarily force them to repay unless, I suppose, the Commonwealth were determined to take legal action.

Senator MURRAY—So if somebody does something that they should not have done, which we cannot foresee here, you are not telling us they would get away with it?

Senator Abetz—No. What has happened in the past is that it has been dealt with by the Minchin protocol that is in place. If there is an allegation, the member or senator is written to.

The member or senator then has the opportunity to respond as to why they believe the usage was within the entitlement and then, if there are further questions, correspondence goes backwards and forwards. Happily, in the four years I have been in the chair, when people from all sides of politics have inadvertently overstepped the mark the payments have been made without the need to resort to legal action.

Senator MURRAY—Using one hypothetical as a direct example, could someone use this entitlement to send out information as to how Senate preferences had been decided and were going to work? As you know, there very seldom are—I do not think never—how-to-vote cards produced on Senate preferences, yet it is a big election issue. Is the answer that they could send it out on Senate preferences?

Senator Abetz—I would have thought—and I might have to reconsider it, but just off the top of my head at the moment—that you would be entitled as a House of Representatives member to put out a newsletter, for example, or a letter to the constituency saying, ‘I’m outraged that Family First have preferenced the Labor Party in Tasmania over the wonderful Tasmanian Senate Liberal team.’ Unfortunately, at the last election there were no House of Representatives members able to do that. We now have two after the election that might be minded to do something like that. But if it is a matter of public controversy or discussion is it within the parliamentary role to be careful?

Senator MURRAY—So a member could use taxpayers’ money to talk about their party’s or another party’s Senate preference decisions, and a senator might not be able to respond; is that a consequence?

Senator Abetz—That has happened in other contexts.

Senator MURRAY—That is why I am raising the question.

Senator Abetz—For example, certain people sent out letters saying that the partial sale of Telstra would mean that in the township of St Marys in Tasmania phone bills would go up by \$1,800 per annum. That was sent out in the last week of the election and could not be responded to.

Senator MURRAY—With taxpayers’ money?

Senator Abetz—Yes.

Senator MURRAY—That is why I raise it.

Senator Abetz—In fairness though, the sale of Telstra was a big issue at that election, and I think members of parliament are entitled to communicate with their electorate about those sorts of controversial issues.

Senator MURRAY—In determining the nature of your response to Senator Faulkner’s request, I think we need to be specific at least in those areas which we can see would be immediately of concern. That means how-to-vote cards for constituencies and the Senate preference decisions and the things which directly relate to voting decisions by the electorate. I think if people are going to be sent material by members who want to use this opportunity the department at least needs to have explored what can and cannot be said in those respects.

Ms Mason—As the minister mentioned earlier, there are many shades of grey with various entitlements. The department has given general guidance in a publication that we produced after the last election, which advises that parliamentarians need to be careful in their use of entitlements to ensure that it not only complies with the letter of the entitlement but also should be publicly defensible. If there is an element of doubt about whether the use of the entitlement may be publicly defensible then our general guidance would be to advise our clients to reflect carefully before accessing entitlements at Australian government expense for that purpose.

Senator MURRAY—Let me give you my response then. My understanding of the allowance that has been made—the permission that has been granted—is that anything to do with a how-to-vote card for a lower house or Senate seat is fair commentary. That is my interpretation.

Senator Abetz—Correct me if I am wrong, but this comes out of the capped entitlement for printing for House of Reps members of \$125,000.

Senator MURRAY—You see, at the back of my question is—

Senator Abetz—Out of that entitlement, I would have thought, you could have sent out in a letter in your electorate—not broadcast statewide but in your electorate—your concern as to the activities of the government of the day mugging the economy with the introduction of the GST or how Labor would mug the economy with higher interest rates. All those sorts of things are and have been allowed since way before I got into the Senate. This printing entitlement is now capped and there was a grey area if you can write out in support of your own re-election—and it had been the convention in the past that you could do things for your own re-election—where it seemed not very helpful that you could not insert your how-to-vote card and you had to send that as a separate item printed in your office when you might as well insert the how-to-vote card at no extra cost to the taxpayer. The House of Reps member has to determine how he or she will spend that capped entitlement of \$125,000.

Senator MURRAY—At the back of my question is a kind of cross-border thought. It is constrained for the member in their constituency, but of course for any voter they write to for a Senate election it is statewide. You have got two different boundaries, so I wondered if it was as free and open for them write about Senate how-to-votes, Senate preferences and Senate voting system to their constituency as it is to for them to write about House of Representatives votes, how-to-votes and preferences.

Senator Abetz—I would have thought that, let us say, if you have an Australian Democrats member of the House of Representatives putting a paragraph in a letter to the effect that the Democrats have had a proud record of keeping the government honest in the Senate, or whatever, that would be a fair cop, a fair commentary. As a result, if a Labor member were to say, ‘The only way you can guarantee that Telstra is not sold is by not only voting for me but also giving us a majority in the Senate,’ I would have thought that is a fair cop.

Senator MURRAY—I will not take it any further.

Senator Abetz—But there are grey areas and I think there forever will be.

Ms Mason—Mr Chairman, may I return to the first question that Senator Faulkner asked of me in relation to statistics on severance benefits paid to MOPS staff after the last election. Unfortunately, I had thought that the information could be provided quickly and I am informed that a number of reports will need to be generated from our payroll system and that it will not be available this afternoon. So I am afraid we will need to take that question on notice.

Senator FAULKNER—All right. Thank you. The severance loading is designed to apply only when an office holder loses their position, is not re-elected or does not contest, and so on. That is right, is it not?

Ms Clarke—I can read out the certified agreement for you. It sets out when that severance benefit is payable. It says:

Severance benefits payable under clause 59.2 will be increased by 30 per cent—

I think that is the one you are getting at—

if an Employee's MOP(S) Act employment terminates as a result of his/her employing Member ceasing to hold office (i.e. under subsections 16(1) or (2) or subsection 23(1) of the MOP(S) Act) and if the benefits are not treated as payments in respect of *bona fide* redundancies for the purpose of section 27F of the *Income Tax Assessment Act 1936*.

Senator FAULKNER—Does it apply to staff employed under both sections of the MOP(S) Act?

Ms Clarke—Parts III and IV, yes. Sections 16(1) and 16(2) relate to staff of office holders, and section 23(1) that I referred to relates to the part V staff of senators and members.

Senator FAULKNER—I will assist Ms Mason, given that you are only able to take this on notice. Can you limit that to staff under part III of the MOP(S) Act—that is, government and opposition ministerial staff, is it not?

Ms Clarke—It is office holders, yes.

Senator FAULKNER—Can you indicate the gross number who have received the severance loading and, if you would not mind, quantify whether it was government, opposition or other staff. That ought to save a bit of work. I would have thought, Ms Mason, that this is not a question on notice that will take a long time to answer.

Ms Mason—The limitation is with our systems and the time taken to generate the reports.

Senator FAULKNER—We look forward to looking at that response at a later stage. Something that I am sure you do have at your fingertips are the changes to electorate office accommodation for senators and members since the election. Can you indicate to me how many changes there have been?

Mr Edge—As I understand it, your question is: how many approvals for relocation have been made?

Senator FAULKNER—Yes, just in the period since the election.

Mr Edge—There are a couple of steps in the approval process. There is an in principle approval to look, and then there is an approval once the location has been identified and a leasing arrangement has taken place.

Senator FAULKNER—You can break it up into those two, if that makes it easier.

Mr Edge—In total, there have been 16 in principle approvals for relocation. There have been two actual approvals—that is, where premises have been identified.

Senator FAULKNER—Can you tell us the two?

Mr Edge—Could I consult with a colleague on that, and I will get back to you in a couple of minutes?

Senator FAULKNER—Sure. I just wanted a list of the 16 and a list of the two. While you are consulting with your colleague, if I give you the full picture you can come back to me with a full picture.

Mr Edge—Okay.

Senator FAULKNER—Do you mean this consultation will take a few minutes?

Mr Edge—I expect so.

Senator FAULKNER—I see. We will return to that. Minister, you would have seen some press coverage in quite a number of the daily papers in December last year about the breach, or alleged breach, if you like, of the code of conduct by Minister De-Anne Kelly in relation to the declaration of interests of ministerial staff. In this case it was a Mr Croke. I am sure you would recall.

Senator Abetz—Yes, I think I recall some media on that.

Senator FAULKNER—This goes to the ministerial code of conduct. Could you confirm that that code of conduct states:

At the time of commencing their employment, ministerial consultants and members of ministers' staff ... are required to complete statements of private interests ...

Could someone just confirm that that is the obligation under the Prime Minister's code of conduct?

Senator Abetz—I am not sure that it is for me to be commenting on the Prime Minister's code of conduct. I would have thought that Senator Hill and Prime Minister and Cabinet may have been more appropriate for questions.

Senator FAULKNER—Are you aware of the obligation? This goes to the issue of ministerial staff, of course, which you do have some responsibility for.

Senator Abetz—It bears no relevance as to whether or not I am aware of a prime ministerial code. It stands to reason that I am as a minister, but I cannot see how my knowledge of that can have any impact.

Senator FAULKNER—Perhaps, Ms Mason, you can explain to us what role, if any, Ministerial and Parliamentary Services have in relation to the statement of interest requirements for ministerial staff.

Ms Mason—Certainly. MAPS is advised when a statement of private interest has been lodged by a staff member. We keep a record of whether or not a statement has been lodged if we are advised of it. I might say that we are not always advised.

Senator FAULKNER—You are not always advised?

Ms Mason—No. On some occasions, statements of private interest are lodged but we may not be advised that that has been done.

Senator FAULKNER—But there is a requirement to lodge them with you, isn't there, and to advise you?

Ms Mason—No, we do not receive a copy of the declaration.

Senator FAULKNER—I am sorry; there is a requirement to advise?

Ms Mason—We do ask that people advise us.

Senator FAULKNER—That is a requirement. Who do you ask—the ministers or the staff?

Ms Mason—It is a general request of the office that we be advised. I would not put it as strongly as being a requirement.

Senator FAULKNER—There is a general request that ministerial staff acknowledge the lodgment of the pecuniary interest form. Is that the best way of describing it? I just want to be really precise about the language.

Ms Mason—We are asking to be advised when a statement or a declaration has been lodged.

Senator FAULKNER—So the requirement is that you are to be advised when a statement of pecuniary interest has been lodged?

Ms Mason—Yes. We do not receive a copy of the statement.

Senator FAULKNER—No, I appreciate that. When the issue arose in relation to Mr Crooke, did MAPS check its records in relation to the status of his pecuniary interest form?

Ms Mason—Yes.

Senator FAULKNER—So on what basis did you do that? Who requested that that action take place?

Ms Mason—I do not believe that there was any request external to MAPS made of us—that is certainly not my recollection. We would have undertaken that check of our own volition, in that we monitor the media—

Senator FAULKNER—That is good work. In other words, MAPS and you as the head of MAPS self-initiated the action.

Ms Mason—Yes, correct.

Senator FAULKNER—I am not critical of that. That is good; that is as it should be. And when did you do that?

Ms Mason—I do not have the date with me. I could possibly check that if it is important to you.

Senator FAULKNER—I do not think it is absolutely essential. Is it fair to say it was around the time this issue blew up publicly?

Ms Mason—Certainly I would imagine that that is when we would have done it. We would have been aware of the media coverage of the issue and that would have prompted us to undertake a check of our records.

Senator FAULKNER—You say—I want to use the correct terminology—it is a request. I thought there was a determination under the MOP(S) Act in relation to this to provide statements of interest. Wasn't there a determination 2004-05 part 3/6 that requires staff to provide statements of interest?

Ms Mason—Yes, you are correct. I think we are talking about technicalities here. Staff are required to lodge the declaration. They are not, however, required to notify us; rather, we request that we be notified.

Senator FAULKNER—So you self-initiated inquiries in relation to Mr Crooke. Your inquiries found what?

Ms Mason—Our records did not show that a declaration had been lodged but I hasten to add that that does not necessarily mean that one had not been lodged; it simply means that we had not been advised that one had been lodged.

Senator FAULKNER—I did not hear that. Could you just run that by me again?

Ms Mason—Certainly. Our records did not show that a declaration had been lodged but that does not necessarily mean that it had not been; it simply means that we had not been advised that the declaration had been lodged.

Senator FAULKNER—Having established that you had not been advised of the lodgment of such a declaration, what did you do? I am sure you did not just go and have a cup of tea; I am sure someone did something about it—you may have had a cup of tea as well. I have had the odd cup of tea, I must say, over the years.

Mr Edge—I understand that at the time of the media coverage in December 2004 Mr Crooke had left the relevant employment, so we had ascertained that we had no record of the statement but because he had left MOPS employment there was really nothing we could do about that at that point.

Senator FAULKNER—MAPS, in my view, professionally self-initiated the task of assessing whether you had a record of the lodgment of this form. You established that you do not—that is fine—and then you did nothing. Is that what you are saying? Nothing happened then. Was no-one informed? Was the minister not informed? Were your superiors not informed?

Mr Edge—I cannot comment on whether the minister was informed but internally—

Senator FAULKNER—That is what I am asking. I am asking someone to tell me what happened after your professional, self-generated work—which I have complimented you on—which established that you did not have a record of it. What did you do about that level of information? I know what the press said about Mr Crooke's employment. That is not relevant—I do not think it is relevant. I am just asking whether you sat on that information, whether anyone was informed or whether it was passed up the line.

Ms Mason—I would have to make inquiries about what else was done. I do not recall the detail of it. We did undertake the check, and the records I have here indicate that that was done. I am not sure what was done after that. As Mr Edge says, given that the person concerned was no longer in MOP(S) Act employment, there was, to his knowledge, no further action to pursue the declaration itself, given that the requirement is to lodge it with the employing senator or member and to advise us of whether or not it has been lodged.

Senator FAULKNER—Hang on. When you say ‘senator or member’, to whom does this provision apply?

Ms Mason—Ministers and parliamentary secretaries, to the best of my knowledge.

Senator FAULKNER—Exactly. It is the staff under part III of the MOP(S) Act who are employed by members of the executive council—ministers and parliamentary secretaries. That is right, isn’t it? Just tell me if I have got that wrong.

Ms Mason—It relates to people who are covered by the Prime Minister’s guidelines.

Senator FAULKNER—All right. Who is covered by the Prime Minister’s guidelines?

Ms Mason—I think that is probably a question best addressed to the Department of the Prime Minister and Cabinet.

Senator FAULKNER—You are keeping a register of this. It is government ministerial staff, isn’t it?

Ms Mason—I think I have already said that. To the best of my knowledge, it relates to the staff of ministers and parliamentary secretaries.

Senator FAULKNER—Anyway, you established that you had no record of this Mr Crooke having lodged a pecuniary interest form and you cannot say to me what happened to that information.

Ms Mason—Not without undertaking some further inquiries about what action was taken within Ministerial and Parliamentary Services at that time.

Senator FAULKNER—Would you be able to press those inquiries?

Ms Mason—Yes, certainly.

Senator FAULKNER—Would it be possible to establish that in short order? It seems a simple thing to do.

Ms Mason—There are people monitoring the hearings and they will be checking that.

Senator FAULKNER—Given that this was a matter of some notoriety at the time, I would be extremely surprised if someone close to a telephone would not really know what the outcome of this was. What are your broader activities in relation to these lodgments? We understand the background of what ministerial staff are required to do and that there is a request that MAPS be informed about this. Do you keep a regular check on how many ministerial staff have conformed with this requirement?

Ms Mason—Our staff establishments list does record whether or not MAPS has been advised that a statement has been lodged.

Senator FAULKNER—So you have an ongoing tally at any stage as to how many staff you have been informed have lodged their pecuniary interests declarations? If I ask you now, you could give me the figure, or if I asked you at any stage you could give me the figure.

Ms Mason—Probably not at any stage. Our staff establishments lists are not maintained in real time. They are updated on a monthly basis.

Senator FAULKNER—I see. When was the first occasion this was done, say, after the election?

Mr Edge—The staff establishments lists that Ms Mason was referring to are done on a monthly basis and they reflect the staffing information as at the first of the month. So, presumably, the answer to your question would be 1 November.

Senator FAULKNER—How many ministerial staff in this category were there on 1 November?

Mr Edge—Is your question how many ministerial staff—

Senator FAULKNER—How many ministerial staff were there—I am saying in this category because some might talk about shadow ministerial staff—who this obligation applies to? I know what it is in round figures. I have a pretty fair indication because of previous evidence at this estimates committee.

Mr Edge—The question is: how many does the obligation apply to? How many staff would it apply to as at 1 November?

Senator FAULKNER—I did ask that, but we will not beat around the bush here. I would like to know on 1 November 2004—if that was the key date—how many staff you had been informed had lodged their pecuniary declarations, out of how many.

Ms Mason—We can take that on notice. But I would say again, notwithstanding whatever we find when we check those numbers, the requirement is to lodge the declaration. It is a request that MAPS be advised. There is probably a gap between the number of declarations lodged with the employer and the number of people who we have been advised have lodged those declarations.

Senator FAULKNER—So are you saying to me, Ms Mason, that you do not have that information available for the committee?

Ms Mason—I am saying I have information, which I can obtain, about how many people MAPS has been advised have lodged declarations. I cannot say with certainty how many actually have lodged.

Senator FAULKNER—What figures do you have available here this evening about those whom you have been advised about? Can you give me those figures now? Whatever you have available at whatever date would help.

Ms Mason—There are people checking that for you at the moment. As I said, we have staff monitoring the hearings and they will be checking that figure for you, as at 1 November 2004.

Senator FAULKNER—Can you say to the committee what the pattern is like?

Ms Mason—Not without checking.

Senator FAULKNER—So you do not know whether, by and large, most people have conformed or most have not? You do not have a feel for that?

Ms Mason—I would rather not speculate. I would rather get the information and then give it to you.

Senator FAULKNER—That is another thing we will have to come back to.

Senator MOORE—Following up on that, Ms Mason, I have a similar point to the one Senator Faulkner has been making about the difference between a requirement and a request. Considering the number of questions that were raised around Minister Kelly's employee, was there any consideration of sending out a reminder to the current ministers, encouraging them to fulfil the request for the new round?

Ms Mason—Yes, indeed. There was thought given to issuing reminders, and I understand that was done in December.

Senator MOORE—There was one sent out to all the current ministers in December, reminding them of the request?

Ms Mason—I understand there was a reminder issued and certainly within MAPS we are planning to make that a regular reminder.

Senator FAULKNER—I want to ask some questions about another matter. There are a couple of issues we have to revisit here, so I am very happy, Ms Mason or Mr Edge, for you just to interrupt me at the appropriate time when you feel we are able to revisit those issues. Does MAPS have any statistics about how many MOP staff have dropped in salary since 1996?

Ms Mason—I am not aware that we have figures along those lines. It would be unusual for people to drop salary between those periods, except if they moved to a lower classification position.

Senator FAULKNER—It would not be unusual in the case of some people who may, for example, have been ministerial staff in the life of the then Labor government and found themselves in a different situation post 1996. That is why I use that particular date.

Ms Mason—I do not have those figures, no. That is not something that we have inquired into. As I said, it would be relatively unusual, without a change of role.

Senator FAULKNER—Perhaps you might take that on notice for me.

Ms Mason—Yes.

Senator FAULKNER—Are you able to inform the committee how many people requested that their previous salary be retained for superannuation purposes?

Ms Mason—Not without taking it on notice.

Senator FAULKNER—I would appreciate it if you could. I am interested in the general approach the department takes in these sorts of circumstances—how the department would want to see these matters dealt with and the benchmark it might set for dealing with these sorts of cases. I assume it would be a high benchmark. Would it be fair to say that?

Ms Mason—Are you referring to the way that we deal with MOP staff vis-a-vis good practice? Is that the nature of your question?

Senator FAULKNER—Yes, absolutely—in part.

Ms Mason—The Commonwealth is generally considered to be a pretty reasonable sort of employer.

Senator FAULKNER—In one sense, you obviously have a duty of care to clients. Are MOP staff considered to be clients of the department? Is that the terminology that you would use?

Ms Mason—Yes, Senator.

Senator FAULKNER—So where the department might not have performed to the highest levels or expectations, what would you understand to be the possible ramifications for clients—say, a possible reduction in benefits available at retirement? If you had a situation where these sorts of errors compound over many years, you would have a serious situation. Would you agree that this is a pretty serious situation which could result in quite an impact at retirement that of course cannot be rectified retrospectively? Would it be fair to say that?

Ms Mason—I think there are a number of hypothetical issues woven through the questions that you are asking and I find it difficult to comment on them without specific information. We certainly consider MOP staff to be clients of the department. As with all of our clients, we seek to provide them with a high standard of service.

Senator FAULKNER—The sorts of benchmarks I mean include the accuracy of calculations, the accuracy of deductions from salaries and contributions that are paid to superannuation funds, and the timeliness and the accuracy of information that is provided to clients—in this case, MOP staff, who you properly define as clients.

Ms Mason—Where we make errors—we are certainly not perfect and we occasionally do make mistakes—the other managers within MAPS and I have taken the attitude that where the error can be verified and quantified, and we can work out the cause of a genuine error, then we take steps to both fix the error in relation to the individual and, to the extent that it may point to flaws in our business processes, approaches or systems, we seek to also rectify any shortcomings in that respect. So our attitude is certainly to attempt to restore any damage.

Senator FAULKNER—Some of this should be picked up in the annual review, shouldn't it? There is an annual review, is there not? I am not sure who conducts this in relation to each client. Is that right?

Ms Mason—I am not sure what you are referring to.

Senator FAULKNER—I am not sure who conducts this, but is it the case that there is an annual review—I think it is on the occasion of a staff member's birthday, in this instance—the purpose of which is to ensure that superannuation and other contributions are correct for the next year? Isn't that just standard operating procedure?

Ms Mason—I will ask Mr Barnes to join us and deal with that issue.

Senator FAULKNER—I may have the wrong terminology, Ms Mason, but I thought 'an annual review' was correct.

Ms Mason—That is okay, Senator, I was simply trying to understand what you were talking about.

Senator FAULKNER—Did you hear my question, Mr Barnes.

Mr Barnes—Yes. There is a normal review, every 12 months, of an individual's leave entitlements, superannuation contributions and so forth. To the best of my knowledge, that is the process that we follow.

Senator FAULKNER—Just so I can understand and the committee can understand, who conducts the review?

Mr Barnes—That review would be conducted by the staff payments cell within MAPS.

Senator FAULKNER—How big is that cell? That sounds like a question better asked in relation to Guantanamo Bay or something.

Mr Barnes—There are about 30 people currently working in that area.

Senator FAULKNER—Is an evaluation of the annual review process conducted at any stage? How do you know that these reviews are going effectively? A case has certainly been drawn to my attention where it has not. I do not identify individuals involved—which, by the way, I have already indicated to Ms Mason is the situation. Is there an evaluation of these reviews done by anybody? If so, who does the evaluation?

Ms Mason—There is cross-checking of various procedures undertaken within the staff payments unit. To my knowledge, there has not been an evaluation, as such, of the annual review process. We do however have a business improvement program generally operational within Ministerial and Parliamentary Services to improve our business processes and systems. We have in mind moving to a new HR system during the course of this calendar year, which should provide better services to our clients in relation to staff payments issues. I am not sure whether that will also touch upon superannuation reviews or reviews of salary for superannuation purposes.

Senator FAULKNER—But we have these annual reviews. How long have they been going on?

Mr Barnes—I could not tell you how long they have been going for, but they have certainly been happening all the time I have been there.

Senator FAULKNER—And how long is that, Mr Barnes?

Mr Barnes—Coming up to 3½ years.

Senator FAULKNER—I think they have been going on for longer than that. That would be right, would it not? Would it be fair to say that it is a longstanding procedure?

Mr Barnes—I believe so.

Senator FAULKNER—It is a longstanding procedure, but is it ever evaluated at any level? Is there any checking mechanism? How do they know that they have got it right?

Mr Barnes—We have undergone a number of reviews. Most recently, an audit of our administration of the entitlements of MOP staff was undertaken by the Australian National

Audit Office. To that degree, there has been a substantial review of our practices and processes.

Senator FAULKNER—Does someone tick off the review process as complete for the year?

Mr Barnes—I believe there is a verification process within the team,

Senator FAULKNER—What is that? What is the verification process?

Mr Barnes—I could not identify the exact process. I am not intimately involved with that.

Senator FAULKNER—Do we know who does it?

Mr Barnes—Yes, certainly. I can check on the details of the exact process, but I do not have the information available right now.

Senator FAULKNER—Have there been recent changes to any of these review processes in recent times—say, in the last financial year?

Mr Barnes—As a general practice, I do not believe there has been a substantial change to the process of reviewing the individual entitlements.

Senator FAULKNER—Are the staff who undertake these reviews well trained in the complexity, detail and intricacies of superannuation?

Mr Barnes—Yes, as best we are able. They are continually trained.

Senator FAULKNER—Do you know of cases over recent years where this whole process has gone horribly wrong?

Mr Barnes—Unfortunately there are errors from time to time, and we try and remedy those as quickly as we are able.

Senator FAULKNER—Are these errors normally identified by the department, the client or either the client or the department?

Mr Barnes—I would suggest by either.

Senator FAULKNER—What has been the pattern?

Mr Barnes—I do not have specific records. I guess it would be more likely for an individual to raise an issue with us if they thought that they had been mistreated in any way.

Senator FAULKNER—Since 1 July 2004, how many individuals have raised concerns with you? I just want a number.

Mr Barnes—I do not have that information available, but I can ask for it.

Senator FAULKNER—Do you know if any concerns raised have led to any changes in internal processes?

Mr Barnes—Yes, I do.

Senator FAULKNER—Could you tell us about that.

Mr Barnes—On occasion there were questions raised about the manner in which termination payments were calculated for staff, and a series of inquiries resulted in us reviewing termination payments for all staff who left over the period from July 1998 to date.

Senator FAULKNER—You said that errors occur from time to time. Have you heard of any case where an error has occurred year after year for, say, 13 years? Are you aware of any case like that?

Mr Barnes—I am not intimately familiar with such an occasion.

Ms Mason—Nor am I. I do not have any knowledge of any error that has occurred on a repeated basis. As I said earlier, if we identify an error that we have made, and we verify that it is in fact an error rather than a lack of understanding on the part of the client of how the entitlements work, then we fix it. I would be surprised if something had recurred over a long period of time. Certainly, as I have said, I am not aware of such a case.

Senator FAULKNER—I think you are going to be surprised, Ms Mason. Chair, prior to the commencement of the consideration of the estimates on MAPS I raised privately, because of the sensitivities about individuals involved, with Dr Watt and Ms Mason that I was going to raise a case in a general sense. Given the nature of the responses to my question, I think it is best to have a further private discussion with the officials involved in this circumstance. The matter has been flagged in general terms before the committee, but it is clear that the available officials are not aware of the detail surrounding this. There are a very significant number of serious process issues that I think can be properly addressed by this committee.

In these circumstances, I think it is best to deal with it in this way, if that suits the committee. I will talk to Ms Mason about this privately, and I might ask for a private consideration of some of these issues, but I flag my intention of following up the process issues, which are quite substantial but which I think are going to be impossible to deal with at this hearing. That might be the most sensible way to deal with this issue, given that it might also save a great deal of time. This is a serious issue. We have a MOP staffer who has, in my view, suffered grievously as a result of errors that have been made at some level absolutely beyond that MOP staffer's control. However, I think this is a matter best dealt with in that private way. I will do that, and we will see if there is a need to follow it up. There will be a need to follow up some process issues, but I do not think I can take it much further here. Ms Mason, does that sound a sensible way of dealing with this in the circumstances?

Ms Mason—Certainly. Chair, it is true that Senator Faulkner raised with Dr Watt and me an issue concerning a staff member. Dr Watt and I undertook to look into it. Neither of us had been aware of the alleged issue prior to the hearing and we are looking into it. I have received some information in relation to that particular case. I do not walk away from anything I said earlier. If there is a flaw in our processes then we will fix it. That is what we do.

Senator FAULKNER—I thank Ms Mason. It is because of the lack of knowledge of senior staff—which I am not critical of—regarding this particular matter and the processes that surround it that I think we are best dealing with it that way. I will not progress that any further. I will speak privately to Ms Mason and Dr Watt, if they wish to, at the conclusion of dealing with these estimates.

Senator Abetz—What Senator Faulkner is suggesting is the appropriate way to handle these things. If senators come across any entitlement issues of staff, they should feel free to raise them direct with the department or me. There is no need to wait for the estimates process

to raise these things. They can be raised as soon as senators become aware of them. I am not saying that you sat on this.

Senator FAULKNER—Be assured, Minister, that the staff member concerned, who I do not intend to identify—although I have privately identified them to Dr Watt and Ms Mason—has on very many occasions raised this with departmental officials at great length. But I do accept that there are senior officials at the table here who may not have an awareness of it, so I am going to leave that matter there. I want to raise some process issues that arise from this, but let us sort out the individual concerns first and then deal with the process concerns. The process concerns are important and relevant, because if this has happened to one staffer it might happen to others. I think we have obligations there. Anyway, I will leave that one there. Chair, I am happy to now deal with those matters left in abeyance.

Senator Abetz—The new offices?

Senator FAULKNER—I think we left two issues with Mr Edge and Ms Mason. I do not know where we are up to, so one of them might let us know.

Mr Edge—I do not have the information yet. Apparently they are still working on a list for you. I do not know how far away it is. We are doing it as quickly as we can.

Senator FAULKNER—I appreciate that. One of the two issues that have been left is the issue of electorate offices, which I have asked for some preliminary information on and which I want to progress a little. The other one is this issue in relation to ministerial staff statements of interest. These are both important issues I want to progress. It might assist the committee to move on to another matter and revisit them a little later if the relevant staff from that section of MAPS could remain and then I think we can excuse all the others. Would that be sensible?

Senator Abetz—That sounds good.

CHAIR—Senator Murray, do you have any questions on outcome 3 or 4? Senator Moore has some on outcome 4.

Senator MOORE—I have got a question and I am not sure whether or not this is the right place, but I am sure the officers can tell me.

CHAIR—Why don't we have Senator Moore first and then we will come back to you, Senator Faulkner.

Senator FAULKNER—I am happy to do that, but it depends a bit on when the information is available, so it might take a little bit longer. That is all.

Ms Mason—It is being compiled, Senator.

Senator FAULKNER—That is fine. The point is that there are follow-up questions from that, so if Ms Mason, Mr Edge and any other relevant officials can put up with it, I am sure we will be able to deal with them in short order. So I will expect you, Chair, to call me back at the relevant time.

CHAIR—Do you have any other questions, Senator Faulkner, on MAPS?

Senator FAULKNER—I do, but I am not going to ask them.

CHAIR—All right, that makes it simple. In that case, we will move on to Senator Moore.

Senator MOORE—And I will ask mine. I have a particular question and I think, Ms Mason, you can let me know whether this comes under your heading or if it is a liaison question. It is to do with the appropriateness of staff duties in an office and to do with the roll-out of technology. I have a particular case which I have just find out about in a timely manner, so it is very recent. It is to do with a piece of equipment that you need to upgrade after a certain number of copies. The situation implies that you have to go through it with 2020 and work out who can do what in the in-house maintenance. It was quite a complex task.

Mr Edge—Which piece of equipment are you referring to?

Senator MOORE—It is a colour printer, I believe—one of the new colour printers. My question is to do with having to do local maintenance and getting a kit to fix it up.

Mr Staun—Electoral office IT is handled by the Financial and e-Solutions Group.

Senator MOORE—Thank you, Mr Staun. I heard it said that there is a series of steps to be taken after 300,000 copies were made on a piece of equipment. The first few were very straightforward, but the last step involved the use of a screwdriver—which terrifies me to start with—and then you had to remove the rear door, take out two screws and remove the back of the printer. You then remove two more screws and attempt to use Lexmark instructions to remove the fuser assembly. Then you realise that you have to disconnect two sets of wires before you can do that, and once you have disconnected the wires you can remove the fuser assembly and replace it with the new one. You then reverse the steps and put it all back together.

The staffer involved is fairly able to do this kind of stuff, but it was quite disconcerting to have to do all these steps. He questioned the person locally, and the staff member said that they had checked with the department and rang back to say it was determined to be ‘in the ability of electorate officers to replace these parts’. I have some questions about that, because I certainly do not think anyone in my office could do that. I wonder what is determined to be within the ability of electorate officers to do, particularly with screwdrivers.

Mr Staun—I would be speaking off the top of my head because I am not aware of this issue. I do not know how or why it was determined that this was within the capability of staff and I am sympathetic to the fact that it is not. Could I take that on notice, explore it and come back to you promptly with an answer?

Senator MOORE—I would be very happy with that, yes.

Senator Abetz—Was it a Phillips screwdriver?

Senator MOORE—It is beyond the ability of a member to understand that question, Senator Abetz. It touches on the point of exactly how contracts work and what is expected of people in offices.

Dr Watt—Could I just clarify, Senator, whether it was the department of finance that the person spoke to, as opposed to the Parliamentary Services or something like that?

Senator MOORE—I am not sure.

Dr Watt—We will get you an answer.

Senator MOORE—I just thought that with an electorate office staffer it would become—

Mr Staun—Somebody is monitoring this at the moment, so I will make a phone call and see what I can come up with as promptly as I can.

Senator MOORE—Thank you very much.

Senator Abetz—That must have been a good mail-out—getting 300,000 copies through the colour printer.

Senator MOORE—It probably came out of all those requirements that you gave us earlier that we are allowed to do.

Senator Abetz—A lot of how-to-vote cards, you reckon?

Senator MOORE—Thousands of them.

Dr Watt—Apart from Senator Faulkner's questions, to which we are still looking for answers, is there anything on outcome 4?

CHAIR—There are no other questions except for Senator Moore's on outcome 4.

Senator MOORE—I have some general questions on outcome 4. Maybe you will refer me to an appropriate place or take these questions on notice—just generally about the rationale behind the location of the Department of Human Services within the DOFA control, under the break-up, and the same questions regarding the Australian Government Information Management Office—how it is coming into your area.

Dr Watt—The Department of Human Services is not within the Department of Finance and Administration—it is not within my department—it is a separate department within the portfolio, which is a bit like the relationship between the Department of Defence and the Department of Veterans' Affairs. There are two departments in that portfolio. They both report ultimately to the portfolio minister. But the Secretary of the Department of Defence has very little, if anything, to do with the Department of Veterans' Affairs. Similarly, I have some very limited contact with the Department of Human Services. As to the rationale, the best place I can direct you to is the one set down in the AAO changes that the Prime Minister announced after the election.

The rationale for the movement of the Australian Government Information Management Office to the Department of Finance and Administration was twofold. Firstly, it was decided to bring it within the ambit of a department rather than to leave it as a separate executive agency, which it had been previously. Secondly, AGIMO was concerned with whole of government IT issues—that it would be easier to address those whole of government IT issues from a central agency. In a place like Finance it is bread and butter; our whole of government issues cut across the whole department. It would be easier to deal with that from a central agency rather than from an agency that was a bit less close to the centre of government, hence the move.

Senator MOORE—The coordination aspect—

Dr Watt—Coordination and just the ability to take advantage of a place like Finance and its work across the public sector as a whole.

Senator MOORE—Under this heading it is using exciting new technologies. We could not get the name tags right.

Senator Abetz—That is because it is not new technology.

Dr Watt—One of the problems is that it is printed on only one side.

Senator MOORE—The dot point is looking at the development of these new technologies that can go whole of government.

Dr Watt—It is enabling systems, frameworks and methods of working rather than technologies per se. I think it is fair to say that, Mr Grant.

Mr Grant—The secretary is right insofar as our focus is on the productive application of technology. The technology is usually there but, to get the benefits of it, it is how we change our processes, our organisations and our cultures. We work with departments and agencies and with other jurisdictions to create the capability to use that technology in a way that delivers better services and better internal processes.

Senator MOORE—These are general framework questions. I know they will go on to more detail. Given that answer, what work is being done within DOFA to advance the government's e-government policy which we have all seen? What specific work is there and which agencies are working to that goal?

Mr Grant—That is in fact our role. Moving from a separate agency to the Department of Finance and Administration has not changed our responsibility for e-government policy and strategy development in government. We undertake a range of other things as well. We look after e-government policy. We look after publishing, particularly on the Internet, but also in terms of how we publish in hardcopy. We provide a number of services—for example, web sites like Australia.gov. We also provide internal services, like the FedLink encryption facility to allow information to be sent between agencies across the public telecommunications network safely. We also provide secretariat support for a whole-of-government view of where we might be able to use the technology better. The group that oversees that is a group of secretaries called the Information Management Strategy Committee. So we have a range of functions that we perform in delivering the sorts of outcomes that you are talking about.

Senator MOORE—Working within that overall government policy of e-governance.

Dr Watt—The functions of AGIMO did not change with the move to Finance.

Senator MOORE—I will now move to more specific questions. You may have to take some of these on notice, because they are about staffing and so on. With reference to the incorporation of the Australian Government Information Management Office into the Department of Finance and Administration, can you explain what responsibilities, functions and staff have been transferred from DCITA as a result of this change?

Dr Watt—All responsibilities, functions and staff that were particular to the Australian Government Information Management Office have been transferred. So it is lock, stock and barrel from that executive agency, not from elsewhere in the DCITA portfolio.

Senator MOORE—Dr Watt, can we get exactly what staff and functions have come across?

Dr Watt—I am sure we can.

Senator MOORE—It would just be easier to pool that specific information.

Dr Watt—I would have to take that on notice.

Senator MOORE—Understandably. That would be fine.

Mr Grant—I wonder, Dr Watt, whether our annual report is a good indication of what we do and what was transferred across. There is an AGIMO annual report for 2003-04.

Senator MOORE—I will check that annual report and then see if there are any supplementary questions out of that. Have any of the previous responsibilities of AGIMO been left with DCITA?

Dr Watt—Not as at the date of the change of the AAOs, but there was a rearrangement of responsibilities within DCITA which resulted in the split between what is now the National Office of the Information Economy and AGIMO. Mr Grant, remind me when that goes back to?

Mr Grant—To 8 April 2004.

Dr Watt—Nothing that was in AGIMO as at the date that the AAOs were announced was left behind.

Senator MOORE—What is the next stage for the implementation of the government's e-government policy and what work is being done on that—that is, the staged implementation we heard about?

Mr Grant—There have been two e-government policies to date. One was the government online policy and the second was Better Services, Better Government. As part of our role, we are looking at the next stage. We are developing that in the context of dealing with other agencies and other jurisdictions and we will go through a process with the minister and the government in terms of any public release of a new policy.

Senator MOORE—Will AGIMO be leading the implementation of the e-government policy or are there other teams or agencies working on that?

Mr Grant—We have responsibility for e-government policy, but this implementation is really across the whole of government. Consequently, we work with other agencies. We have a governance framework in place. That begins with the Information Management Strategy Committee, which is advised by the Chief Information Officer Committee. There are about 25 members of the CIO Committee. There are some working groups looking at issues that affect many agencies or the whole of government. So it is very much a top down and bottom up built-up approach to create good outcomes and the benefits we expect out of the application of ICT.

Senator MOORE—We have talked before, Mr Grant, at the publications committee and we talk about these things. I know you have the secretaries advisory group that work on that. How much teeth has AGIMO got in terms of advising departments that this is what they should be doing or, as we have heard from other parts of the department, telling departments that, under the e-government policy, they must adhere to this kind of thing? This is just sorting out where you fit.

Mr Grant—There is very little that is absolutely mandated. However, I think that over the last two or three years it has become very clear that agencies are adhering to the policies that

are being considered and brought forward by the Information Management Strategy Committee. I also think our move into the department of finance gives us a better ability to have a whole-of-government view about what is happening in terms of technological innovation and investments and to provide advice about how we can improve what we are doing. We have been working, as I think we discussed, on a number of models for looking at whether we should make ICT investment. They deal with the cost, the value and the demand. All this is now starting to come together and enable agencies to take better decisions, and it is doing that within a growing recognition that agencies are not acting independently any more—they often have to interact with other agencies and sometimes other jurisdictions. So I think that the uptake in areas where you need to be able to communicate is really increasing positively.

Senator MOORE—I know I should not be asking an opinion from someone from the public sector, but I want to see whether you sense that there has been a more positive response through this change of structure to the outcome of the e-governance project. You have discussed with the Publications Committee about maybe a varying level of knowledge and acceptance amongst different agencies and a willingness to share and take on board new ideas. Would it be fair to say that the current environment offers a more positive approach?

Mr Grant—I think that is the case. I do not think that many agencies were surprised by the government's decision to incorporate AGIMO within the department of finance. They probably saw it as a natural progression because of the nature of our work. I think that it has been accepted positively. It has also perhaps given us a little more emphasis and accelerated some of the things that we are trying to achieve with agencies.

Senator MOORE—From your work on the government's online service delivery strategy, what range of skills and expectations, which may be different, will APS staff need to implement the actual e-government policies?

Mr Grant—I think the core change is the need to think outside of your direct work area—the fact that when you are developing policy, implementing programs and delivering services your client is not a single dimensional client. In fact, there will be multiple dimensions and you need to think about who else might be dealing with this issue, that person or that business, and you need to build up the capability to give the recipient of the service what they want. However, balancing that with privacy is another issue. That is the sort of work that we do with agencies, to get the balance between giving that client focus and knowing me when I want you to and making sure that the client is protected in terms of the privacy and security of their information.

Senator MOORE—Are there training and support services for that kind of skill development?

Mr Grant—There are. We do not particularly run any, but we deal closely with the Privacy Commissioner's office and the Attorney-General's Department. We always had a close relationship with Finance and the APSC before we came into Finance. All of those groups run different types of training and access to information that helps deliver that outcome.

Senator MOORE—Is that training process one of the things that you can recommend or encourage departments to take up?

Mr Grant—Yes. One of the things that we are looking at is how we better communicate how to operate in this new environment. It is really at a fairly early stage. There was a report by the management advisory committee last year called *Connecting government*, and that was a significant report in terms of looking at the new way we should deal—

Senator MOORE—Up to that stage.

Mr Grant—And there are groups working to implement that.

Senator MOORE—What work is being done by AGIMO to coordinate the e-government strategies into agencies' business and budget planning cycles so that it is linked into those cycles, and what agencies are affected?

Mr Grant—I think all agencies are working in a range of areas in relation to how their technology capability is matched with their outcomes and where they want to go. We have been working in some particular areas that are impacting particularly on the key service delivery agencies. We have been working with agencies in relation to channel management: how do we better serve the client and which channel do you use when—telephone, hotline, the desk or the internet? We have been working on how information can be better used and how the client, the individual or the business has some control over the use of that information. We have been working on security. In addition, we have been working with agencies and across jurisdictions to test how you can provide immediate service to people in businesses without abrogating some of those responsibilities on privacy and security.

A very simple example is that we worked with the Western Australian government on transport concessions. Centrelink and the Western Australian transport agency were the two parties. They worked together so that if someone went in with a concession card for a bus pass, a train pass, or whatever, there could be, with the client's agreement, immediate validation of that pass. It was a yes/no validation, so privacy was maintained. The person who was eligible for the concession got the concession and government money was protected, so it worked very nicely. We expect to see those sorts of things grow and develop. We try to reuse the lessons that come out of that, because the technology is generally there. The lessons are what processes, safeguards and protocols you have to put in place to make these things work and work to the benefit of both parties.

Senator MOORE—Was that based on the Western Australian government asking for your advice and help?

Mr Grant—I think so. I think it came up in a discussion. There is an interjurisdictional group, and we were looking at what we could do to have a look at how we could improve services and create—

Senator MOORE—I think you were just given a technical response there.

Mr Grant—It is called the Integrated Transaction Reference Group. It came up through a joint recognition of a need and then the ability to work together to pilot it and see where it goes from there.

Senator MOORE—I did read the strategy, but I have forgotten: is building into your budgets and planning the e-governance approach now a requirement under the strategy that has come down? Do all departments have to, within their planning, put that element in?

Mr Grant—I think it is just common business practice for them to do that, because ICT is underpinning so much of the operation of departments and agencies nowadays.

Dr Watt—With one or two exceptions, the major investment departments make is probably ICT. As part of that there are standard budget rules around that investment. Investment in IT is treated like every other form of capital investment. Departments are also aware, because of the extent of the investment, that it is important they get it right, because the biggest risks any CEO has are big IT projects.

Senator MOORE—Is it considered positive that they would get advice and support from AGIMO in doing that?

Dr Watt—On the budget rules side, they get advice and support from the department of finance. Certainly on the IT side, should they wish it, they would get advice and support from AGIMO.

Senator MOORE—The onus is still on them to be involved.

Dr Watt—The government has not mandated consultation with AGIMO.

Senator MOORE—Is AGIMO doing any work on the implementation of e-government policy within DHS, and can you give us any details about what projects you are working on with them?

Mr Grant—We have had an ongoing relationship with the likes of Centrelink and the Health Insurance Commission, as we do with many other agencies. We have been talking to DHS. At this stage it is early in the development, so I cannot really add a lot of value to your question.

Senator MOORE—But that is on the agenda.

Mr Grant—Yes.

Senator MOORE—Is AGIMO doing any work on the development of smart card applications beyond the HIC HealthConnect trials?

Mr Grant—We are interested in smart card applications. Again, I think getting the balance between pushing a technology and actually delivering the requirement is where we come into being. To give a simple example, we released in the middle of last year an Australian government authentication framework discussion paper. That is about when you need to authenticate yourself online and how you should do it. Because we are online we cannot hear or see each other and we do not know who we are dealing with. How do we know with certainty who we are dealing with? The outcome of that is that we propose that you should not have to authenticate yourself unless there is a requirement. Secondly, authentication should be matched to the risk of the transaction. So if you want someone to be legally responsible for a transaction, perhaps an importation or lodging a tax return, you may need a higher level of authentication than something which is less risky and where you may not want to put someone in jail or take legal action. We are in the process now of implementing that framework for dealings with business so that it provides a whole-of-government approach and a model that agencies can work on to assess the risk that they are dealing with. In this context we provide the mechanisms, the tools and the guidance that assist agencies to achieve those outcomes.

Senator MOORE—Is that discussion paper public?

Mr Grant—It is on our web site.

Senator MOORE—I do not know whether Senator Johnston, also a keen member of the Publications Committee, has read that document. Where do I get it?

Mr Grant—It is on our internet site, but I would be happy to send you a copy. I think we have a couple left.

Senator MOORE—From your answer, now you are moving to the second stage of that.

Mr Grant—That is right. Often it is a staged approach because we do need to get all of the stakeholders involved to make sure that it works.

Senator MOORE—This last question leads on from your statement about that framework document. Is AGIMO doing any work with or providing any advice to HIC specifically with regard to applying the AGIMO authentication policy framework or other privacy principles for HealthConnect?

Mr Grant—Not privacy principles; that is a matter for another agency.

Senator MOORE—With whom you work very closely.

Mr Grant—That is right. In relation to authentication, yes. In fact, the Health Insurance Commission is a member of an authentication working group. That is dealing with the likes of the Australian government authentication framework, so we are working hand in hand.

Senator MOORE—Particularly on the HealthConnect one.

Mr Grant—Yes.

Mr Staun—I am in a position to answer your earlier question, Senator Moore. In fact, your timing is quite remarkable, because we have had discussions on Friday and today with the Department of Parliamentary Services on this very issue. I regret that I was not aware of it beforehand. You may or may not be aware of the way in which the department of finance handles the electorate offices. We have outsourced to the Department of Parliamentary Services the help desk and two Volante systems for maintenance. As part of that agreement, we were funding a Lexmark technician within DPS to manage the printers that were in electorate offices. But our view was that, for value for money purposes, we were not getting the worth out of that individual and that arrangement ceased in December.

One of the things that we were not quite aware of was that with black and white printers—and this is only, as I understand it, a small number of the total set of printers—it is quite complicated to change the cartridge. In some cases this individual talked people through it who were willing and comfortable to do that and, in other circumstances, sent out somebody to do it. I agree with you that it is totally unacceptable that people should have to manipulate screwdrivers and disconnect wires. The proposal that we put to DPS today, through my officer Jenni McMullan was that where there are colour printers with easily interchangeable cartridges it is quite reasonable for us to ask people to do that. We will put a monitor in the black and white printers so that when they are coming up to that stage it will trigger itself within DPS and then they can dispatch the appropriate technician to change it over. We think that should handle the problem.

Senator MOORE—If we have any further issues should we raise them with you?

Mr Staun—Of course, the help desk is the first point of call within DPS, but by all means raise it with us in the department. I am glad you have made me aware of this today.

Senator MOORE—Thank you.

CHAIR—We have now finished with the department, with the exception of Senator Faulkner's questions remaining on MAPS. We will now take a short break, after which the committee will commence its examination of the Australian Electoral Commission. Dr Watt, at any time when you have that information we will interrupt the AEC and get Senator Faulkner in.

Dr Watt—That is fine.

Proceedings suspended from 5.16 p.m. to 5.28 p.m.

CHAIR—We return to outcome 3, with Ministerial and Parliamentary Services, just to follow up the questions that Senator Faulkner asked earlier.

Senator FAULKNER—The two matters that I raised have been taken on notice by the department. The first one related to the number of pecuniary interest declarations that the department had been informed of. Would it assist if we deal with that one first?

Ms Mason—Certainly, Senator.

Senator FAULKNER—Let us deal with that. This relates to some questions I asked in relation to a matter that came about at the end of last year because of an issue raised in relation to a then staffer of Ms De-Anne Kelly by the name of Mr Ken Crooke. I had asked you, or the department, whether it was possible to get some figures about the number of staff who the department had been informed had lodged statements of interest.

Ms Mason—Certainly. I think we indicated earlier that the staff establishments list is normally produced at the beginning of the month, and it normally is. In November it was produced on 10 November because there were a number of staff changes that occurred on the 9th. So it made sense, rather than do it twice, to simply do it on the 10th. As at 10 November 2004, we had indications that 46 staff had lodged statements of private interest. I would say again that does not necessarily indicate the number who had actually lodged; it was simply the number that we had been advised had done so.

Senator FAULKNER—Did you say 46?

Ms Mason—I said 46.

Senator FAULKNER—That would only be about 15 per cent of ministerial staff, wouldn't it?

Ms Mason—There were 409 staff to whom the requirement to lodge—

Senator FAULKNER—I have been too generous: less than 10 per cent.

Ms Mason—a statement of private interest would have applied.

Dr Watt—A little over 10.

Senator FAULKNER—What is it? Forty-six out of 409; a little over 10, yes.

Ms Mason—Correct.

Senator FAULKNER—Someone can work out the percentage. Anyway, only 46 out of 409 staff lodged statements of interest.

Ms Mason—No.

Senator FAULKNER—Sorry—you had been informed had lodged statements of interest.

Ms Mason—Correct.

Senator FAULKNER—Is that typical of the pattern that we have seen in relation to this previously?

Ms Mason—I am unable to say. You asked about November. Those are the figures that I have. A reminder was issued in December. Of course, after the election there were a number of staffing changes that occurred, so one would expect there would be a period of time where new staff would be compiling their statements and lodging them with their employers. That would be, I guess, fairly typical after an election.

Senator FAULKNER—So at this stage do you only have figures available for November, which is fair enough—

Ms Mason—Yes.

Senator FAULKNER—because I think we picked the first available date. I think Mr Edge may have said to me that 1 November was the relevant date, but I accept the point that you make about 10 November completely. I understand that. But that is a shocking statistic: 46 out of 409.

Senator Abetz—Mr Chairman, here we go to media grabs again. This is not a question.

Senator FAULKNER—Was the minister informed that only 46 out of the 409 government staff, the department had been informed, had lodged pecuniary interest declarations? Was the minister informed of those statistics?

Ms Mason—The document in which that information is contained was available to the minister's office. Was that particular statistic drawn to attention? Without doing further checking, I really could not say.

Senator FAULKNER—So the minister did have that information available on 10 November. Minister, could you outline to the committee what you did about the fact that only 46 out of 409 ministerial staff were in compliance with your ministerial determination under the MOP(S) Act?

Senator Abetz—Once again, you are trying to verbal and get nice little grabs for the media, making statements that you know are incorrect. There is no requirement—and I stress this—that MAPS be informed as to whether or not the document we are discussing has in fact been provided to the employing minister or parliamentary secretary. It is interesting to note that—I am just trying to do this off the top of my head—the election was on 9 October and I think the ministry was sworn in on 26 October, so by 11 November, what did you have? Five within 16 days. You already had well over 10 per cent notifying MAPS that in fact they had lodged the necessary documentation with their relevant ministers. Apart and beyond that, it is

up to each individual minister to ensure that the prime ministerial code is complied with. But there is no requirement that ministers inform MAPS.

Senator FAULKNER—Ms Mason, if a continuing member of ministerial staff had previously lodged a declaration and you had been so informed, how does that appear on the status sheet that you refer to?

Ms Mason—We do not ask for renotification if a staff member is continuing.

Senator FAULKNER—So, in other words, you do not ask for a renotification?

Ms Mason—No.

Senator FAULKNER—Whoops, Minister, you got that one wrong.

Senator Abetz—Sorry?

Senator FAULKNER—I know you are not listening, so do not worry yourself.

Senator Abetz—Once again you are trying to get your little grabs for the media. I do not know if you are trying to reinvent yourself somehow.

Senator FAULKNER—My suggestion to you, Minister, is not to mislead the committee. You have been informed by your own public servant—

Senator Abetz—You have been misleading the committee by your assertions.

Senator FAULKNER—You have been informed by your own public servant that a new form is not required for continuing ministerial staff after an election, so it would be a good idea if you would just listen to some of the evidence.

Senator Abetz—But there is nothing misleading with what I have said—nothing misleading whatsoever.

Senator FAULKNER—Is it true that the obligation is on the ministerial staffer, as the minister said?

Ms Mason—Before we clarify that point, I might say that it is the case if a staff member is continuing with the same employer.

Senator FAULKNER—Yes, the same minister.

Ms Mason—If they have changed employer then we would expect a new statement to be lodged with the new employer.

Senator FAULKNER—That is right. So if a ministerial staffer is continuing in employment with the same minister you do not expect a new notification following an election. There is no such expectation or requirement. That is right, isn't it?

Ms Mason—Correct.

Senator FAULKNER—If, of course, a ministerial staffer changes their employer to a different minister or parliamentary secretary, you would expect notification of a new lodgment of the declaration, because the lodgment, of course, is going to a different person—a different minister or parliamentary secretary.

Ms Mason—Correct.

Senator FAULKNER—Thank you. These statistics speak volumes, don't they—46 out of 409 eligible staff?

Senator Abetz—That is, when there is no requirement. I do not know how often I have to stress that. The Labor Party are really struggling if they think that this is going to be the headline for tomorrow.

Senator FAULKNER—The department, MAPS, requests this information be provided. This is not done on the basis of individuals. Isn't this really an expectation on behalf of a chief of staff or someone acting on behalf of a chief of staff in a minister's or parliamentary secretary's office?

Ms Mason—These sorts of administrative notifications would normally come from a person who is either a chief of staff or an office manager—somebody who has responsibility within that office for doing that sort of administrative liaison with Ministerial and Parliamentary Services.

Senator FAULKNER—In relation to this particular matter, are you able to say what the normal pattern is, if normally provided by a chief of staff, on the few occasions that it appears to have been provided?

Mr Edge—Without specifically analysing who is advising us, I would say that as a general concept it is correct that a chief of staff or somebody in the office who is responsible for employment of staff in the office would advise us about the lodgment of the statements.

Senator FAULKNER—Ms Mason, do you have to hand Determination 2004-05, part 3/6 of the MOP(S) Act in relation to the provision of statements of interests by ministerial staff?

Ms Mason—Yes, I do.

Senator FAULKNER—Could you read that to the committee, please?

Ms Mason—It reads:

Members of Parliament Staff (Act) 1984 Determination Regarding Ministerial Staff.

I, Eric Abetz, Special Minister of State, for and on behalf of the Prime Minister determine under subsection 14(3) of the Members of Parliament (Staff) Act 1984 that the following terms and conditions apply to the employment of the staff of ministers, including parliamentary secretaries, employed under part III of the act:

- (1) the employee must provide the employing minister and keep up to date a statement of private interests;
- (2) employment is conditional on the employee obtaining and maintaining a top secret security clearance.

It is dated 30 August 2004 and signed by the minister.

Senator FAULKNER—What was the date of that determination, did you say?

Ms Mason—It was 30 August 2004.

Senator FAULKNER—Can you now explain to the committee what the background and basis is to the statistics that are kept by MAPS in relation to the lodgment of these declarations?

Ms Mason—Not without researching the history of it. But, generally speaking, MAPS maintains records related to the employment of staff under the MOP(S) Act and this is one of the records that we keep, that we maintain, if advised.

Senator FAULKNER—Did this record come into being or did it change in any way as a result of the minister's 2004 determination, or did it not change in its nature?

Ms Mason—I am advised that it existed before that and its nature has not changed.

Senator FAULKNER—So it is the same recording mechanism, effectively.

Ms Mason—Correct; that is my understanding.

Senator FAULKNER—What advice, if any, does MAPS provide to ministerial officers about this information being provided to the department?

Ms Mason—I will have to check all of the information that we provide. But, as I said, there was a reminder issued in December 2004. We also in Ministerial and Parliamentary Services publish a number of entitlements handbooks that provide guidance to senators and members about various entitlements matters. In addition to that, from time to time circulars are issued to staff and/or senators and members, depending on their nature. So it would be quite a checking exercise to check all of those documents and work out in which places we may have mentioned this issue.

Senator FAULKNER—I raise this because of the use—which I think is a fair enough use—of the word 'reminder'. You have described the 2004 circular as a reminder, and that is fair enough, but I wonder whether there was a substantive piece of advice that you were reminding officers of or whether it is just ongoing advice.

Ms Mason—I say a reminder because it is not a new requirement. We have I think discussed earlier that it stems from the Prime Minister's guidelines, and my recollection is that those guidelines are included as part of the ministers of state entitlements handbook. So the source document is there. It is a comprehensive document, so from time to time we may draw particular things to people's attention.

Senator FAULKNER—Was the December 2004 reminder issued because of the Ken Croke case, or was it done because of the 'crook' 10 November statistics?

Ms Mason—I am not certain of the reason. I do recall us looking at this issue prior to the election, and a reminder was issued in December. That postdates the election, when one would expect there to be changes of staff, new staff coming on board and perhaps needing to be informed or having this requirement or request drawn to attention.

Senator FAULKNER—Who made the decision that this reminder be sent out?

Senator Abetz—If I recall, it was sent out by a staff member of mine on my letterhead.

Senator FAULKNER—So it was ministerially driven, then—it was your initiative or your office's initiative. You would know if it was your initiative; you do not have to look for advice on that—you would obviously know that.

Senator Abetz—As you would know, Senator Faulkner, when you are a minister—if you can remember back that far—you are given lots of bits of paper and suggestions on how to deal with something. You give it a quick look and say, 'That makes sense.' If I am asked—

even a couple of months after the event—whether it was my personal initiative, whether it was a staff member’s suggestion to me or whether it was MAPS’ suggestion to the staff member who then passed it on to me, I honestly could not tell you other than that it went out from my office and that I thought it was a good idea and an appropriate thing to do after an election. As I understand it, that happens after elections, with new staff and people circulating around ministerial offices, to remind them.

Senator FAULKNER—What was the date of the circular, did you say?

Senator Abetz—If I recall, it was 23 December.

Ms Mason—Correct.

Senator Abetz—Once again, you will have to forgive me if I have to check that, even if it did come out of my office. It was 23 December.

Senator FAULKNER—You said, Ms Mason, that you were looking at this issue before the election. Could you explain that to me in a little more detail?

Ms Mason—I have spoken on other occasions about MAPS’ desire to continuously improve the way we do business. From time to time we look at our various systems, records and processes and see if there is any scope for improvement. We looked at our staff establishments list. We noticed that perhaps that was an area that could be improved, so we looked at it.

Senator FAULKNER—You noticed that it was an area that could be improved. We do not know what those figures are. This is at the end of the parliament. Would you have had statistics available for September and October? From Mr Edge’s previous evidence and yours, I would assume that there would be statistics available from 1 September and 1 October 2004. Would that be right?

Ms Mason—Yes, that is correct.

Senator FAULKNER—Do you have them available now?

Ms Mason—No, I do not.

Senator FAULKNER—Could you take that on notice for me, please?

Ms Mason—Yes.

Senator FAULKNER—I appreciate that the other figures took a little time to get, so I do not expect you to get them tonight. We will be able to make a judgment about the reasons for that discussion. What was the outcome of the discussion you had before the election?

Ms Mason—The outcome was that we thought it would be appropriate to remind people of the requirement in the Prime Minister’s guidelines that statements of private interest be lodged and to remind people of the request that they notify MAPS when the statements had been lodged.

Senator FAULKNER—My other questions relate to the other issue that I raised in relation to electorate offices.

Mr Edge—We have some information for you about approvals for relocation since the election. I should apologise to you: the number I gave you earlier was incorrect when I said that there were 16 in-principle relocation approvals. There have been 19. I apologise for that.

Senator FAULKNER—Nineteen?

Mr Edge—That is correct, 19.

Senator FAULKNER—Thank you for correcting that figure. Is the other figure the actual—

Mr Edge—The number of actual relocations is still two.

Senator FAULKNER—Could you give me the two, please?

Mr Edge—I am sorry?

Senator FAULKNER—Can you give me the names of the two relevant parliamentarians?

Mr Edge—Certainly. They are Mr Turnbull, the member for Wentworth, and Mr Burke, the member for Watson.

Senator FAULKNER—Can you quickly run through the 19, please.

Mr Edge—There are in-principle approvals for Senator Marshall, Senator Ferris and the members for Greenway, Gorton, Isaacs, Gippsland, Bowman, Griffith, Boothby, Wakefield, Mayo, Kingston, Hindmarsh, Hasluck, Tangney, Stirling, Bass, Lingiari and Solomon.

Senator FAULKNER—Thank you. Is that 15 coalition and four Labor members and senators in that list of 19? Is that right?

Senator Abetz—I think it is 13 and six. It is about two-thirds, one-third.

Senator FAULKNER—Thirteen and six, and it is one and one in the other category. There might be significant cost issues in relation to these moves. Often there are advantages—I do not think there is any question about that—but have any of these particular proposals raised issues of concern in relation to significant costs to the government? For example, sometimes in the past we have had dead rent issues and the like.

Mr Edge—To answer the question generally, in any case where a relocation is approved and there is a period in which an existing office is going to be vacant, rent would still be payable on those premises.

Senator FAULKNER—Do we have any significant dead rent issues in terms of, say, a period of time—I am trying to be reasonable about this—over six months?

Senator Abetz—I think that is hypothetical, except for those two that have actually been approved and have taken place. Whether you sublease the premises or whether the member has approval, it might take 12 months to find alternate premises. Then what may have been an issue of dead rent for six months might not even apply because the 12 months runs its course. So I do not think that is a helpful question other than for those that have actually been approved—and that was, what, Wentworth and Watson?

Mr Edge—That is correct.

Senator FAULKNER—One assumes it has an impact in terms of the assessment that is made and the recommendation from the department. Would dead rent issues not be a significant guiding factor in whether these things are approved or not?

Ms Mason—We do not normally give details of the briefing that we supply to the minister. In general terms we would provide information relevant to the decision for the minister to consider.

Senator FAULKNER—Okay. I do not want to delay the committee too long, so I will just stick a pin in these figures. What one do we like the look of? Wakefield. What is the situation in relation to the seat of Wakefield?

Mr Edge—I do not have information about office rents in Wakefield, but there are currently, effectively, two electorate offices within the new boundaries of Wakefield. There was a redistribution in South Australia and the boundaries of Wakefield shifted. So there are two electorate offices.

Senator FAULKNER—I was informed that Mr Evans had recently found a new office.

Mr Edge—I am sorry?

Senator FAULKNER—The former member Mr Evans, towards the end of his term, established a new electorate office in Wakefield. That is why I was surprised that one was on the list. That might be wrong; I do not know.

Mr Edge—Mr Evans, the former member for Bonython, established a new electorate office in the old boundaries of Bonython, which was abolished in the redistribution, so that location is now in Wakefield.

Senator FAULKNER—It became Wakefield. I apologise for that; of course he was the former member for Bonython. He contested the seat of Wakefield and was not successful. I should have said that the new office was within the boundaries of the redistributed seat of Wakefield. I think that is right, isn't it?

Mr Edge—That is correct.

Senator FAULKNER—I thought that that was a relatively recent arrangement, towards the end of the last parliament, but correct me if I am wrong.

Mr Edge—I think the relocation that you talk about—Mr Evans's relocation—was relatively recent. Let me just check: it was about the middle of 2004.

Senator FAULKNER—What would the length of the lease be on, let us say, that office? We are talking about the possibility obviously of the new member for Wakefield not moving from that office. Doesn't this list mean that he is finding a new location for his electorate office?

Mr Edge—Yes, that is correct.

Senator FAULKNER—What was the length of the lease that was in place for the electorate office of the former member for Bonython, which is now within the boundaries of the seat of Wakefield?

Mr Edge—The lease, as I understand it, for those premises runs until 2007.

Senator FAULKNER—Blimey.

Mr Edge—It was a three-year lease from 2004 to 2007.

Senator FAULKNER—You said that it was from the middle of 2004.

Mr Edge—Yes.

Senator FAULKNER—What is the monthly rental on that electorate office?

Mr Edge—I have an annual figure of \$54,950, so we just divide that by 12 obviously.

Senator FAULKNER—In round figures it is \$55,000 per annum. We are talking about \$150,000, or a little less, for the remainder of the period.

Mr Edge—That is correct. That would assume that the office is not sublet. We work with United KFPW, the property managers who provide us with commercial advice about locations for electorate offices and lease negotiations. We are looking at prospects for subletting those premises, in the event that another tenant cannot be located.

Senator FAULKNER—But you would not have started that because the minister has not approved it. That would not have commenced because we have just heard that the minister has not approved it. So what do you mean that you are looking at it? Why would you look at it when he has not agreed?

Mr Edge—It is an in-principle approval for the member for Wakefield to relocate. The in-principle approval does not involve a relocation to the Elizabeth site, so it would be reasonable for us to assume that that office will not be occupied by the member for Wakefield. Therefore, we are looking at options to sublet the premises.

Senator FAULKNER—When do you commence that? The minister made the point a few moments ago that the 19 members and senators whose offices are proposed for moving are in a different category. I accept the general point. He had not given final approval to it. You are just making an assumption, I think probably quite a realistic one. You can see how it is stacking up. You are just assuming that this is going to be given the tick and you are getting in front of the game. Is that right?

Mr Edge—Without going into detail of what advice we would provide to the minister, clearly if we were looking at different electorate office locations and we were putting a scenario to the minister which involved looking at different options, we would indicate whether a particular site had prospects for subletting if there was an intention not to occupy that site so that that could be taken into account in making a decision.

Senator Abetz—Correct me if I am wrong: the Elizabeth site is currently vacant. Is that right? The member is using the Gawler offices of former Speaker Neil Andrew, so he is running out that lease. He basically had two offices that he could choose from in the seat of Wakefield. He had a choice as to which office he would move into. One thing I have asked MAPS to have a look at—and this has come up with a few seats, particularly where there has been a redistribution and where sitting members have sought relocation into a new part of the electorate or whatever—is relocations within 12 months of a parliamentary term expiring. I think that is something we might have to look at. A current member may say, ‘I want to move here,’ and that may be his or her view of what best services the electorate, whereas the new

member coming in might say, ‘That is the worst place for me to be able to adequately represent my electorate and it should be somewhere else.’ Whether the decision of a former defeated member should then be visited for the full parliamentary term, or near to it, on the new member is something we are looking at. It is an issue that some of my newly elected Liberal colleagues have raised with me. Senator Brandis would know of one of those instances in the seat of Bonner.

Senator BRANDIS—I assume that you are referring to the instance where the new member for Bonner was quite happy to accept the location of the inaugural Bonner electorate office chosen by his predecessor Mr Sciacca, who in fact never sat for Bonner, although the location could arguably be regarded as very inconvenient for the new member. Some people do not make a fuss, you see.

Senator Abetz—Yes. It did not surprise me that at random Senator Faulkner picked the seat of Wakefield. There you had two existing electorate offices. Possibly I was too kind in allowing Mr Evans, as I allowed Mr Sciacca, to make that move so close to an election. Possibly that is something we need to revisit. If the tables were turned I would have thought that an incoming Labor member would not necessarily want to be stuck in an electorate office that a former Liberal found to be of benefit to the electorate.

Senator JOHNSTON—The member for Gorton actually wanted to have an electoral office outside his electorate.

Senator FAULKNER—Let us just deal with that, because it is an interesting issue. I do not know anything about the member for Bonner and what his views are or are not. Someone can check that with him. I do not really care much about him or any of these particular individuals. My understanding is, but you can correct me if I am wrong, Ms Mason, that there was a longstanding convention—and this may have changed—that a new member of parliament would inherit and use the office facilities of his or her predecessor. Am I wrong?

Senator Abetz—That is the office in Gawler, because his predecessor was the Hon. Neil Andrew, member for Wakefield, who had his office in Gawler.

Senator FAULKNER—No, I am not talking about a specific instance here. I am just trying to establish the principle. I do not know anything about the Gawler office of Mr Andrew or anybody else. I actually do not know very much about any of these offices. I know there is an awful lot of money involved if some 21 offices are going to change literally within months of a Federal election. I want to go back to first principles only and I repeat: Ms Mason, can you help me? My understanding is that there was a longstanding convention that a newly elected member of parliament—I do not care whether they are Labor or non-Labor; I do not give a damn: I am talking about the principle—would use the office and facilities of his or her predecessor. I am sure that is right, but you will no doubt correct me if I am not right.

Ms Mason—There has been a guiding principle that wherever possible the incoming senator or member occupies the electorate office of their predecessor. Obviously, there will be times when there are exceptions to that and there have been. An incoming senator who may live in one location—a completely different city, for instance—may not find it convenient to move into the office of their predecessor. There is flexibility for the minister to agree to different arrangements where there are compelling reasons to do so.

Senator Abetz—I will offer an example, if I may. When Senator Stephens came into the Senate, she replaced Senator Sue West—I will get the country towns muddled up, no doubt—

Senator FAULKNER—Cowra and Goulburn are the two relevant towns.

Senator Abetz—We did not say to Senator Stephens, ‘Sorry, out you go because of this principle that is enshrined in concrete and cannot be moved.’ Commonsense has to apply to these things, and geographic location is one of the considerations. I try to be as fair as I possibly can in these things. Senator Johnston has just mentioned—at random, no doubt—the seat of Gorton—

Senator CARR—It’s not random! Don’t talk about random!

Senator Abetz—where we now have some difficulty because the new electorate office site is no longer in the seat of Gorton after the redistribution, although a commitment was made, as I understand it, that the member would accept wherever the office was located in the redistribution. We try to be fair and reasonable, and I think to have allowed Mr Evans and Mr Sciacca to move offices so close to an election may be, with the benefit of hindsight, something that we should not allow in the future on the basis of a three-year lease term. We need to look at that, and that is what I am exercising my mind about at the moment—how we try to overcome that. One of the difficulties is that if you do want a lease for only 12 months it might be very difficult to pick it up. I think there was one person—his name escapes me; it might have been Mr Evans—whose former office was being subjected to a redevelopment, so he could not stay in that office and he had to move out. So to find premises for somebody like that just for 12 months would have been very difficult.

Senator FAULKNER—So we have established, Ms Mason, that there has been a convention—that is probably the best term to use—that new members of parliament would, wherever possible, inherit the premises, facilities, fit-outs and furnishings of their predecessors.

Senator Abetz—No, not wherever possible. There is a general convention along those lines, which I think is commonsense. But I dare say it would have been possible for Senator Stephens to have gone to Senator West’s old electorate office. I am sure it would have been physically possible. But it would have been very inconvenient, and I would have hoped that any other minister in my position would have said, ‘Sure, it’s possible, sure, there’s the general convention, but commonsense needs to prevail.’ You have to ensure that there is some practicality about the application of the convention.

Senator FAULKNER—Precisely. So now we know that there are 19 offices slated to change and two that already have since the election. That is right, is it not?

Mr Edge—Nineteen have in principle approval to move and two have approval of premises that have been identified in—

Senator FAULKNER—‘In principle approval to move’ sounds to me like it is pretty likely. Who does that in principle approval come from?

Mr Edge—The in principle approval comes from the minister.

Senator Abetz—From me.

Senator FAULKNER—So the minister has approved in principle 19 moves and made final approval of two others. Is that right?

Senator Abetz—That is right.

Senator FAULKNER—Are there any others in the pipeline?

Mr Edge—There is one that is not quite in the final stage or been given in principle approval in terms of identifying a location, but Senator Fifield has moved from an electorate office which is now occupied by the member for McMillan to the Melbourne CPO on a temporary basis.

Senator FAULKNER—Fair enough. So Senator Fifield is another one that is close to in principle approval. Are there any others in the pipeline?

Mr Edge—I would have to check on that. My figures are of the ones that were approved between 9 October and the beginning of this month. I would need to check on what is in the pipeline.

Senator FAULKNER—What is the turnover rate annually or on the basis of a parliament? Is it more or less than 10 per cent every change of parliament?

Mr Edge—I could not speculate on that without looking at the numbers.

Senator FAULKNER—How many every year?

Mr Edge—We could get that information together for you.

Senator FAULKNER—Have you ever before had a situation where 19 in principle approvals have been granted?

Mr Edge—It is hard to say definitively.

Senator FAULKNER—I reckon I could.

Mr Edge—Without looking at it, I would say it is certainly a high number.

Senator FAULKNER—Yes. What is the budget for all this?

Mr Edge—There is no single budget, in the sense that each is regarded as a project in its own right which would be separately costed and the costs associated with the relocations would be identified.

Senator FAULKNER—If that is the case, can you provide on notice for the committee, please, the individual budgets for the 19 in principle approvals, the two granted approvals and the special case of Senator Fifield—and congratulations on that, Senator Fifield. Could you go to all the issues, please: rent, dead rent of all previous offices, furnishings, fit-out—all costs borne in relation to these offices? I will leave that there. Could you take that on notice? If you have the detail available, please provide it to the committee. I would think it would be unlikely.

Mr Edge—It would be difficult to cost the in principles at this stage. Because they are in principles to look in a particular area, in most—if not all—cases there would not have been premises identified and therefore costings would not have been done. That is done at the final approval stage, when the case, the rent and all of the costs are identified. It would be difficult for us to cost the in principles until we have locations selected and leases negotiated.

Senator FAULKNER—But you obviously can cover all these moves. I asked you whether there was a departmental budget for all this.

Mr Edge—It is funded from an appropriation.

Senator FAULKNER—Are you digging into the hollow logs to see what you can haul out to cover all this activity?

Mr Edge—It comes from a special appropriation, so there is actually no budget limit identified. As I said, they are managed on a project basis and each project is individually costed.

Senator FAULKNER—So what is the special appropriation for this? Explain that to me. No-one seems to know what the special appropriation is.

Dr Watt—We just need the title, first; we do know what it is.

Senator FAULKNER—Can you tell me, then, Dr Watt?

Dr Watt—I think Ms Mason can.

Senator FAULKNER—Thank you very much. We will let Ms Mason tell us.

Ms Mason—It is the Parliamentary Entitlements Act appropriation. There is a schedule that talks about accommodation as part of that, as approved by the Special Minister of State. So the funding is available through that appropriation for accommodation that is approved by the minister. In terms of things like rent we take advice from our commercial property advisors as to whether the rental for the property identified is reasonable. That is one of the considerations that we take into account. In terms of office fit-outs and furnishings there is usually a reasonably standard estimate for that.

Senator FAULKNER—Dr Watt, it is a long time since I have had any direct association with the department of finance—a very long time—but in the old days I always noticed that your predecessors kept a very close eye on expenditure around government agencies and departments. I am sure that is still the case—isn't it?

Dr Watt—We try and keep a close eye on it.

Senator FAULKNER—Tell me: have you got any idea what all these office moves are going to cost the taxpayer? Can you help me with that? We now know it comes from a special—

Senator Abetz—A lot less than what it cost ANAO to go into Centenary House.

Senator FAULKNER—We are not going to have two royal commissions into these electorate offices.

Senator Abetz—Hardly worthy of it, I would have thought; I agree with you.

Senator FAULKNER—Can you assist me there, Dr Watt?

Dr Watt—You got an answer from Mr Edge, which was that at this stage of no more than in principle approval it is very difficult to cost accurately but that we will be able to provide the information when the moves are final. As Mr Edge said, there are a number of variables. One is that the approval is no more than in principle, so it—

Senator FAULKNER—But it is not a bottomless pit, is it, Dr Watt? Or is it?

Senator Abetz—No, because you have got a reasonable minister administering it—that is why it is not a bottomless pit. I just happen to know that, for example, the office for the member for Bass, will expire on 1 July this year and he has gone into that office. It is a bit dated et cetera. It used to be Warwick Smith's, I think, and then it was Sylvia Smith's and then Warwick Smith's and then Michelle O'Byrne's. Mr Ferguson, the new, very good, member for Bass, has asked to shift location and I have indicated to him that he should remain in that office, do all the preliminaries and get his new office ready for a move after the lease expires. There is just one example of what I would anticipate to be quite a number where people move on after the expiration of a lease.

Senator FAULKNER—So if all these, Dr Watt—

Senator Abetz—Not all of them, but where it is reasonable that is what we ask members of parliament to abide by.

Senator FAULKNER—Are you saying to me, Dr Watt, that if all these in principle approvals—and you would have to put your money on them being finally approved, as they have got in principle approval from Senator Abetz—

Senator Abetz—Including Gorton.

Senator FAULKNER—It seems to me that the chanced are that they will go the whole hog. You can probably add in Senator Fifield—and good luck to him—and any other number of people for all I know. Anyway, if all these in principle approvals—let us put Senator Fifield aside and only deal with the 19—

Senator Abetz—You would like to but you will not be able to.

Senator FAULKNER—Let us deal only with the 19 in principle approvals and the two where final approval has been given. Are you saying to me, Dr Watt, that the Department of Finance and Administration has not got a clue in the world about what the call of that might be on the budget?

Senator Abetz—That is not what he said.

Dr Watt—No, that is not what I said. First of all, I would never describe the standing appropriation, as you did, as a bottomless pit. It does not work that way, particularly in these days of constrained government finances. Secondly, I think the point I was making was this: you do not know the full cost of any electoral office move—or, indeed, any move of an office location—until you know whether a new premises is going to be rented or not. The member or senator may in the end stay in the existing premises. We do not know what the cost of the new premises will be; we only have an indication at this stage. We only have a rough indication—if that—of what the removal and fit-out expenses will be at this stage. Perhaps most importantly, we do not know the extent to which the space can be re-let.

Senator FAULKNER—I know that you care about these sorts of issues. Of the 21 where either in principle approval or final approval has been given, how many of these pre-existing electorate offices are going to leave the Commonwealth with a dead rent issue? Are you able to say that? Are you able to quantify that now?

Dr Watt—No, I am not. I think that is the point I just made.

Senator FAULKNER—Do you think Mr Edge can, given the detail he has in front of him?

Senator Abetz—No, because some of these premises, if not all of them, might be sublet, as a result of which there will not be any dead rent. In fact, there is an increasing market. I do not know if they have a nine per cent uplift factor or something; I do not think that is the normal commercial practice.

Senator FAULKNER—Can we identify the number where there is—

Senator Abetz—I would have thought the dead rent issue can only be determined at the end.

Senator FAULKNER—Can we identify the number of offices where there is an ongoing lease which might lead to either a dead rent problem or a necessity or hope for subletting? In other words, can we identify where there is an ongoing lease issue? If we can get that information—

Senator Abetz—That is better framed, yes.

Ms Mason—We can get that information. We will need to do it on notice. But I would say, as Dr Watt—

Senator FAULKNER—Let me just interrupt you. I was hoping you might be able to provide that now.

Ms Mason—No, we do not hold that information with us at the moment. But I would say there are a number of variables in a move and that is why there is a two-stage approval process in place. The first part is the approval in principle for the person to undertake a move. Then, at the final approval stage, a number of things are looked at, including the market rent and commercial advice about whether the rent being sought is reasonable in that location. It is difficult to estimate the rent without knowing what the location is going to be. It will vary. There are relocation costs; there are fit-out costs. Sometimes it is possible for us to negotiate via our commercial property advisers a sharing of the fit-out costs with the lessor. That can reduce the cost to the Commonwealth. Then of course there are furniture costs. So all of that is taken into account at the final approval stage. So, no, we cannot estimate the cost of the in principle approvals at this point in time.

Senator Abetz—I know of one example where in principle approval was given and then— if I recall correctly—the senator in fact, after having looked around and been given advice about all sorts of properties, decided to remain within his existing office. So to try to put a dollar figure on an in principle approval is fraught with all sorts of difficulties because it may well be that the member or senator—or, indeed, I—might come to the conclusion that the move should not be undertaken.

Senator FAULKNER—Take my question on notice, please, Ms Mason, in relation to the identified offices. I have heard all the debate about the electorate of Wakefield but, from what I have heard, it appears certain that there will be a dead rent issue for the office in Elizabeth and there is only some doubt about the extent of the dead rent resulting from the Gawler office. Is that right? I just want to be clear on that one before we leave this issue.

Mr Edge—The electorate office in Elizabeth is not currently occupied.

Senator FAULKNER—Yes. So there is a dead rent issue there.

Senator Abetz—Yes, but if the member were in the Elizabeth office you would then have a dead rent issue in the Gawler office. This is double jeopardy at its best. There are two electorate offices. He has chosen to follow, if you like, the convention of the existing member for Wakefield's office being taken over by him. That is what he has done.

Senator BRANDIS—It is not dead rent if it is not sublet.

Senator FAULKNER—But it is not sublet in the case of Elizabeth. We know that. That is the whole point, isn't it?

Senator Abetz—And I am sure that if he had moved into—

Senator FAULKNER—So you can confirm that?

Senator Abetz—the Elizabeth office there would be dead rent at the Gawler office.

Senator FAULKNER—You can confirm that. Senator Brandis does not seem to be up with the play here.

Senator Abetz—I think Senator Brandis knows a lot about the leasing of office space. He has been very effective in exposing the frauds.

Senator FAULKNER—If I were you, I would not go into what Senator Brandis knows about the leasing of office space. You do not know what you would turn up. Could you confirm for us, Mr Edge, that the office in Elizabeth is vacant?

Mr Edge—That is correct.

Senator FAULKNER—It is not sublet?

Mr Edge—That is correct.

Senator FAULKNER—So there is a dead rent issue as we speak?

Mr Edge—That is correct.

Senator FAULKNER—What is the status of the office in Gawler as we speak?

Mr Edge—It is occupied by the member for Wakefield.

Senator FAULKNER—Exactly. So there may be or may not be a dead rent issue there in the future but we have established at least that there is one in Elizabeth. Anyway, we will deal with this when the answers to the question on notice—

Senator Abetz—Whacky-do!

Senator FAULKNER—It is an example of a situation that is going to be repeated in probably 20 locations around Australia, at huge cost to the Australian taxpayer.

Senator Abetz—There are not 20 electorates where the incoming member has two offices to choose from.

Senator FAULKNER—I do not expect you to worry about that.

Senator BRANDIS—I have one question on the same topic which I am sure you would want to take on notice. It is a two-part question. What was the date on which approval in

principle was given to the location of the new Bonner electorate office, and what was the date on which final approval was given for the location of the new Bonner electorate office?

Senator Abetz—I will show you how generous I am.

Senator FAULKNER—It should not have been given because it is not on the list we were provided with, Senator Brandis, so let us hope that that question cannot be answered in the form that you provided or that will open up further discussion about this for a substantial time.

Senator Abetz—No, you did not listen. Another good question, Senator Brandis, might be whether any of these leases had a nine per cent uplift factor.

Senator FAULKNER—You ask that, George, because that is about the only contribution you could make. You do that.

Senator BRANDIS—What was that, Senator Abetz?

Senator Abetz—Whether any of the leases are for 15 years with a nine per cent uplift.

CHAIR—Are there any further questions for MAPS? There being no further questions, that is all for the Department of Finance and Administration. I thank the officers very much.

[6.29 p.m.]

Australian Electoral Commission

CHAIR—Welcome. Mr Becker, before I invite my colleagues to ask questions, do you have an opening statement you would like to make?

Mr Becker—No, I have not.

CHAIR—In that case we will go to general questions.

Senator BRANDIS—Mr Becker, do you recall receiving a letter from the minister on 19 August 2003 concerning allegations made against the Queensland Greens on the political web site crikey.com.au that there had an attempt to mask third-party donations to the Greens through an entity called the Rainforest Information Centre?

Mr Becker—I recall that. I might ask Kathy Mitchell if she does not mind answering that question.

Senator BRANDIS—Certainly. As a matter of form, I directed the question to you. But whoever knows the answer please come forward.

Ms Mitchell—Yes, I recall receiving the letter and we have responded to the minister on the issue.

Senator BRANDIS—On 21 August 2003, over your signature, Mr Becker, a letter was sent to the minister advising that the matter had been referred to the funding and disclosure section to look into whether there are disclosure obligations under part II of the Commonwealth Electoral Act and, if so, whether they have been met. Do you remember that?

Mr Becker—Yes.

Senator BRANDIS—What happened to that investigation, Ms Mitchell?

Ms Mitchell—As part of our compliance review activities we looked into the issue of whether or not the financial disclosure obligations had been met in relation to that matter. Having looked at that, we wrote to the minister and advised that any financial disclosure obligations that might have existed had been met.

Senator BRANDIS—On what date was that letter sent, please?

Ms Mitchell—I cannot remember the date.

Senator BRANDIS—Can you take that on notice, please?

Ms Mitchell—I can, yes.

Senator BRANDIS—Ms Mitchell, I am going to show you some documents—and there are copies for other senators. There are three documents in the bundle. Please disregard the handwritten words at the top of the first page of the first and third documents. They are not part of the original document. You will see that the first document is entitled ‘Minutes of the Queensland Greens Management Committee Meeting Thursday 8 August 2002’. Do you see that?

Ms Mitchell—Yes.

Senator BRANDIS—And that is a four-page document and the pages are numbered. Then the last two pages of that document identify it as being the minutes of the same meeting but with the subscription ‘Summary’ in the heading. Do you see that?

Ms Mitchell—Yes.

Senator BRANDIS—The second document is an email chain of one page.

Ms Mitchell—Yes.

Senator BRANDIS—And the third document is again headed ‘Minutes of the Queensland Greens Management Committee Meeting’ and is dated Thursday, 8 August 2002. It is a full-page document. The last two pages of that reference the same meeting and have the subscription ‘Summary’ below the heading. Do you see all that?

Ms Mitchell—Yes.

Senator BRANDIS—That is the structure of those documents. Have you seen those documents before?

Ms Mitchell—Yes.

Senator BRANDIS—I want to direct your attention, Ms Mitchell—and I am assuming you are the right person to whom to direct this—to the first page of the first document.

Senator MURRAY—Which is the one with the—

Senator BRANDIS—I ask that the handwriting be disregarded.

Senator MURRAY—Just for identification, thank you.

Senator BRANDIS—All right. On the bottom half of the document you will see that it refers to matters addressed by Mr Drew Hutton, who is identified as one of the attendees at the meeting. At item 3 it says:

The NSW Greens are having a ‘We don’t take money from developers’ campaign and have asked us—

that is, the Queensland Greens—

to abide by this. We have been asked to ask ecologically sensitive developers who wish to donate to donate to the Rainforest Information Centre's account which they have agreed to pass on to us. Drew moved that '*we approve that donations be made to the Rainforest Information Centre who will reroute the money to the Queensland Greens*'. John seconded. Approved by consensus.

Senator Abetz—As they do.

Senator BRANDIS—Ms Mitchell, that would appear, on an ordinary, commonsense reading of the document, to be a fairly blatant attempt to evade the disclosure obligations, or at least to potentially evade the disclosure obligations, by concealing or masking the source of the donation. Would you not agree?

Ms Mitchell—I would not know how they would think that they could, given the donor provisions of the act.

Senator BRANDIS—Indeed, but I do not want to get into a discussion about the legalities just at the moment. But if they, in order to conceal the true source of donations—that is, from ecologically sensitive developers, if that is not oxymoronic—asked that the donations be channelled through an anodyne sounding environmental body, the Rainforest Information Centre, could there be any intention other than to deceive, by concealing the true source of the donation?

Ms Mitchell—I do not think I am in a position to attest to their motives.

Senator BRANDIS—Let us see what they say about it themselves. Can you go to the second document, please, the email chain. Just for completeness, at the foot of the fourth page you will see at the very last entry that the minutes are kept and compiled by Clare Rudkin. That is the name of the minute taker. Do you see that?

Ms Mitchell—Yes.

Senator BRANDIS—Going to the foot of the email chain, because these things read from the bottom to the top, you will see the first message is from Clare Rudkin to a number of recipients, including Richard Nielsen, who was an attendee at the meeting, and Drew Hutton. Do you see that first email? It says:

Hi all, Man Com minutes time again. Could you check that I have not been indiscreet ... before I send it on to branches? Cheers, Clare

The first response is from Mr Nielsen, later that day. He says:

Hi to all

With regard to the minutes Clare circulated, I'm not sure that Drew's idea for re-routing of donated money is good minute material.

And then it goes on about the budget, which I am not concerned with. The next one is from Mr Drew Hutton, who I interpolate to say was the Greens unsuccessful Senate candidate at last year's election. He says:

Hi all,

I agree with Richard about not mentioning the re-routing.

That is, the re-routing of donations from environmentally sensitive developers through the Rainforest Information Centre. Do you see that?

Ms Mitchell—Yes.

Senator BRANDIS—What could that be, other than a consensus among those people to change the minutes so as to conceal the fact that there had been a decision made to conceal the identity of sources of donation to the Greens?

Ms Mitchell—Again, I do not think that I can attest to their motives.

Senator BRANDIS—All right. Can you go to the third document, please. Have you seen that document as well before?

Ms Mitchell—Yes.

Senator BRANDIS—I will do this as fast as possible. Would you agree with me that that document—both the four-page document and the two-page summary document of the minutes of the meeting of the Queensland Greens Management Committee on Thursday, 8 August 2002—is in all respects identical with the first document, save that item 3 on the first page of the first document (that is, the record of the decision to conceal the identity of the source of donations to the Greens by re-routing them through the Rainforest Information Centre's account) has been entirely removed?

Ms Mitchell—From a quick look at it, that would appear to be correct.

Senator BRANDIS—Ms Mitchell or, indeed, Mr Becker, perhaps you might care to come in here. What are the consequences for a political party—and I am not saying that this is necessarily the case, but it may be—if it fraudulently alters its official books or records?

Ms Mitchell—The AEC has no role in internal party matters.

Senator BRANDIS—So there is no sanction for this fraudulent alteration of the official records of the Queensland management committee of the Greens?

Ms Mitchell—Not under the Commonwealth Electoral Act.

Senator BRANDIS—Mr Becker?

Mr Becker—Not that I am aware of.

Senator BRANDIS—That might be an appropriate opportunity for law reform—perhaps something that the Joint Standing Committee on Electoral Matters might care to consider. Would you recommend that?

Mr Becker—Certainly. The whole area of funding and disclosure needs reform.

Senator BRANDIS—You will appreciate, I am sure, Mr Becker, that there are very strict requirements on corporations, charities and various voluntary associations under the state associations acts, all of which require the maintenance of truthful and accurate books and records and impose severe sanctions, including in many cases under the Corporations Act criminal sanction, for the fraudulent alteration of official records. You know that, don't you?

Mr Becker—Yes.

Senator BRANDIS—If the Queensland Greens were a company, those provisions would be attracted to them, wouldn't they? The policy justification would be the same—

Mr Becker—I accept the argument.

Senator BRANDIS—except for this lacuna in the Commonwealth Electoral Act. Do you agree?

Mr Becker—I do.

Senator BRANDIS—If it were the case that a donation made by an ecologically sensitive developer or, indeed, anybody else, were made for the purposes of the ultimate beneficiary, being the Greens, through the Rainforest Information Centre, wouldn't that nevertheless be a donation to which section 305B(2) of the Commonwealth Electoral Act applied—that is, the provision that says that a donation made indirectly, with the intention that the ultimate recipient be a registered political party, is nevertheless a disclosable donation?

Mr Becker—Sure.

Senator BRANDIS—So if any donations had been made via the Rainforest Information Centre by a third party they would have been disclosable, both in the Greens return as a recipient and in the donor's return as a donor, had they been in excess of \$1,500 in the relevant year?

Ms Mitchell—Yes, that is correct.

Senator BRANDIS—And if there had been such a donation of such magnitude and it was not disclosed, that would have been an offence against section 315 of the act?

Ms Mitchell—Yes.

Senator BRANDIS—As well, it is my understanding that the Rainforest Information Centre is a tax-exempt charity. Is that what your inquiry has revealed?

Ms Mitchell—Our inquiries did not go that far.

Senator BRANDIS—Had the Rainforest Information Centre been a tax-exempt charity then any donation—I think the sky is the limit for charities—would have been a tax deduction on the part of the person who gave that money to the Rainforest Information Centre?

Ms Mitchell—I am not absolutely familiar with tax law, so cannot answer that question for you.

Senator BRANDIS—Let us just take that—

Senator Abetz—Let us take that as a statement rather than a question.

Senator BRANDIS—as a statement from me, and you can be assured that it is so.

Senator CARR—This has gone on for a while.

Senator BRANDIS—No, it has not. I said 15 minutes and I have another three to go. If the same donation had been made to the Australian Greens it would have been tax deductible only up to the limit of \$100, would it not?

Ms Mitchell—That is correct.

Senator BRANDIS—So if a person with the intention of indirectly contributing to the Australian Greens by, to use Mr Hutton's word, 'rerouting' his donation through the Australian Rainforest Information Centre and gave a very substantial amount of money then that person could claim a tax deduction albeit by masking the donation through a charity, albeit that if the donation had been made directly to the ultimately intended beneficiary there would have been no benefit of a tax deduction above \$100?

Ms Mitchell—That is as I understand it.

Senator BRANDIS—In your view, would it be a breach of the misleading and deceptive conduct provisions of the Commonwealth Electoral Act to represent 'we don't take money from developers' if the political party making that representation deliberately and advertently created a structure so that moneys from developers intended for it were to be donated through a third party with an anodyne and environmentally sensitive name like the Rainforest Information Centre?

Ms Mitchell—I do not think I can answer that question at this stage. We would probably have to take legal advice on the issue.

Senator BRANDIS—Would you look at that for me and take that advice please. Irrespective of what the legal character of the conduct might be, in layman's language it would be a pretty dishonest thing to do, wouldn't it?

Ms Mitchell—I do not think it is for me to pass judgment.

Senator Abetz—A well made point, nevertheless.

Proceedings suspended from 6.45 p.m. to 8.03 p.m.

CHAIR—I call the committee to order. We are still on general questions. I call Senator Fifield.

Senator FIFIELD—Mr Becker, I just have a few questions relating to technical aspects of polling day. If an elector, who has an unusually overenthusiastic embrace of democracy, chooses to vote at every polling booth in a particular electorate—there might be 30 polling booths—what mechanism is there after the election to reconcile that?

Mr Becker—Every roll from every polling booth is scanned and then we get a report on the number of times that people may have attempted to vote. Then of course we have to follow it up to check whether it was an official error or the person did in fact vote more than once. If a person appeared to have voted 30 times, there is either a glitch in the actual printing, which would show up as though somebody had voted when the scanning process was performed, or that person did indeed vote more than once. That is when we send the police around.

Senator FIFIELD—If someone was to pre-poll vote because they were unable to vote on election day itself, would that person's name be included on the certified roll?

Mr Becker—Yes. That is another opportunity, I suppose.

Senator FIFIELD—And if someone cast a postal vote before election day, their name would still be on the certified list?

Mr Becker—Similarly, yes.

Senator FIFIELD—So, if someone were to vote prepoll, do a postal vote and also turn up to one polling booth on election day, what mechanism is there to determine that and reconcile those three votes?

Mr Becker—None, other than the one I just explained. Mind you, they are asked the question whether they have voted before in the election. Then, of course, the person would just say, ‘No, I haven’t.’ But we do not know if they have had a postal vote or numerous attempts at a postal vote or a prepoll vote. Of course, they would only get one of those. There are probably two or three prepoll voting centres on average around a division. We do not have precinct voting and we do not have any opportunity for printing that divisional roll again, if you like, after having taken all of those people off before the election.

Mr Dacey—I would just add that if it was the case that someone did have a prepoll vote and then cast an absent vote, the prepoll votes are also marked to a certified list or a roll, so that would be picked up by us post election and we would do the normal follow-up that we do with apparent multiple voters.

Senator FIFIELD—That is for a prepoll vote?

Mr Dacey—That is right.

Senator FIFIELD—What about for a postal vote?

Mr Dacey—And for a postal vote.

Senator FIFIELD—So if you prepoll voted, postal voted and voted at a polling place on polling day—

Mr Dacey—We would know that that had happened and we would take normal follow-up action.

Senator FIFIELD—That would be picked up as a matter of course?

Mr Dacey—That is correct.

Senator FIFIELD—Are there any circumstances—and it does not sound to me as though there are—where multiple votes would not be picked up as a matter of course through scanning?

Mr Becker—It would be highly unlikely. There would have to be something really wrong with the scanning system if a person had his or her name marked off on numerous rolls and it was not picked up.

Mr Dacey—Whatever sort of vote an elector has, it is marked to a roll.

Senator FIFIELD—So at the moment those multiple votes can only be picked up after polling day itself?

Mr Becker—That is correct.

Senator FIFIELD—Are any steps being taken by the AEC to ensure that, on polling day, an attempt at a multiple vote can be picked up so that the certified list does indicate in some way that this person has voted already?

Mr Dacey—It is just not possible, given the current time period and the production time for certified lists, to be able to mark back certified lists of prepoll or postal voters and get them to every polling place for polling day.

Senator FIFIELD—In the 2004 election, have there been any instances of multiple voting identified as yet?

Mr Becker—I have not seen the reports directly myself.

Mr Dacey—There have been, but I am not sure whether we have the figures with us.

Mr Becker—But we can get them for you.

Mr Dacey—It is currently still under investigation.

Senator FIFIELD—And the way those are handled is that they are referred to the Federal Police? They are the relevant agency for this?

Mr Becker—Yes.

Mr Dacey—It depends on the circumstances. Some multiple votes may be through elector confusion. It is not common, but it does occur. For example, someone in a nursing home may have a postal vote or prepoll vote before polling day and then their family comes along on polling day and takes that person to vote at a polling place. In those cases, obviously, where there is confusion or it involves the elderly, we would not refer those. But where there appears to be a deliberate attempt to multiple vote, they are usually referred to the AFP.

Mr Pickering—The normal practice for the AEC is to prepare a report for the Joint Standing Committee on Electoral Matters. That again will occur now that a reference has been made on the 2004 election, so a detailed report on multiple voting instances and the outcome will be prepared for that committee.

Senator FIFIELD—Mr Becker, in terms of technology to ensure that, down the track, it is easier on polling day to identify people who have already voted, is there technology that the AEC is looking at?

Mr Becker—No, we are not looking at it at the moment. All that sort of technology is frightfully expensive. But we are keeping a weather eye out on developments in that area. As you probably know, the Indian election is totally electronic these days but that is first past the post and it is a very simple piece of machinery and just would not cope with our system.

Mr Dacey—You could have the electoral roll online but to have it online in 7,700 polling places at three or four issuing points per polling place is totally cost prohibitive.

Senator MURRAY—Mr Becker, this issue has been raised, as you know, many times and was discussed at length in a report some years back. Have the penalties for multiple voting been raised?

Mr Becker—I am unsure about that. I have been with the unit—

Mr Dacey—We have had had a review of penalties. In conjunction with the Attorney-General's Department some few years ago we looked at reviewing penalties but I cannot tell you off the top of my head what they are. But we will get an answer for you shortly.

Senator MURRAY—My memory is that the JSCEM made a unanimous recommendation that the penalties be raised because the Federal Police were not really interested in pursuing multiple voting charges because the fine was so minimal.

Mr Becker—That was part of the reason. The other one was the sheer volume of people who appear to have voted more than once. That is the problem: investigating those. In many cases, of course, they have not.

Senator MURRAY—With regard to the serious matters, not the ones where some dear old lady might have got a bit confused, is it the opinion of the AEC that the penalties for multiple voting are a sufficient deterrent?

Mr Becker—I do not know that there is sufficient deterrent in the Commonwealth Electoral Act for any fraud that is committed—enrolment fraud or whatever it may be. I do not think there are anywhere near sufficient penalties there to stop people from trying things on. One of the things that we do now is work under the Crimes Act as distinct from trying to prosecute under the Commonwealth Electoral Act. We have a wider window of opportunity to prosecute within that and the penalties can be quite different.

Mr Dacey—The current penalty—and I have to take on notice whether or not it has been raised and when—is 60 penalty units or imprisonment for 12 months or both. One penalty unit is about \$110.

Senator MURRAY—That is higher than it used to be.

Mr Dacey—But it is also an offence of strict liability.

Senator MURRAY—I think it is higher than it used to be. It was some ridiculously low amount. Thank you for that.

Senator FIFIELD—Mr Becker, if someone does a prepoll vote, a postal vote and votes on the day those votes are obviously initially included in the count on the night.

Mr Becker—We would pick up the postal vote but not the prepoll or the ordinary vote.

Mr Dacey—So if someone has a prepoll vote and an ordinary vote on polling day, obviously the ordinary vote is already in the count. You do not know whose ballot paper that is, so they are both counted.

Senator FIFIELD—At what stage is the reconciliation of the different sorts of voting done? It is obviously done subsequent to the poll but is it done a week later, two weeks later or three weeks later? When would a multiple vote actually get washed out of the count?

Mr Becker—Probably a couple of weeks later, I would think.

Mr Dacey—Progressively during the preliminary scrutiny phase of the post-polling day, but, in the main, up until two weeks post-polling day or when all preliminary scrutiny of declaration votes has been undertaken.

Senator FIFIELD—So in a particularly close seat where there was hypothetically a sustained effort to defraud the voting public by people engaging in mass multiple votes, it would take some weeks to discover.

Mr Dacey—It could take two to three weeks.

Senator Abetz—Excuse me, but just out of interest, would you then report that to the candidates? What happens with that information so somebody could potentially challenge the result?

Mr Dacey—Normal practice would be that obviously anyone can petition an election, including candidates, but the AEC can also petition an election. If we had particular information that led us as the AEC to believe that there was sufficient fraudulent voting or multiple voting to have affected an election, particularly in a close seat, one of our options would be to petition the court.

Senator FIFIELD—So in the AEC's view, it is clearly less than ideal that it takes so long that it is late in the electoral process that those multiple votes are washed out.

Mr Becker—It is the sheer volume. They have an electoral roll with 70,000 names on it and hundreds of them. It takes time to scan that information.

Senator FIFIELD—Does the Electoral Commission put equal effort into all seats in determining these or does it focus particularly on seats that are closer? Or is it the same process and the process goes on regardless?

Mr Becker—The same process goes on right across the board.

Senator MURRAY—Mr Becker, I want to commence by questioning you about the Peter King matter. There have been reports in the *Sunday Telegraph* and perhaps in other media that a complaint was made to the AEC concerning an unsigned statutory declaration in Mr King's name, which covered the issue of inducements—in this case, as he describes it, the prospect of 'a plum diplomatic posting' in New York. Was a letter sent to the AEC? Did you conduct any kind of investigation? And what was the consequence of that investigation?

Mr Pickering—The information relating to the comment by the *Wentworth Courier* is correct: the AEC passed that information to the AFP for investigation.

Senator MURRAY—How did you receive it? What did you get? Did someone write to you with a complaint? What happened?

Mr Pickering—I will just check.

Senator Abetz—My information is that it was in the 23 January edition of the *Sunday Telegraph*.

Senator CARR—There was a letter at an earlier date.

Senator Abetz—In November, yes.

Mr Pickering—A letter and an unsigned statutory declaration were forwarded to the AEC.

Senator MURRAY—A signed letter to you?

Mr Pickering—No, a copy of a letter.

Mr Dacey—And an unsigned statutory declaration.

Senator MURRAY—Are you saying that it was received anonymously?

Mr Pickering—The advice I have is that there was no covering letter.

Senator MURRAY—So you received anonymously a copy of a letter and a copy of an unsigned stat dec.

Mr Pickering—No, it was not anonymous because we knew the source of the material. That particular material was sent to the AEC from the *Wentworth Courier* and it was then proceeded with from there.

Senator MURRAY—So you received this information and you examined it on its face and you decided that you should refer it to the AFP?

Mr Pickering—That is correct.

Senator MURRAY—Is it now an operational matter?

Mr Pickering—It is a matter for the AFP and we cannot say any more on that particular subject while it is under review.

Senator MURRAY—So it is still live.

Mr Pickering—It is still live.

Mr Dacey—It is still live with the AFP.

Mr Pickering—The only reason that I can say what I have said so far is because it is in the public domain already.

Senator MURRAY—I do not intend to discuss operational matters, but it has been raised with me because I carry the portfolio of electoral matters for my party. I just wanted to establish whether in fact it was a live operational matter or not.

Mr Pickering—It is still under investigation with the AFP.

Mr Dacey—I can also add that I realise it is now public knowledge that the information was originally passed to us via a journalist at the *Wentworth Courier* newspaper.

Senator FAULKNER—Do you know the name of that journalist?

Mr Dacey—I do not—it is not with me. I am told that it is Andrew London.

Senator Abetz—Just for the record, Senator Murray, you may be aware that Mr King, if I recall correctly, has categorically denied this in subsequent media statements, but because the police are still investigating—

Senator MURRAY—Yes.

Senator CARR—Mr King wrote the original letter, though.

Senator Abetz—No, that has not been proven or indicated in any way.

Senator CARR—I am just telling you that that is the case. Mr King wrote the original letter, which the *Courier* then kindly passed on.

Senator MURRAY—What I want to know is: is it correct that it is no longer in your hands?

Mr Pickering—That is correct.

Senator MURRAY—It is nothing to do with the AEC anymore.

Mr Pickering—No.

Senator MURRAY—Unless somebody else wants to continue with that line of questioning, I have another topic and then I will be done.

Senator CARR—On what date was it referred to the Federal Police?

Mr Becker—December 2004?

Mr Pickering—Yes, that is right.

Mr Becker—December last year.

Senator CARR—Can you give me a date in December?

Mr Becker—I do not think I have the actual date.

Mr Pickering—I just have December 2004. I can get you an actual date.

Senator FAULKNER—That matter was referred by the AEC to the AFP. Is that correct, Mr Dacey?

Mr Dacey—Yes.

Senator FAULKNER—As far as you are aware, what other live matters are currently with the AFP as a result of AEC referrals, if any? We have had some in the past.

Mr Dacey—I can confirm—perhaps not now—that I do not think there are any. The only two live matters that we are aware of are the two petitions to the Court of Disputed Returns, but they are obviously not AFP matters.

Senator FAULKNER—While we are dealing with that, Ms Mitchell, can you give us your usual status report? Unless others do, I do not want to go to the detail of these, unless I am provoked. Could you give us the usual status report—identify the inquiries and where they are up to. We do this at every estimates.

CHAIR—I know, but Senator Murray has the call, and then Senator Carr. That particular question won't take long.

Senator FAULKNER—I am sorry, I thought you had finished.

Senator MURRAY—Finish the topic, and then we will move on. It is part of the general topic.

CHAIR—I just hope no-one provokes you, Senator Faulkner, that's all—I do not want to go off on a tangent. Could you just hold that question, Senator Faulkner?

Senator FAULKNER—By all means. It will give Ms Mitchell a chance to find her papers.

Senator MURRAY—The other matter I want to ask you about, Mr Becker, is your web site and your disclosure of political donations returns. Could you or one of your officers give in your own words what you regard as the shortcomings or deficiencies in the material which is available for public scrutiny.

Mr Becker—I think I might refer that to Kathy, if that is all right.

Ms Mitchell—To a large degree, I think that would probably require a long-winded answer, because I would want to quote from our submissions to the Joint Standing Committee on Electoral Matters. I think we have probably documented fairly well in those submissions,

both to the 2001 inquiry and the 2004 inquiry, what we think the deficiencies are. I would probably bore everybody by going through it all tonight.

Senator MURRAY—Let me be more specific then. To my mind, there are at least two aspects to this. One is technical: have you done the best you can and made your web site as friendly, accessible and understandable as possible? The second, and tied into that, is: are you restricted by the finance you have for providing a decent web site and a decent interactive capacity so people can go in there and look for summaries and be able to cross-link issues in areas? Let us start with that.

Ms Mitchell—Certainly the short answer to the web site question of whether it is as good as we would like it to be is no. There are search facilities and enhancements to the web site that we would certainly like to introduce, particularly as a result of user feedback. I think one of the issues that you have when you are building a web site when you know your data is that it is a little bit difficult to look at it from the perspective of the user and really build something that the user might find easy to deal with, because you already know what you are talking about. Certainly we know, as a result of feedback, that there are enhancements we could make. One of the obvious things is that when you get summary information out of it, it does not total at the bottom. Those are the sorts of things. We have a long list now, after having the web site operating for five years, of enhancements that we would like to make. Some of those are in progress. Some of them are a bit more complicated and will take some more time to work out.

But certainly some of the feedback that we have received is about information and things that we cannot resolve. We have had people who are interested in researching the data that is on the web site who want to be able to look at information that just does not come out of the returns. People were researching what type of companies donate and that sort of thing. Returns are not required to list on them what the company's business is. Therefore, it is not possible for the AEC to provide data in a format that is searchable by type of organisation or type of business that the organisation is in. So there are some enhancements that we can do, and it is a matter of priorities in terms of budget and time that our programmers have to do those things. But work is being undertaken. But there is also data that, unless the returns change, we are not going to be able to provide on the web site.

Senator MURRAY—You are a little better off in financial terms and it has been reported to me that there is dissatisfaction with many aspects of the site. Are you telling me that you are going to continue to improve it?

Ms Mitchell—Yes, and I actually hope to have some of those enhancements in place by February 2006, because work is currently being undertaken on some of them.

Senator MURRAY—Let me ask you these questions. This is, I think, within the ambit of the present return: will you be able to summarise or total in your new layout, as per returns, donations totals, say, for companies, for entities which are not companies, for individuals—and I am only talking about the declarable amount, obviously—for undisclosed entities like clubs, trust, foundations, and those sorts of things?

Ms Mitchell—Only insofar as those things would be mentioned in the name of the organisation. Actually, with the value that you would then get out of the information, given

that it would possibly be incomplete, we would really have to think about whether we would provide that service. Potentially it could not be the complete picture but people would be relying on it being the complete picture. So, if you wanted to sort by a particular category of something—for instance, if you wanted to search on clubs—you could only search on club if the word ‘club’ was in the name of the organisation. If there was an additional requirement in the return to indicate what sort of organisation you were, then we could add that as an extra field in the database. But unless you actually have data that tells you that, the amount of research and resources we would have to put into identifying what type of organisation the organisation was is just prohibitive and I do not think that we could allocate resources to that.

Senator MURRAY—Are you going to give some thought in your submission to the JSCEM to the issue of perhaps tweaking, perhaps changing—it is up to you—the return itself? I will phrase my question in this context. It is the intention of the act, however inadequate in some respects, that disclosure should be transparent. It is quite obvious that, if a publicly listed company is donating money, it is very clear where it has come from; whereas, if a club or a foundation or a trust donates money, you have absolutely no idea who sits behind it. And of course there is the issue of overseas donations, which is a particular concern of mine, as you would know. I think, as far as we can within the existing framework of the act, we should try and enhance transparency and disclosure and identify for policy makers and politicians those areas which might be growing in concern. I would be immensely concerned if large numbers of foundations from overseas started donating money to Australian political parties, as an example.

Ms Mitchell—Certainly, as part of looking at what issues to raise, one of the things we do is analyse media commentary. Certainly, the media commentary coming out of the last set of returns that became publicly available a couple of weeks ago has been on the issue of whether you are getting to see the true source of a donation when money is being donated by what looks like companies. So, in determining what we would put forward to the JSCEM to think about, the analysis of media reports and other commentary that we receive would be part of working out what sort of commentary we should make in a submission. However, we did have some early thoughts about just exactly how to go about gathering the information we would use to put in our submissions to the joint standing committee on the financial disclosure provisions of the act. Some of that early discussion has centred around possibly a consultation paper before a submission was done. Of course, we would not have time to go through that sort of a process before the current JSCEM is into hearings. So we are still in the process of thinking about how we are going to manage the financial disclosure commentary in our submission on this occasion. But we can take into account what you are suggesting.

Senator MURRAY—As a member of this committee and as someone with a long interest in this, both on the JSCEM and on this committee, without being rude, Commissioner, I must say that your site, compared to many other government sites, is not exactly in the forefront of usability and effectiveness. It may be because you are limited by the kind of returns you receive and the way in which they can be entered. But if one side of it is getting the disclosure and the other side is getting that disclosure easily deciphered and understood, you agree with me, don't you, that you could do a lot better?

Ms Mitchell—Yes, we certainly recognise that the web site could be more easy to manoeuvre around.

Senator Abetz—You are limiting your comments to the public disclosure web site of the AEC.

Senator MURRAY—Yes.

Senator Abetz—Not the general one?

Senator MURRAY—Not to the rest.

Senator JOHNSTON—Senator Brandis raised the fact and highlighted that the section uses the word ‘indirect’—direct and indirect. I think the legislation is very clear. The onus is on the commission not only to look at the return but also to go behind the return, to look at organisations that are making donations and to take one or two steps back. Clearly we have not been doing that. I think that tonight’s exercise has highlighted that there is a laundering, from a taxation perspective, through organisations into political parties.

The pro-political declaration—disclosure of donations—has within it a number of organisations. In Senator Brandis’s example, those organisations have been tax deductible entities. I am assuming his hypothesis and outline are correct. So what you have are organisations donating to political parties seeking the full benefit of tax deductibility. Clearly, the law is not that you can get a tax deduction—other than, I think, \$100—if you donate to a political party. The law is obviously being circumvented—and the wording of the section says ‘indirect’. We are not policing it. Is that the correct perception?

Ms Mitchell—I do not think that is a correct perception. First of all, I would have to comment that follow-up of any potential breaches of tax law is a matter for the Australian Taxation Office. But, in relation to disclosure—

Senator JOHNSTON—Is it? You are in charge of policing the reporting conditions of political parties.

Ms Mitchell—And there is nothing in the Commonwealth Electoral Act that says that you cannot donate if you have already gotten tax deductibility on the money that you have received. The power that we exercise is power under the Commonwealth Electoral Act, not power under tax law. We do not have the power to look at whether there is a breach of the tax laws. So when we are carrying out compliance review activities, what we have to look at is whether there is a breach of the Commonwealth Electoral Act. That is what we are doing when we are carrying out compliance review activities—and we do do that.

Senator JOHNSTON—So you go back to organisations that have donated to political parties and say, ‘Where did you acquire these resources from’?

Ms Mitchell—No, we do not, because we do not have the power to query people unless we have a reason to believe that there is an issue with their return.

Senator JOHNSTON—Let me give you another example. Let us take the fact that, in 2004, the Australian Labor Party banned accepting donations from tobacco companies. In its entity return, the Canberra Labor Club return shows that it received \$48,772 in commission from the British American Tobacco Company. Arguably, that was a tax deduction to British

American Tobacco. That club donated to the ACT branch of the Australian Labor Party, by way of its return, the sum of \$343,770. So that money that went into the club—which was a deduction in the hands of the donor—may well have found its way to a political party.

Ms Mitchell—And it has all been disclosed. That is what the Electoral Act requires. The Electoral Act is not about passing ethical or moral judgments on the money; it is about disclosing it. That is the limit of the legislation.

Senator JOHNSTON—So if I donate to a tax deductible organisation and I get the full benefit of that tax deduction and that organisation has a longstanding history of donating to a political party, that is all right, is it?

Ms Mitchell—Under the Commonwealth Electoral Act, I have no reason to assume that—

Senator JOHNSTON—So that is not an indirect donation to a political party?

Ms Mitchell—You would have to look at what the intention was.

Senator JOHNSTON—Exactly. What do you do to look at the intention of those people?

Ms Mitchell—Like I said, our investigatory power extends only where we have evidence that indicates that there should have been a disclosure made and there has not been a disclosure made. We cannot just go around assuming that people are guilty of things. We do not have the power to do that.

Senator JOHNSTON—What investigation do you do?

Ms Mitchell—We carry out compliance reviews. We look at the returns and we see if they have been correctly completed.

Senator JOHNSTON—Do you interview people to ask them whether they were aware? Take for instance Senator Brandis's example. Do you ask them, 'Did you knowingly make a donation in anticipation of—

Ms Mitchell—No. Before we can exercise our investigatory power, we have to have a suspicion that there has been an offence, and that suspicion must be based on evidence. We cannot just knock on doors, waltz in and interview whoever we please.

Senator JOHNSTON—So what sort of evidence would you ever get of intent?

Ms Mitchell—That is a good question.

Senator JOHNSTON—You will not get any, will you, unless you ask the question and someone says, 'Yes, I thought I was told'—

Ms Mitchell—I do not see how we are going to get it then either.

Senator JOHNSTON—So the whole thing is pointless.

CHAIR—If the Australian Taxation Office investigated that organisation that Senator Brandis referred to and found that the organisation was no longer in effect a charity, would that be sufficient evidence for you to move?

Ms Mitchell—The issue of whether or not they are a registered charity is irrelevant for disclosure purposes. It does not matter who makes a donation to a political party; they have to

fill in a financial disclosure return. So their status as an organisation is not relevant to us when looking at whether they need to fill in a financial disclosure return.

CHAIR—So really what you are saying is that this is not a question for the AEC; it is a question for the Australian Taxation Office?

Ms Mitchell—Yes.

CHAIR—And also the status of that organisation?

Ms Mitchell—Yes.

CHAIR—Senator Johnston, are you happy with that? You may not be happy with it, but are you—

Senator JOHNSTON—Yes.

Senator CARR—In regard to the requirements of associated entities, is there a requirement to provide an annual return?

Ms Mitchell—Yes, there is.

Senator CARR—Is it a requirement that the annual returns be signed and dated?

Ms Mitchell—Yes, it is.

Senator CARR—So what happens if an annual return is submitted to you but not signed and dated? Do you regard that as a legitimate return?

Ms Mitchell—It would depend on whether there was a covering letter with it that was signed and dated. If we actually have something that makes a statement that this is the return of the entity, we would probably accept that as substantial compliance.

Senator CARR—Let us look at the Greenfields Foundation. Is it the case that, in 1999 and 2000, the Greenfields Foundation refused to sign their annual return?

Ms Mitchell—Yes.

Senator CARR—Is it the case that they submitted a return or what purports to be a return—an associated entity annual return—but refused to date and sign that return?

Ms Mitchell—Yes.

Senator CARR—Is it regarded as a legitimate return?

Ms Mitchell—There were covering letters in each case with the returns—

Senator Abetz—You will have to read Senator Faulkner's *Hansards* on this from many estimates ago.

Senator FAULKNER—I would commend any of my *Hansards* to anyone!

Senator Abetz—This is how bad it is: I am actually recommending it!

Senator FAULKNER—I am not sure of its relevance to this case, but I would certainly recommend my fine words.

Ms Mitchell—There were covering letters with each of the returns stating that the entity returns were attached. Those letters were signed and dated, and it was considered to be substantial compliance.

Senator CARR—But there is a denial that the foundation is an associated entity in those returns.

Ms Mitchell—And there is a statement that, regardless of that fact, they are submitting an associated entity return anyway.

Senator CARR—What is the status of the Greenfields Foundation? Is it an associated entity or not?

Ms Mitchell—The AEC considers it to be an associated entity.

Senator Abetz—I am not sure that Greenfields at this stage admits that it is, so an impasse has been reached. Is that right, Ms Mitchell?

Ms Mitchell—That is true.

Senator Abetz—They send in all of the information, refuse to sign the form but send a covering letter. But, nevertheless, Ms Mitchell and her officers undertake an audit on the basis of that return to ascertain the veracity of that return.

Ms Mitchell—Yes.

Senator CARR—So, as far as you are concerned, you do not care whether or not they accept their status—that is a declaration you have made?

Ms Mitchell—That is right. It is the AEC's decision.

Senator CARR—In your opinion, why was there such an increase in postal voting applications in the last election?

Senator Abetz—Because people signed forms asking for them.

Senator CARR—That is an incredibly intelligent response!

Senator Abetz—The rest, quite frankly, I would have thought, is hypothetical.

Senator CARR—Do you have an evaluation yet, Mr Pickering?

Mr Pickering—Yes. We have a number of reasons why postal voting was high. Our take on this was that the timing of the election, being in the school holidays, had a significant effect on the number of postal votes that were sought.

Senator CARR—Do you think it is just a mechanical matter? There is no other explanation?

Mr Pickering—No. The extended election campaign—it was six weeks rather than five—could have had an effect as well.

Senator CARR—Were there any complaints about the distribution of postal vote applications at this particular election?

Senator Abetz—I think we know that there were; can we get on with—

Mr Dacey—By the AEC?

Senator CARR—Yes. Have you had any complaints?

Mr Pickering—We have had anecdotal evidence from some of our officers located around Australia about postal vote applications being received by electors, but not in terms of—

Senator CARR—You have had no formal complaints yourselves?

Mr Pickering—I am not quite sure, in relation to—

Senator CARR—In regard to the delivery of postal vote applications.

Mr Dacey—As you are probably aware, the AEC instigated an inquiry into some issues we had with postal voting during the last election. There were delays in some of the postal vote—

Senator CARR—Have you concluded that inquiry?

Mr Dacey—Yes, we have.

Senator CARR—What do you think was the role of private contractors in that distribution? Was that an issue?

Mr Pickering—The AEC employed a contractor to undertake what we call central production of the postal voting material. That is after the postal vote applications have been received by the AEC into our system—I am just trying to link the comments that you made earlier. What we are talking about here is the production of the postal voting material.

Senator CARR—Is that report you referred to available?

Mr Pickering—The summary and the list of recommendations are on our web site.

Senator CARR—Thank you. I will take it from there and put the rest of those on notice. What studies have you undertaken to establish the level of informal voting amongst Aboriginals and Torres Strait Islanders?

Ms Davis—After the 2001 election we undertook quite an extensive study into informal voting across the country, trying to identify it by division. The report of that investigation—the research paper—is actually on our web site. I do not know if you have that available to you. We are looking at similar figures at the moment. I think the informal voting in the Northern Territory was about 4.5 per cent. We are yet to analyse that in any great detail. But that will be informing our education initiatives in the coming months.

Senator CARR—Do you think there is any correlation between the increase in informal voting amongst Aboriginal and Torres Strait Islanders and the abolition of the Aboriginal and Torres Strait Islander Electoral Information Service?

Ms Davis—Certainly, as I understand it—

Senator Abetz—We have got a bit of a problem here: my recollection, for what it is worth—

Mr Dacey—I think that the informal vote in the Northern Territory, for instance, is not low compared to other states.

Senator CARR—It has not increased?

Senator Abetz—I think it only went up in New South Wales.

Senator CARR—Let us have a look at those. Do you have figures on the informal vote in Kalgoorlie, Lingiari and Solomon?

Ms Davis—I have only got them available to me by state. We may have them here, if you could give us some licence.

Senator Abetz—If you want specific details I am sure they can be provided.

Ms Davis—Yes.

Senator Abetz—If you refer to it as a state the officials will take it as the total state vote. If you just want it for the seats with large Indigenous populations then identify them and I am sure the figures will be obtained.

Senator CARR—I have just done that.

Mr Dacey—I do not know if we have got them with us tonight, but we do have the informal vote by each division.

Senator Abetz—It is on the web site for each of these seats.

Senator CARR—It is very good of you to inform me of that: I would like to know whether or not you have noticed any trend or increase in those particular seats. Have you or not?

Ms Davis—At this stage I cannot tell you in relation to the specific seats that you have mentioned, but we can provide you with that information. We were actually pleasantly surprised in relation to high ATSI population divisions compared with, for instance, divisions with high populations of people from non-English-speaking backgrounds. The latest stats, which are really only becoming available now, are certainly informing us as to where some of our awareness programs need to be targeted.

Senator CARR—Are you seeing a similar level of enrolments? Is there the same sort of pattern?

Ms Davis—I do not think that would necessarily be reflected, because we do have a particular issue with enrolments for those divisions with high Aboriginal and Torres Strait Islander populations. I do not have the figures on enrolments with me at the moment. Certainly what might be of interest, for instance, is how many enrolments there were in the months before the last election. One of my colleagues might be able to assist here.

Mr Dacey—Without getting specific about actual electorates—which we can, as we said, provide to you—informal voting for the House of Representatives nationally was 5.18 per cent at the last election. In the Northern Territory it was only 4.45 per cent. So the Northern Territory was below the national level.

Senator CARR—Have a look at those electorates for me, and we will see if that pattern that is emerging is the same.

Senator Abetz—I think I am correct that, for each individual electorate, the information on whether the informal vote went up or down is on the web site.

Mr Dacey—That is correct.

Senator Abetz—So all that information is there for staff members or senators to have a look at.

Senator CARR—Thank you for that.

Ms Davis—We would like to attribute those lower figures to some of the enrolment drives that we have been doing in those areas, particularly in the Northern Territory. Each of our

state Australian Electoral Offices has been undertaking initiatives. We engage a number of community information officers prior to the election with a specific brief to go out into communities.

Senator CARR—Can you give me the enrolments of a particular subdivision? I just want to test something. Are you able to do that?

Ms Davis—No, not at this time.

Senator CARR—Are you able to do that on notice?

Ms Davis—Yes.

Senator Abetz—Subdivision or division?

Senator CARR—Subdivision—East Arnhem Land. Can you do that?

Mr Dacey—That would be a Northern Territory subdivision, not a federal subdivision.

Senator CARR—Can I get the number of Aboriginal and Torres Strait Islanders residing in East Arnhem Land subdivision enrolled to vote in the 2004 federal election?

Mr Dacey—We do not collect race on our enrolment forms. So you cannot discriminate.

Senator CARR—How do you know the effectiveness of any recruitment campaign or the level of informal voting?

Ms Davis—With some of the initiatives we have been taking in the remoter areas, where we are actually working closely with the communities, we are able to take enrolments at the time. There have been some initiatives, for instance, in the Wadeye community in the north-west of the Northern Territory. The AEO in the Territory is at the moment undertaking an initiative in the area you were just referring to. Again, I will not be able to give you specific figures, but we can give you figures that are actually taken at the times we visit those communities.

Senator CARR—All right. I will put the rest of it on notice. Thank you for that.

Senator FAULKNER—Ms Mitchell, could you very briefly give us the normal status report on the live inquiries that you have before you and tell us whether any have been concluded or finalised?

Ms Mitchell—Certainly. The issue of whether Australians for Honest Politics was an associated entity has been finalised. The advice on that is on our web site. The issue of whether A Fair Go Alliance is an associated entity is still under consideration. The issue that I will describe as Minister Ruddock and donations to the Liberal Party is still under investigation. The issue that I will describe as Mr Bolkus and donations to the ALP is still under investigation.

Senator Abetz—If I may just quickly clarify the Minister Ruddock one.

Ms Mitchell—Neither of those matters involve either of the members of parliament at this time. The outstanding issues in relation to both Minister Ruddock—

Senator Abetz—The AFP have cleared both.

Senator FAULKNER—I think members of the committee understand the detail of these from previous hearings. I certainly appreciate the shorthand. I think we all understand what we are talking about. The Senator Bolkus one, I think you were saying, is of the same status as the Minister Ruddock one. Is that right?

Ms Mitchell—Yes, it is. The matter of the Liberal Party Ryan FEC—that is, Mr Johnson and the \$10,000—is finalised and the advice is on our web site. The matter of the Liberal Party Bowman FEC, which is Mr Laming and the office space, is finalised and the advice is on our web site. Whether certain organisations are associated entities of the National Party is finalised and the advice is on our web site. On the matter that came up in the later hearings last year, also in relation to Ryan, and the dinner that was hosted, there are still some matters that are being looked at, but, on early analysis, it would appear that all the information has been set out in the 2003-04 disclosure returns.

Senator FAULKNER—So that one is not quite finalised?

Ms Mitchell—Not quite.

Senator FAULKNER—When you say the dinner—

Ms Mitchell—That is the one that Ricky Ponting was asked to speak at.

Senator FAULKNER—So that is near completion.

Ms Mitchell—Yes.

Senator FAULKNER—That is it? There are no new ones?

Ms Mitchell—There are no new ones, and hopefully it will stay that way.

Senator FAULKNER—This must be having a bit of an impact workload wise for you.

Ms Mitchell—It certainly has, yes. Certainly the parts of the matters that are still outstanding have been quite vexatious to finalise. I think I would have to say that it has been very frustrating that the few outstanding issues that are going on in relation to those matters have not been finalised. We would have hoped that they would have been by now, particularly given that we are back in compliance review mode again now.

Senator JOHNSTON—Mr Becker, I want to talk to you about section 279, which is on the recount provisions of the Commonwealth Electoral Act. I note that in the last federal election we had about four very close seats. If you will indulge me in that definition, I think they were all around about 100 votes differential. In Western Australia there was the seat of Swan. I note that that section talks about how the divisional returning officer may, on request of any candidate or of his own motion, conduct a recount. My question is: what is the basis for divisional returning officers exercising their discretion?

Mr Becker—Firstly, there have to be specific grounds for questioning the result that you have at the moment. You cannot just go on a fishing expedition.

Senator JOHNSTON—No, certainly. So what grounds do you take notice of?

Mr Becker—Obviously, you are starting with proximity for a start. But then if somebody has a view that they believe perhaps a couple of hundred votes or 500 votes might have been put in the wrong parcel or that their scrutineers have reported something like that, then we ask

the person who is asking for the recount to try and narrow down the request so that, if that is the issue, we can go back and have a look at it—bearing in mind that right through the scrutiny to this stage these papers have been checked over probably innumerable times.

Senator JOHNSTON—Isn't there a fundamental flaw in that, because the divisional returning officer is the person who is supervising the count? So when you write to him and say, 'I think that you've done the following things wrong,' you are asking Caesar to adjudicate upon his own ability.

Mr Becker—Caesar was not at every one of the 45 or 145 polling places.

Senator JOHNSTON—No, but he has all the ballot papers in front of him.

Mr Becker—But, for a start, until they are broken open in front of scrutineers and counted again and the preferences thrown, there is no way in the world that he is doing any Caesar stuff at that stage. He is purely and simply the returning officer in charge of the people who are running the final scrutiny. If the person does not get any joy from the returning officer, then they can always go to the AEO for the state or territory. If they do not get any joy from the AEO—

Senator JOHNSTON—It is not a statutory right though, is it?

Mr Becker—It is not a statutory right, but it is one of those things that we have always maintained would—

Senator JOHNSTON—But no-one knows that because it is not in the act.

Mr Pickering—It is a statutory right—

Senator JOHNSTON—Is it? It is a statutory right to go to the AEO.

Mr Pickering—Or to the commissioner as well.

Mr Becker—It is rather loosely worded. It does not say that if the DRO knocks you back you can go to the AEO. But, in any event, they can come through the commission.

Senator JOHNSTON—So if I write to the divisional returning officer and say, 'We have challenged two in 50 of the leading candidates' votes and you have adjudicated every single one against us and that is the basis for our request for a recount and the margin is 104 votes,' how do you think I should go in terms of my recount?

Mr Becker—I think you would be asking the AEO to perhaps adjudicate in that case.

Senator JOHNSTON—We did not ask the AEO. We complied with the law because, as the act requires us to do, we said that it was on the request of any candidate setting forth the reasons for the request to the divisional returning officer. We did that and we got no joy—and we got no comprehensible reason for no joy.

Mr Pickering—The policy that is in place with the AEC, that has been in place for over 20 years, is a very narrow reading of the recounts. It specifically looks at whether or not it could change the result of the election.

Senator JOHNSTON—I have just told you that two in 50 were contestable adjudicable matters as to formality.

Mr Pickering—The issue of formality is a separate issue to the issue of recounts. The recounts are looking at whether or not there has been a defect in the count that could affect the outcome—and that is probably the example you are giving.

Senator JOHNSTON—Two in 50 is six per cent. We have got a 104 vote margin—0.08 per cent.

Mr Pickering—And the time for disputing those particular ones is with the DRO at the time, with scrutineers making the challenge as the ballot papers are being counted.

Senator JOHNSTON—Which was done.

Mr Pickering—The issue then moves to whether or not there is a sorting error. The decision is then made by the decision maker and it moves on.

Senator Abetz—Can I intervene? Is that then the final arbitration? There is a dispute whether one vote should be included in the count. The DRO looks at it and says yes. Senator Johnston and his people are saying, ‘No, it should not be.’ Can they go to a further court of appeal to have it adjudicated as to whether or not that vote ought to be counted? I think that is the issue.

Mr Dacey—For informal ballot papers?

Senator Abetz—Yes, as to whether it is informal or not.

Senator JOHNSTON—No. The DRO makes a ruling.

Senator Abetz—Yes.

Senator JOHNSTON—And that issue is only determinable in a recount by the state electoral officer.

Mr Dacey—That is right.

Senator JOHNSTON—So in order to get those two in 50, that I personally witnessed, adjudicated by someone who is not conflicted, if you will excuse my very emotional term, you have to have him, who is conflicted, use his discretion to say, ‘Yes, we’ll have a recount.’ Could I just take this further for you. In Hinkler in 2001 the margin was 0.04 per cent and you had a recount. In Solomon in 2001 I believe—and you can correct me if I am wrong, because recounts are not disclosed on your web site—the margin was 0.09 per cent and you had a recount. In Bass in 1998 the margin was 0.06 per cent and you had a recount. In Swan in 2004 the margin was 0.08 per cent and there was no recount and no real reason given. The problem I have with all of this is that there is absolutely no transparency as to the exercise of the discretion—it is at the whim of the legislative officer empowered to exercise it, the divisional returning officer. Is that satisfactory? Is my understanding correct?

Mr Becker—It is not satisfactory, because we have always taken the view that you can appeal to the AEO and also to me. Whilst the act is very tenuous around that, it does say that the divisional officer, on their own motion, on having the reasons set forth, shall, if so directed by the AEO or by the commissioner, conduct a recount. If you do not get any satisfaction from that first exercise, then I would say it would be obvious to me that you should approach the AEO or come to the—

Senator JOHNSTON—We wrote to the DRO and the response, as I understand it, came from the AEO saying no. So he had conferred with the AEO. So all avenues were closed off to us on the law as it now stands. I have a real problem with the fact that there is no discernible criteria to identify the threshold issues for a recount. I think all candidates should know that, if the vote is, say, within 200 out of 79,000, there will be, in week 3 after the ballot, a recount. I think that is a legitimate thing. Would you comment on that, please, Commissioner.

Mr Becker—I do not think that in itself is sufficient to run to the expense of a recount. Very rarely have these things ever shown anything of any substance and affected the outcome of the election.

Senator JOHNSTON—That is not true.

Mr Becker—If a candidate can show something that is going to affect the outcome of the election—that is, if you have seen two out of 50, you are talking about how many times out of 50?

Senator JOHNSTON—I monitored 500 votes counted for the leading candidate. I just did a snapshot while I was standing there, and two in 50 were contested.

Mr Becker—Two in 50 were declared informal and challenged.

Senator JOHNSTON—I challenged them and lost each one. We have a long list of challenges to the leading candidate's ballot papers and have lost all of them. Something else occurred in Swan that I want to draw your attention to while we are here. Every night the figures at the close of play were known by all the scrutineers, of all political denominations. On the web site the next morning, different numbers appeared. Amongst ourselves, the scrutineers—you get to know the people you are working with, of whatever political complexion—we all agreed that there was no explanation for it.

Senator FAULKNER—Those blokes from the Labor Party are good fellas.

Senator JOHNSTON—They were actually good guys; I would say that. Every morning all the scrutineers would get together and say, 'These are not the figures we had the night before.'

Mr Pickering—Were they less?

Senator JOHNSTON—Sometimes they were less; sometimes they were more.

Mr Pickering—The updating of the web site is done at a particular time each day. If a count is continuing, there may have been a line drawn for the figures for the web site and then the count continued through to the close of play, and there would be different figures.

Senator JOHNSTON—The figures at the close of play were the figures that were, in our minds, confirmed as final. The scrutineers then departed the counting place, and the next morning we started with figures that were different from the night before. Further to that—I am getting to my question; I know this is a roundabout way of doing it—in the morning the doors would be locked and the count would commence with no scrutineers present. This happened on a number of occasions. Only minutes were involved—five minutes, maybe 10 minutes max—but counting occurred while no scrutineers were present. My question to you, Commissioner, is this: do you take the view that candidates who are confronted with this,

given that the law gives all power to the divisional returning officer, should tell it to the judge in the Court of Disputed Returns or do you entertain issues along the way?

Mr Becker—We entertain issues along the way, but we have to know about the issues along the way. It is no good complaining—

Senator JOHNSTON—When do you tell candidates that? We are not told that you will entertain any issues; we are told by the law that it is the DRO.

Mr Becker—Did you have any contact with the AEO, with Jenny Gzik, in Western Australia?

Senator JOHNSTON—No. We got a letter telling us there was no recount.

Mr Becker—And there was no contact with me. This is the first I have heard of it. Presumably you were not the only scrutineer there?

Senator JOHNSTON—No. There were a number of scrutineers.

Mr Becker—There would have been scrutineers from other parties and so on. I am a bit surprised that this has not been raised before.

Senator FAULKNER—Do you mind if I ask a question on this same matter? I do not want to interrupt Senator Johnston, but he has put forward a suggestion about, if you like, a mathematical or arithmetic threshold for a recount.

Senator JOHNSTON—That is the tangible one, yes.

Senator FAULKNER—That is what you are suggesting, and I understand why you are proposing that. Wouldn't the first and most obvious and logical threshold be to ask whether any of the losing candidates want one? There might be dissatisfaction in any particular count—and perhaps Senator Johnston is dissatisfied with particular counts that he knows of—but what if there is not on the part of a losing candidate, even if the margin was only 10, 50, 150 or 199 votes, or whatever? Wouldn't that be a logical starting threshold, even before you get to this question of whether an arithmetic or mathematical threshold is reasonable? Isn't it logical that there is no point in having a recount, unless at least one of the losing candidates wants it?

Senator JOHNSTON—That is right.

Senator FAULKNER—That is a fair starting point, isn't it?

Mr Becker—That is exactly the case. A person can request a recount. We can do one of our own volition if we have concerns about it.

Senator FAULKNER—Yes, I know.

Mr Dacey—There needs to be a specific ground why there should be a recount. As you say, if there are only 10 votes in it but all losing candidates are satisfied that the count has been conducted properly, it does not automatically mean that we would recount.

Senator FAULKNER—I will be quite open; I do not really want to engage in this. If consideration were to be given to changing the process, you might have to think about cascading requirements here. To my mind that is the first and most logical one, and a

reasonable and fair person would probably accept that. Then you could have other cascading—

Mr Becker—Quite. As Mr Pickering said earlier, we have used those criteria for 20 years. Maybe it is time to review them. But what does concern me is that Senator Johnston was saying that we did not actually open the doors until after we had started the recount or the continuation of the scrutiny.

Senator JOHNSTON—The numbers were different—

Mr Becker—It does concern me. The fact that we are hearing about it now—I certainly have not heard about it before today—

Senator JOHNSTON—Because you have the choice. Commissioner, I want you to understand that political parties have to make very hard decisions on legal expenses. You have the choice of going to the disputed returns court and spending up to \$100,000 or you cop it sweet. Senator Faulkner is dead right. I would have thought that, whilst you have got it in there, an own motion DRO discretion is fine, because things might happen that only the DRO knows about, but by and large the candidate has to set forth a request. But you mention setting forth the reasons for the request. Now the reasons for the request could be trite, superfluous or pertinent.

All I am asking is that we clarify the thresholds and that you broadcast to candidates what you consider will be important in asking for a recount. Obviously it is going to be close, I would have thought. You are not going to get a request to do a recount in, say, the seat of Mallee, I would not have thought, where the margin for the sitting member is about 25 per cent. Can you see the point I am making? Candidates need to know what you think is important.

Mr Becker—As I have just said to Senator Faulkner, the criteria that we use are over 20 years old.

Senator JOHNSTON—Where do you tell us about your criteria?

Mr Pickering—You have a good point. If we are not advertising to interested stakeholders the issues surrounding recounts, that is something we could take on board and introduce into the candidates handbook, for example, for future elections. It is a guidance for future activity.

Mr Dacey—And provide it to all parties for all guidance as well.

Senator MURRAY—If I may interrupt, I am concerned that you say that it is very loosely worded. Do you think you need to look at the wording of the act? As you know, I have sat on the JSCEM for a long time and I do not remember that clause ever being raised at the JSCEM as having vague wording.

Mr Becker—It is ambiguous. We have not had this issue of the recounts in 2001 or in 1998 that I recall.

Mr Dacey—The ambiguity is that there is no specific right of appeal conferred on a candidate but there is implicitly a right of appeal. If a DRO refuses to agree to a recount, the AEO or the Electoral Commissioner can direct a recount, although the act does not explicitly

say, 'If dissatisfied with the DRO's decision you can appeal to the AEO or the Electoral Commissioner.'

Senator MURRAY—It is an obvious matter for you to raise in your submission to the committee.

Mr Dacey—We can talk that through with the joint standing committee.

Senator JOHNSTON—Thank you, ladies and gentlemen. Thank you, Chair, for your indulgence.

CHAIR—There being no further questions for the Australian Electoral Commission, I thank the witnesses. There are no questions from the committee for the Commonwealth Grants Commission so we will now deal with the Department of Human Services.

[9.21 p.m.]

Department of Human Services

CHAIR—I welcome Ms Scott. Congratulations on behalf of the committee on being appointed the new Secretary of the Department of Human Services. I have taken a special interest in the establishment of this department, so I extend a warm welcome to you.

Ms Scott—Thank you very much.

CHAIR—We will commence with general questions.

Senator Abetz—Ms Scott has an opening statement.

CHAIR—I was just going to invite Ms Scott to give an opening statement. That would be delightful.

Ms Scott—Given that this is our first time before the committee I thought it might be appropriate to make a short opening statement. The Department of Human Services was established in October 2004 to ensure efficient and effective delivery of social and health related services, including financial assistance to the Australian community. The department brings together under one umbrella six diverse agencies, which collectively deliver payments and services worth over \$80 billion each year. The core department is small and strategic. Its role is to direct, coordinate and broker improvements to service delivery. The agencies deliver their services in line with their legislation and customer service charters. The six agencies are Centrelink, the Health Insurance Commission, the Child Support Agency, Health Services, CRS Australia and Australian Hearing.

The Department of Human Services aims to foster a new level of collaboration, recognising the individual characteristics of each agency and drawing on their collective expertise. Working with the agencies, the department can play a role to ensure that how a service is delivered is considered when new government policies are being planned. In this way, we seek to ensure that these services are delivered in an efficient, timely and sympathetic way. The Prime Minister has set out some early priorities for the department. They are to increase participation in the work force by improving the flow of clients from Centrelink to the Job Network, to have speedier referrals for injured workers to rehabilitation support and to further develop a client focused network across the government agencies.

CHAIR—Thank you very much.

Senator CHRIS EVANS—I endorse the Chair’s congratulations on your appointment, Ms Scott, although I suspect that you have quite a job in front of you in pulling all that together. By virtue of the time, you will probably have a fairly easy baptism as secretary of the department in the estimates committee tonight because we have gone on to the department much later than I hoped and therefore our consideration will be a bit truncated. But I am also a bit conscious, too, that you would have a fairly good defence for some of this on the basis that you have not been in the job long and the department has not been established long. There is a preliminary point that I want to make.

Senator Abetz—We will make the same allowances for you, Senator Evans.

Senator CHRIS EVANS—Unfortunately, I do not have the same protection. I have a bit of a track record with FaCS and Centrelink.

Senator Abetz—You have only been shadow minister for this portfolio since—

Senator CHRIS EVANS—Unfortunately, I had the FaCS in the old days, so I have not got the excuse for ignorance that I would like to have. I am sure some of the officers will be glad to see me back, but maybe not too many of them.

Senator Abetz—Funny, it has not been mentioned.

Senator CHRIS EVANS—I firstly want to put on the record concern about where the department appears in the estimates committees. We made some representations about that. We are a bit concerned by the break in the link between the agencies that the department services and the appearance in Finance, though I understand there is a rationale for that in the way the department has been established. While it is logical on one side it defies logic on the other. I think there is some concern among senators about that—

Senator Abetz—Some senators, yes.

Senator CHRIS EVANS—Yes, there is, among some senators—that is what I said. Have you got a problem with that?

Senator Abetz—No. There is concern among opposition senators. Government senators of course support the split and the Finance and Administration portfolio dealing with Human Services.

CHAIR—It is whatever the executive wants, Minister. You know that.

Senator CHRIS EVANS—I will not raise the private conversations I have had with other senators, but I think there is some concern broader than just from Labor. But that is not the point, and I do want to get on with the business, Minister. I am not going to be particularly partisan tonight, so if you can let us get on with it I think we will make more progress. I am right flagging it as an issue that I will be raising. I will be raising the issue in the parliament about the organisation of the committee. We had no consultation about that. It was an issue I raised when I was briefed by some of the departmental officers on taking on the shadow ministry and I still have some concerns about that, but the arrangements for estimates are obviously something that we will have some discussions about. I just want to put on the record a couple of questions about the structure. Ms Scott, what do you expect to be the size of the department when fully established?

Ms Scott—The department will be in three parts: the small core Department of Human Services, the Child Support Agency and CRS. Effectively, they are part of the department but will continue as they have in the past—when they have been in other portfolios—to be separately identified. The core department will be a small strategic unit. I am expecting about 54 staff in total.

Senator CHRIS EVANS—Do I take it from that there will not be much of a policy section?

Ms Scott—Policy really resides with the policy departments, but we will be looking to engage with the policy departments in their thinking about new initiatives and about how things could be done better. We are very keen, reflecting the purpose of the department, to ensure that service delivery considerations are very much at the forefront of deliberations so that, while it is not strictly policy, the way we deliver initiatives will be considered up front. So already we are engaged in a number of processes with policy departments reflecting that.

Senator CHRIS EVANS—That is what I would have thought. You made mention of the Prime Minister's expectations about your objectives, including increasing participation in the work force. That is quite a big policy as well as a service delivery issue. What is your role in that objective? It seems to me that would have effectively gone to DEWR.

Ms Scott—We have already been working with Centrelink to increase the number of referrals from Centrelink to the Job Network and those numbers, commencing in December, show a significant increase. So we are already moving on that service delivery front. In terms of the policy deliberations on both rehabilitation issues and opportunities for further reform, we are in discussions with a number of departments, including DEWR.

Senator CHRIS EVANS—So is there any current change in the way the CRS works?

Ms Scott—In the day-to-day operations, no. They have moved portfolios and DEWR is effectively the department who now has the policy responsibilities for that activity. It used to be in the Department of Family and Community Services. But in their day-to-day transactions with their clients, I suspect there is absolutely no change at all.

Senator CHRIS EVANS—One rationale is that Centrelink, which obviously makes up part of the department, has gone from being an organisation that largely serviced a couple of key clients to one that services many more clients. As you say, you have a service focus but are the relationships purely with each individual department or is there a task force or interdepartmental committee structure? How do you manage the relationships? You service 50 or 60 departments or agencies in various ways. Do you have 50 or 60 individual relationships or is there some broader mechanism?

Ms Scott—We have established a small advisory group which brings together DHS—the little core department, thinking about strategic issues—with the heads of the policy departments that have relationships with each agency. That brings together that group. A great deal of the work occurs on an ad hoc basis from day to day, depending on what the issue is and where the government's deliberations on a particular issue are up to. If a proposal is coming, for example, to ERC and it has a service delivery implication, we are involved one way or another in those discussions.

Senator CHRIS EVANS—What do you call the body that is the link between you and the heads of the various client agencies?

Ms Scott—I am calling it the purchasing secretaries meeting.

Senator CHRIS EVANS—That makes a change from a task force. Has it a permanent structure or is it just a meeting that you coordinate and provide the secretariat to?

Ms Scott—We provide the secretariat but that is not a substantive function. It is more important that we ensure that there is coordination in particular tasks that we are assigning each agency and that our ambitions are not going in different directions. It is a coordinating, advisory arrangement.

Senator CHRIS EVANS—Do you have an organisational chart yet?

Ms Scott—Yes.

Senator CHRIS EVANS—Perhaps you could provide a copy to the committee.

Ms Scott—I would be happy to.

Senator CHRIS EVANS—I understand that it is early days; Mr Hockey seemed to be without a fax machine for a while. Where have most of the staff come from? Have you have filled most of your positions? Have the staff come mainly from Finance or FACS?

Ms Scott—At this stage we have 43 people working in the core department. Nineteen are permanent; 22 are temporary, often from the agencies or borrowed from where we can get the talent; and two are temporary and non-ongoing, so they are people who effectively are on contracts which will cease. We are at 53 and we aim to go to 54 and we are in the process of recruiting. As to the second part of your question about where they are from, we have one permanent officer from Centrelink, so that officer effectively is transferred now to the DHS; two are from the Child Support Agency; five are from DEWR; four are from FACS; two are from Health; one is from the Department of Industry, Tourism and Resources; and four were formerly in the Department of the Prime Minister and Cabinet.

Senator CHRIS EVANS—Does that mean that you have got nobody out of Finance, or did I miss that?

Ms Scott—I have ambitions.

Senator MOORE—So you have actually got 43, Ms Scott, not 53?

Ms Scott—I have 43 at the moment; I hope to have 54.

Senator Abetz—So there is scope for 11 finance people.

Senator CHRIS EVANS—Thank you for that. That is all I have on the overview.

Senator MOORE—Ms Scott, what you have given me on the organisational structure is lovely, and I saw the coloured one. But it only goes to the management structure—I am interested in seeing where the 54 in your anticipated full structure fit in. At the moment, we have only got their programs and I would like to get some idea about your proposed levels and where they fit.

Ms Scott—We drew it like this because in most departments, when you see their organisational structure, quite frankly, it does not usually go beyond this level. You normally

stop at this point. We would be happy to go further, but we would almost get to the stage where we would have individual people mentioned.

Senator MOORE—Numbers would be good.

Ms Scott—I could provide that.

Senator MOORE—Just to get an idea about how it fits, because it is such a new structure.

Senator Abetz—Can we take that on notice?

Senator MOORE—Absolutely. It is just that when I got the draft I could not make it come up to 54.

[9.37 p.m.]

CHAIR—We are on output 2, Child Support Agency.

Senator CHRIS EVANS—Firstly, I want to get an understanding of what this means for the Child Support Agency in terms of the transfer of functions of the new department. Does it mean any change to the CSA structure or reporting arrangements other than, obviously, to a new department?

Ms Bird—There is no change to the day-to-day operations of the Child Support Agency. The service that we provide to Australian parents remains the same. In relation to administration and service delivery issues, the Child Support Agency staff now work with the Department of Human Services where previously we would have worked with staff in the Department of Family and Community Services.

Senator CHRIS EVANS—What about things like personnel functions and so on? Were they done jointly with FACS before?

Ms Bird—Many of the functions the Child Support Agency provided to itself, and that continues. There will be functions such as audit responsibility that the new Department of Human Services will take responsibility for, whereas previously Family and Community Services took responsibility.

Senator CHRIS EVANS—But you were largely self-sufficient in terms of some of those things that have been spread in the past—

Ms Bird—Yes, for items such as payroll, personnel functions, staff development and training and human resources we were self-sufficient and we remain self-sufficient.

Senator CHRIS EVANS—So you have gone from tax to FaCS to Human Services! So all of your staff have come across into the new department?

Ms Bird—Yes.

Senator CHRIS EVANS—Have you lost any function?

Ms Bird—We have not lost any function. The Child Support Agency has remained intact and has been moved to the new department.

Senator CHRIS EVANS—What is the thinking about physical location?

Ms Scott—There is no plan to change the location of the Child Support Agency.

Senator CHRIS EVANS—I think Ms Argall has moved on to the HIC. What is the status of the recruitment for a new head?

Ms Scott—The position has been advertised and is expected to be filled relatively soon.

Senator CHRIS EVANS—I noticed Mr Alby Schultz, a member of the House of Representatives, made some comments about the Child Support Agency the other day. Has there been any formal response from the minister or the Child Support Agency to those comments?

Ms Bird—The Child Support Agency was contacted by a number of media outlets in relation to the claims made about the Child Support Agency. I dealt with a number of those inquiries.

Senator CHRIS EVANS—Has the minister or the agency issued any formal statement in response to those claims? They were quite a serious attack on the work of the agency.

Ms Bird—The agency issued a media release on Thursday of last week.

Senator MOORE—On that point, one of the ongoing issues is how these public attacks on an agency affect the morale and esteem of the staff in the agency. We have asked this before. But within the agency—which is fairly often given the boot, as in fact are other parts of the new Department of Human Services—is there a process to address that kind of pain that would occur?

Ms Bird—The staff of the Child Support Agency are professional staff. They take great pride in the services that they provide to Australian parents and they see the outcomes of the services that they deliver as being very valuable, both to individual parents and to the community in general. Naturally, in an area that is so emotional—as parental separation is—the staff are disappointed that from time to time the agency is publicly criticised. However, in general there is an understanding that because it is so emotional it is difficult for parents to focus specifically on the issues and often the broader emotional issues come into play.

Senator CHRIS EVANS—Now you are in with Centrelink you will be able to have group counselling.

Senator MOORE—Focus groups.

Ms Bird—We do provide peer support for staff if they have dealt with difficult client issues. There are also professional services available for them.

Senator CHRIS EVANS—It was a flippant remark but I understand that you, like Centrelink, bear the brunt of a lot of those client issues. This is a new issue to me but it has probably been covered before: this question about the interaction of different methodologies to assess income between you and Centrelink. On this question of paying child support and the different methodologies you and Centrelink have, is there any work underway to address some of those issues?

Ms Scott—We might be getting into the area of policy here. The policy departments are very keen and are anticipating questions on policy issues. The service delivery departments are anticipating and awaiting questions on service delivery issues. That one might be best directed to Family and Community Services.

Senator MOORE—It will be. It always is.

Senator CHRIS EVANS—This is the issue I raised at the start, which is why we used to get Centrelink and FaCS at the table at the same time: just because we always had that difficulty in resolving where the buck stopped. We often were not able to identify that in advance. When we had Centrelink and FaCS at the table at the same time we could usually resolve the issue and at least have a continuity of response. But in terms of the policy—

Senator Abetz—When is FaCS here?

Ms Scott—Tomorrow.

Senator CHRIS EVANS—Yes, tomorrow.

Senator Abetz—And you will be going along to that?

Senator CHRIS EVANS—Yes.

Senator Abetz—What I would have otherwise offered if you missed out on that opportunity is that in case of any confusion we could potentially have taken questions on notice and then handballed them off to FaCS for FaCS to deal with. But you have the opportunity tomorrow.

Senator CHRIS EVANS—Thank you, minister. That is right. Unfortunately, I am sure I will ask them a question tomorrow that they will say is not a policy issue but is a service delivery issue.

Senator Abetz—If that occurs, you might take up the suggestion that I just made in relation to FaCS.

Senator MOORE—I think one of the reasons that it has been brought to people's attention is the formation of the new department, which has brought the agencies together. One of the clear issues has been coordination of policy. What comes up consistently is that people who are clients of the various departments are feeling stressed by having different policy parameters from different ones. The creation of your department leads to some expectation that, if you have child support, Centrelink and HIC and all of the others under Human Services, that process will move towards actually addressing an issue that comes up consistently. I am sure that most people have heard that over and over. We will put it on notice for Human Services. Certainly there is a hope that, in coordination with the policy development departments, Human Services can work through some of these very basic implementation issues.

Senator CHRIS EVANS—We will take it up with FaCS. But you are telling me that, if I want to ask a question about Child Support Agency policy, I ought to ask FaCS. Is that right?

Ms Scott—That is right.

Senator CHRIS EVANS—What should I ask Child Support Agency, then—purely questions about operational matters?

Senator Abetz—That is for you to decide.

Ms Scott—Yes, questions about operational matters and questions relating to the way they deliver the service.

Senator CHRIS EVANS—I think it is an important issue, because part of the function of Senate estimates is to follow up constituent concerns about these very issues. The difficulty that they often complain about is they get a different answer from a different agency, and I would not want to it replicated at estimates that senators also cannot get satisfaction about those concerns. You are very clear that the question about how CSA assesses income and the policy behind that ought to be directed to FaCS and you cannot help me with that?

Ms Scott—CSA often gets criticism—and compliments, for that matter—relating to the design of policy. Those issues are then best referred to the people who design the policy. The parameters on what counts as income are not determined by CSA; they are determined by government policy. The policy department is best able to answer those questions.

Senator CHRIS EVANS—We will see. Getting back to the matter of Mr Schultz—and I will not deal with the details of his attack and his criticisms, although I might ask a couple of questions about that—who, under these new administrative arrangements, is responsible for defending or answering criticism of the Child Support Agency's policies?

Ms Scott—I think that is the point of potential confusion I have in trying to answer your question. The Child Support Agency is not a policy department. The AAOs make it very clear that the policy is the responsibility of the Department of Family and Community Services. The delivery of the service is the responsibility of the Child Support Agency.

Senator CHRIS EVANS—So what is the answer to the question? When someone like Mr Schulz or any other member of the public makes severe criticisms of the operation of the Child Support Agency, which minister is responsible for explaining it?

Ms Scott—For the operation of the agency, the responsibility is with Minister Hockey. The policy relating to child support is the responsibility of the Family and Community Services portfolio.

Senator CHRIS EVANS—I do not particularly want to get into Mr Schulz's particular comments, but when he says he has hundreds of examples of disgraceful action by the Child Support Agency, which minister ought to respond and explain why he is wrong? I am talking about which minister under the administrative orders; I am not asking you to make a judgment about the ministers. I am just trying to understand who under the admin orders should respond to that.

Senator Abetz—I am not sure about exactly what Mr Schulz said, but, if his concern about disgraceful action in fact relates to the policy under which the Child Support Agency operates, that would be Minister Patterson. If he is talking about the conduct of a Child Support Agency officer, that would stop here. But I am not sure—

Senator CHRIS EVANS—Mr Schulz says that he believes that, in most cases, it is abusing its powers and misusing the act under which it operates; it is having a significant impact on male suicide and bankruptcies; and it is causing breakdowns, heartache and pressures on families. It is a fairly broad-ranging attack on the agency and its operations.

Senator Abetz—The chances are, from what you are saying, that it is a bit of both. A scattergun approach would be a bit like saying that the defence forces have got a terrible policy approach to purchasing equipment and it does not look after its veterans. You would

have the Minister for Defence and the Minister for Veterans' Affairs potentially both having to deal with it, although it seems as though it is in the one general Defence bucket.

Senator CHRIS EVANS—Ms Scott, perhaps you could help me. Did either minister publicly respond to this that we are aware of?

Ms Scott—I am not aware of any press release on this.

Senator CHRIS EVANS—Ms Bird, who would you raise those issues with in terms of the ministerial line of authority? You would now raise them with the Minister for Human Services?

Ms Bird—Yes. Responsibility for service delivery is Minister Hockey.

Senator CHRIS EVANS—I presume you got a tick-off from one of the ministerial offices before you issued your press release?

Ms Bird—I do not believe that was the case, no. When an issue arises in the media, the agency will often discuss with the minister's office who will actually respond to the particular issue. The agency often responds to criticism about the service delivery in the media.

Senator CHRIS EVANS—Did that occur on this occasion, before you issued your press release?

Ms Bird—On this occasion, yes; we discussed with the minister's office—

Senator CHRIS EVANS—That is Minister Hockey?

Ms Bird—yes—that the agency would respond to the media about the criticisms that had been raised.

Senator CHRIS EVANS—Was there any consultation with the minister for FaCS?

Ms Bird—I certainly did not undertake any. Mine was with Minister—

Senator CHRIS EVANS—I am not trying to put you on the spot; I am just using this as an example of working out how it works, because it is not at all clear to me. That is the purpose of the question, not to put you on the spot about Mr Shultz's wide-ranging critique. While we are on that, has Mr Shultz directly raised his concerns with the Child Support Agency?

Ms Bird—In relation to the cases he mentioned last week, no. He has raised cases in the past with the Child Support Agency, and the Child Support Agency has looked at those cases, as it does for any member of parliament or senator who has concerns about constituent issues.

Senator CHRIS EVANS—But they were specific constituent issues in the past. There has been no recent contact with Mr Shultz about his concerns with other cases?

Ms Bird—Much of that contact is done by our regional staff. I could not tell you exactly when the last time our regional staff met with Mr Shultz to discuss individual cases.

Senator CHRIS EVANS—Thank you. I do not have any more questions for the Child Support Agency.

[9.53 p.m.]

CHAIR—We are now moving on to output 3, CRS Australia.

Senator CHRIS EVANS—I do not think there are any questions for CRS Australia.

Senator Abetz—No questions? Excellent, let us move along.

Senator McLUCAS—In other committees that I work in, where agencies are going to be called we usually have a process of asking interested senators if they want those agencies. It might be an appropriate thing that we do in this committee so that agency personnel do not come and—

CHAIR—We have been doing that.

Senator McLUCAS—It is something that we do in community affairs that you might learn from.

CHAIR—From Senator Knowles? Thank you. We have Centrelink to go after the Department of Human Services, then the Health Insurance Commission and then Australian Hearing. So we have three agencies to come.

Senator Abetz—Are there questions for all of those?

CHAIR—Are there any further questions for the Department of Human Services? There are no further questions.

Senator McLUCAS—But it might be useful if they stay, certainly the secretary.

Senator Abetz—Ms Scott will remain.

Senator CHRIS EVANS—Very wise, Ms Scott.

Ms Scott—Thank you.

CHAIR—In that case we will move on to Centrelink.

Senator McLUCAS—Just before you do, Health Services Australia are still here. I do not have any questions for them.

Senator CHRIS EVANS—Just for your information, Mr Chair, from the opposition point of view—and I know we do not have an exclusive interest in estimates but looking around the table I see that the minors are not here—I think Senator McLucas has responsibility in the opposition for leadership on issues to do with the Health Insurance Commission, Health Services Australia and Australian Hearing. I think, therefore, that she was indicating to you that she did not have any need to retain—

Senator McLUCAS—Health Services Australia.

CHAIR—There being no further questions from the committee to Health Services Australia, officers connected with that may depart. Senator Evans, do you have any questions on Centrelink?

Senator CHRIS EVANS—I do. Mr Whalan, what effect have the administrative changes, in terms of the new department et cetera, had on Centrelink? Have they all settled?

Mr Whalan—On the front line, for the people dealing with the Australian public, there has been little change from the creation of the Department of Human Services. The greater change has been created by the admin order changes with other departments. As you would be aware, our previous major policy purchaser was the Department of Family and Community Services. Under the new admin order changes, responsibility for participation has transferred to DEWR, so instead of being a smaller customer they are now a much larger customer. DEST now has

responsibility for the Youth Allowance for our young people who are studying. It is those changes that have had a bigger impact, but there has been little impact at the moment.

Senator CHRIS EVANS—Can you give us a sense of the market share of your clients?

Mr Whalan—FaCS was into the high 90s in percentage terms prior to the admin order changes.

Senator CHRIS EVANS—Even recently it was still that big; was it? Just before the most recent changes?

Mr Whalan—Correct.

Senator CHRIS EVANS—I did not know it was still that big.

Mr Whalan—Every other agency made up only a couple of percentage points. Post the changes, DEWR as a purchaser has roughly more than 50 per cent of the business, and then FaCS is the next largest purchaser.

Senator CHRIS EVANS—What will FaCS represent in percentage terms? I am not going to hold you accountable for the exact figure.

Mr Whalan—Approximately 30 per cent.

Senator CHRIS EVANS—And DEST?

Mr Whalan—In round figures, between 10 and 15 per cent. So they are up to 95 per cent, and there is another five per cent with a vast number of agencies purchasing small amounts.

Senator CHRIS EVANS—As for the longer term picture, do you expect that to change much?

Mr Whalan—No, I would not. Another comment I would make on the impact of the new admin order arrangements is that there is a much clearer priority being given to economic participation. We have already seen, as Ms Scott has mentioned, that that has been nominated by the Prime Minister as one of the priorities. As a result, Centrelink is giving more priority to that.

Senator CHRIS EVANS—How do you do that as a service provider?

Mr Whalan—An example would be the type of approach that a customer services officer at the front line takes in respect of someone who comes to the front counter and asks about their circumstances and what is available. Increasingly, Centrelink explores what their circumstances are and, if appropriate, puts an emphasis on job opportunities and continues to provide support in their social and other circumstances.

Senator CHRIS EVANS—So it is an emphasis on what the customer service officer offers or gives precedence to in the information they provide?

Mr Whalan—In some ways it is almost the approach that you take.

Ms Scott—They explore with the person whether they would like to be in contact with the Job Network. Even where that is not a compulsory activity, they offer people the voluntary option of being put in contact with the Job Network. People are increasingly taking this up.

Senator CHRIS EVANS—So there is a policy decision by Centrelink or by Human Services?

Ms Scott—There is a decision by the government which is reflected in the statement by the Prime Minister when he established the ministry that there would be a particular focus on lifting the number of referrals of people who approach Centrelink to the Job Network. Those figures show quite dramatic increases. It is done on a voluntary basis.

Senator CHRIS EVANS—Can you give us those figures?

Ms Scott—Yes, I can. I have a graph and I have coloured copies for the committee.

Senator MOORE—You have both addressed in your recent answers the encouragement to people and that feeling of participation, whether or not it is voluntary. What I am having some difficulty with at this stage of the process is understanding how the client—or customer; I have difficulty there as well—is made absolutely clear about their own obligations in the process and that they are absolutely certain about what is an obligation and something that they need to do and what is, as you have described it, something that is purely voluntary and of assistance to them. It is that key issue that is still troubling me.

Ms Scott—I have seen the scripts that the customer service officers have been provided with. They have opening questions that go along the lines of, ‘Have you heard about the Job Network?’ It gives the customer a chance to say whether or not they have heard of it. If they have not heard about it, the officer can explain what the Job Network is and what services it can provide. The officer asks people whether they would like to be in contact with the Job Network. So the script leads individual officers to explore this opportunity when contact is made by the customer.

Mr Whalan—The emphasis is on it being an option—something that is voluntary—and that is stressed to the staff.

Senator WONG—I am glad you raised the scripts, Ms Scott, because I was about to ask questions about them. Presumably, the scripts are the way in which a change in government policy is communicated to Centrelink customers?

Ms Scott—Yes.

Senator WONG—So were new scripts prepared some time late last year as a result of the various changes in arrangements and different emphasis in policies?

Ms Scott—Yes.

Senator WONG—When were they prepared?

Ms McGregor—I can get the exact dates, but my recollection was that it was early November. In addition to preparing the script which Ms Scott has referred to, we had procedures and instructions developed that support the voluntary nature, which I have here as well.

Senator WONG—Can you table the script?

Ms McGregor—There are some hand annotations on it, but I would be comfortable to table it.

Senator WONG—And the policies and procedures which govern the use of the scripts, Ms McGregor?

Ms McGregor—Yes, they are the instructions that we gave to our customer service—

Senator WONG—Can we have those, too?

Ms McGregor—Yes.

Senator WONG—Do the scripts differ for different benefit or allowance recipients?

Mr Whalan—Yes, they do. There are specific scripts for specific circumstances.

Ms McGregor—Sorry, but I missed the question, Senator.

Senator WONG—Do they differ for different cohorts of recipients?

Ms McGregor—Yes. For the activity tested payments—

Senator WONG—But the non-activity tested?

Ms McGregor—That is right. Our emphasis had been on the disability support pensioners and the parenting payment customers—but, again, stressing the voluntary nature of the offer.

Ms Scott—And also taking into account their capability. Clearly, if people have very young children, their opportunities are probably more limited and, if they are very disabled, it would be inappropriate to suggest that they might be in contact with Job Network. Some people want a referral to a specialist provider. Sometimes it is just not appropriate to make the suggestion at all.

Senator CHRIS EVANS—I do not want to interrupt Senator Wong's train of thought, but could you explain the chart you tabled? Maybe you could take us through it. It seems to me that the massive growth in referrals is from the parenting payment single group. Is that fair?

Ms Scott—That is correct.

Senator CHRIS EVANS—To what do you attribute that quite stark increase compared to the other categories listed—the disability support pension and the parenting payment partnered, which show a much more modest but statistically significant increase?

Ms Scott—Centrelink will probably wish to add to my answer, but part of it is obviously the responsiveness of the individual concerned. Because we are talking about voluntary behaviour, there is substantial growth in part-time work. Part-time work is particularly suitable for parents because of their family responsibilities. I think it reflects both interest and opportunity.

Ms McGregor—Agreed.

Senator WONG—We have just been given the scripts to be tabled. What about the guidelines?

Mr Whalan—Once again, we have a copy with hand annotations.

Senator WONG—If they are prejudicial to you, I do not mind if you rub them out first. But I would not mind asking questions after having a look at them. With respect to single parents and DSP recipients, was there any instruction in the guidelines or by any other means

to Centrelink staff to not indicate—unless they were asked—that referral to Job Network was voluntary?

Ms McGregor—No. Our instructions have been that it is voluntary for those customers.

Senator WONG—Was it contained in the script?

Ms McGregor—Not explicitly. It is, though. I have copies here. This is for our customer service officers. As you will see on the first page of this, it says:

It is important to remember that participation by recipients of DSP, in employment assistance programs is voluntary.

So it is quite explicit.

Senator WONG—Is this script that you have just tabled—and it says V2—the only version that CSOs have been given post October 2004?

Mr Whalan—It was the version issued nationally.

Senator WONG—Is this the only script that the CSOs have been given post October 2004?

Ms McGregor—We are aware that one of our local areas developed, with the best of intentions, something to generate referrals. That came to our attention and it was withdrawn. This re-emphasised, as did the script and also another instruction from my team to our area network, that it was voluntary.

Mr Whalan—That was withdrawn as soon as we became aware of it.

Ms Scott—It was confined to one area.

Mr Whalan—One of 15.

Senator WONG—Can we explore this? When did this occur?

Ms McGregor—The date I have, as I have a copy of the one you are referring to—

Senator WONG—I do not know if it is the one I am referring to. It is the one you referred to.

Ms McGregor—It is the one we were aware of and had withdrawn. I have a fax date of 7 December, so it was early December.

Senator WONG—Can I have a look at that one? While you are doing that, which area was it?

Ms McGregor—Penrith. It was in area west in New South Wales. Penrith was the customer service centre.

Senator WONG—And it was locally developed?

Ms McGregor—Yes.

Senator WONG—Was this the only area in which this particular script was used?

Mr Whalan—Yes, as far as we are aware.

Senator MOORE—How rigorous is the attention to the script? The way you are presenting it now is that you have to follow these lines. But in an organisation as large as this

one is and with people with varying levels of experience I can imagine someone having this as the training document and then drifting away from it. How do you maintain rigorous compliance to the script?

Ms McGregor—We emphasised that that is the preferred set of words and that was because of the key messages at the time. Invariably, if a customer interjects I would suspect that we would respond to that. Our call centre network relies heavily on scripts, so this is not anything new. But it does allow for a bit of human intervention, too, if there is a good interaction going between the customer and the customer service officer. But the central messages are to be maintained.

Ms Scott—With your indulgence, I have an answer for the reference to V2. There was a V1. The change related to a reference to work boots, which was given as an example. It was a description about the Job Network and this one was considered to be better. So it did not go to the issue of compulsory or voluntary. That is my recollection.

Ms McGregor—That is correct. In fact, we developed the first script and then showed it to DEWR and DEWR suggested the amendment in terms of the work boots, as Ms Scott says.

Senator WONG—Work boots. What did you need that for?

Senator CHRIS EVANS—I must be getting old. I have visions of flying bombs landing on England in the Second World War.

Senator MOORE—So was it under, ‘What if you need more help?’—in that paragraph?

Ms Scott—I am glad we have someone with a copy of the script.

Senator WONG—Was V1 ever issued to CSR?

Ms McGregor—No, it was not.

Senator WONG—Presumably the reason for the withdrawal of this script was the publicity associated with aspects of it?

Mr Whalan—No, the reason for the withdrawal was because it was inconsistent with our instruction about how it ought to be done.

Senator WONG—How did you become aware of its existence?

Mr Whalan—Through the publicity. The publicity made us aware of it. If we had become aware of it in another manner we would have withdrawn it also. It was withdrawn when we became aware of it.

Senator WONG—I do not want to go on some sort of witch-hunt for the staff member but are you able to explain to us how one of your staff could have interpreted government policy in the way that is outlined in the fourth paragraph? Would you like me to give it back to you so you can read it?

Ms McGregor—I do not know that that would help. I do not know how they could have interpreted it like that.

Senator WONG—Is that your understanding of government policy?

Ms McGregor—My understanding of government policy is that it is voluntary for those customers. All I can put it down to is best intentions.

Senator WONG—It reads:

For parenting payment customers and disability support customers there is no requirement that they go so if asked you will need to answer the question correctly but avoid having it as part of your spiel.

Ms McGregor—We do not support that document.

Senator WONG—So that does not represent Centrelink's approach?

Mr Whalan—No.

Ms McGregor—Not at all.

Ms Scott—Nor the government's policy.

Senator WONG—Thank you for that clarification. I have a question regarding some of the technicalities associated with the department change in the AAOs. FaCS used to produce the labour market related payments monthly figures, which I understand Centrelink contributed to, because you obviously held the data on who has been on payments for how long and so forth. With the revised arrangements, who will be responsible for producing that data?

Mr Whalan—DEWR would have responsibility.

Senator WONG—DEWR obviously does not hold the data. That is data that has been interrogated from your systems. What arrangements have been put in place for that to occur?

Ms McGregor—I would need to get some advice on that. As you say, we do provide the data. The regularity and the intervals I am not fully across. We can easily get that for you.

Senator WONG—Who in Centrelink was responsible for that data collection prior to the change in arrangements?

Mr Whalan—If the data was published by FaCS, FaCS would have been responsible for it. Someone within Centrelink would have been responsible for providing the information.

Senator WONG—You are the ones who have the information. FaCS does not have the information. That is the point. Given that that remains the case, which area of Centrelink had responsibility for interrogating your systems to provide that data to FaCS prior to the change in arrangements?

Mr Whalan—There is an area called the data shop that has responsibility.

Senator WONG—Is there anyone here from the data shop?

Mr Whalan—We have officers with responsibility for that area, yes.

Senator WONG—Can they come to the table?

Mr Whalan—My only hesitation is that if you are going to ask them about what is the data at this point in time—

Senator WONG—I would like to ask them that, and I would also like to ask them questions which I am sure you would be willing to answer about what discussions there have been at a departmental level about future arrangements for the publication of this data given the changed arrangements. Is the data shop the part of Centrelink that was responsible for providing some data for FaCS's publication for labour market related payments on a monthly basis?

Dr Tucker—The area is called data and information services. It is a group of technical people who extracted the data from data files. A whole range of data is extracted for a number of purposes, so they would be the people who physically extracted the data.

Mr Whalan—There are likely to be three steps in this. Step 1 is: extract the data to certain specifications. That is in this area of responsibility.

Senator WONG—But that is Dr Tucker's area.

Mr Whalan—Step 2 is: try and get the data into a form that the policy area can make sense of, which is actually another area of Centrelink. Step 3 is: pass the data to the policy department, who then work through it with people who understand the policy in detail, and probably refine the data before publishing it. There are three steps.

Senator WONG—Since the rearrangement, have there been discussions between Centrelink and DEWR about the provision of this data for reporting purposes?

Mr Whalan—I do not know. I will just check if one my staff knows.

Senator WONG—Perhaps you could take it on notice if you are not able to.

Mr Whalan—If I may.

Senator WONG—Mr Whalan and Dr Tucker, I do have some questions on notice regarding data on Newstart and Youth Allowance recipients. I am happy to table that for you to take on notice.

Mr Whalan—Thank you.

CHAIR—Are there any further questions on Centrelink?

Senator CHRIS EVANS—Yes. I am conscious that we are running out of time, and Senator McLucas has a couple of agencies she wanted to call. I would like to spend much more quality time with Centrelink and no doubt I will get a further opportunity. But I do want to raise a couple of issues in the short time available. This may be more of a departmental matter: the new LLOs, local liaison officers, that the minister has announced. Mr Hockey wrote to me, along with all the other senators, about it on 9 February. I think we were a couple of weeks behind the House of Representatives and I am sure Senator Abetz will take that up with him—it seems an inappropriate order of preference. I understand the House of Representatives members had received some advice earlier. I think it will take some time to go through all the questions I have, so I might just ask a couple and maybe put the others on notice.

One of the things I do want to say, Ms Scott, is that I think there is some interest in the issue among members of parliament, and they have raised some concerns with me. I was going to perhaps suggest that you might like to take on board the suggestion and convey to the minister that some sort of briefing session be put in place—I do not know what else has been put in place. We found that today people were raising issues. They were not really estimates issues but were rather questions about how it is going to operate et cetera. I think there will need to be some more information provided if that is possible. I want to get clear a couple of things about the arrangements. Will there be a designated officer for each electorate or will it be a person who handles a number of electorates?

Ms Scott—For each electorate there will be a designated officer.

Senator CHRIS EVANS—I therefore assume that they will be doing other work as well as responding to work generated by this.

Ms Scott—That is correct but, depending upon the response by members of parliament, we will need to keep that under very careful monitoring. I am pleased to say that there have been 32 cases already referred to the LLOs in the first week, and they have been able to achieve the two-working-day time frame that has been stipulated for the agency concerned to get back to the electorate office.

Senator CHRIS EVANS—I do not have the benefit of that, because I had until yesterday to advise the minister of who I would like to do the job, which I thought was a rather odd selection process. I am pleased to be consulted, but I want to understand how that would work.

CHAIR—It is good that the senators have been included, isn't it, Senator Evans?

Senator CHRIS EVANS—Included, but belatedly.

CHAIR—It is very good, Ms Scott.

Senator CHRIS EVANS—I suppose the question is: is there going to be one allocated per senator—

Ms Scott—Yes.

Senator CHRIS EVANS—or will they be referred to the electorate office ones?

Ms Scott—No. There will be one per senator. It was always the intention that all members of parliament would be covered, and we are effectively staging this process. I am trying to recall the first part of your question.

Senator CHRIS EVANS—It is the question of staff selection. We have been invited to nominate who we think should do the job.

Ms Scott—Yes. The logic there is that some members of parliament feel they already have particularly useful contacts within a number of the agencies; it might be the Child Support Agency or it might be Centrelink or one of the smaller agencies. Hearing that a particular person is responsive—that they appreciate the issues and get on to them quickly—is what we need to utilise. So, rather than trying to find in a large field these particular people, it is great to be able to draw on the names that members of parliament themselves have identified. Those names usually go into the process and, where possible, they become the LLOs. There is also a second aspect to it. That is, of course, to congratulate those staff for having been identified as particularly responsive and this is an opportunity to provide them with some positive feedback.

Senator CHRIS EVANS—They may regret being nominated at times.

Senator Abetz—Only if they have to do the work for Labor MPs.

Senator CHRIS EVANS—That is the sort of comment that undermines confidence in the system, Senator Abetz. It is interesting that you made it.

CHAIR—I think it was light hearted.

Senator Abetz—I would have thought, even at this late stage, you would appreciate a bit of levity. I come back to your comment earlier about briefing sessions or whatever. Have the LLOs been appointed?

Ms Scott—Yes, for each member of the House of Representatives.

Senator Abetz—Could I respectfully suggest that they make direct contact with the relevant staff member who might handle constituent inquiries, have a cup of coffee and have their briefing session that way.

Senator MOORE—Minister, many of the House of Representative members have already done that because that process has been put in place. We are concerned from the Senate point of view. As you know, senators cover a wide range. Certainly when we responded to our letter, it was inferred that we would be using the office closest to where we were—and that could have been a mistake. The other issue senators have is that a large percentage of their business, in terms of people coming to their offices, is Centrelink. I think that is a common experience.

Senator CHRIS EVANS—More so since they gave me the title of shadow social security spokesperson.

Senator MOORE—They would be drawn like honey to Senator Evans's office. Nonetheless, it is also just trying to balance Centrelink, child support and other parts of your department's responsibilities. We are just coming to grips with that. At present those in my office talk to people within Centrelink, people within child support and people within CRS. They have already built up those networks. We are trying to find out how we are going to have one point—and we are happy to do that. Understandably, my office coincidentally is located in the very same area as that of Minister Dutton.

Senator Abetz—I am sure your office is not coincidentally located in that marginal electorate.

Senator MOORE—We may or may not be using the same liaison point. We are certainly using the same office now. But there are quite particular points for a senator's office which differ from those for an office of a member of the House of Representatives. I think some of us are struggling with that, as you would be, Senator Mason, at Mount Gravatt.

Ms Scott—Your question goes to many parts and I hope I am going to remember them accurately.

Senator MOORE—That is why we might like a briefing session.

Ms Scott—I am happy to take that issue. But certainly there is an encouragement in the letter to senators about a contact within the department of human services who is dedicated to this LLO program. I will take your suggestion away and mention it to Minister Hockey and in the meantime I would invite you to make contact with the officer nominated there.

Senator MOORE—Are we going to get a letter back from the department saying, 'Congratulations, your LLO is this person'?

Ms Scott—Yes, that is correct.

Senator McLUCAS—We did not know that.

Ms Scott—You will be advised of the person. We want that person to be as close to your office as possible. That person will be dedicated solely to your office; it will not be a shared arrangement.

Senator CHRIS EVANS—I think there are other broader systemic issues that people will want addressed. I am sure that people will take the opportunity to meet with their appointed LLO. But one of the issues, for instance, is the question of information gathered about cases referred by a member or senator—what reporting there is, what privacy provisions apply and what public information will be made available as to type and number of cases. This is just one issue that was raised with me today. I have not had a chance to even think about the range of issues, but I think there is a whole range like that that people will want reassurance on. That will go beyond the duty of the individual LLO. They will know how to operate at the level of dealing with a complaint, but I think the systemic issues are broader.

Ms Scott—I see the point that you are making. I will return briefly to Senator Moore's question. You already have, hopefully, excellent contacts within a number of the agencies.

Senator MOORE—Really good.

Ms Scott—Good. This is not meant to replace those you would call for help who are already able to put you in touch with the answer straightaway. It is really for when members of parliament are encountering roadblocks and they do not know who to contact or are getting a poor response. We are very conscious that, when things seem to go into a void, it is a frustration for both members of the Australian public and members of parliament. This is meant to address that particular issue. The individual officer will not be able to provide an instantaneous answer; the idea is that the agency concerned will provide a response within two working days. It is a safety valve to address logjams that you or the people in your office may encounter. We would not want to destroy those contacts that are already good, where you already have a favoured person in Centrelink who gets on to things straightaway. It is supposed to be in addition to that.

Senator CHRIS EVANS—I accept that is the point. I do think there is a risk though that, once you set up an alternative system, people will start to say, 'You ought to go to your LLO and not speak to the manager,' et cetera. Again that is an issue that has been raised with me today. There is a whole range of issues like that that, as I say, may be best addressed at a briefing. Quite frankly, I would have preferred to address them tonight, but I think the chairman is anxious to allow Senators McLucas and Allison a chance to get to the issues they want to.

CHAIR—I am conscious of Senator McLucas' injunction. I think, Senator Allison, you have questions on the Health Insurance Commission.

Senator ALLISON—I do, yes.

CHAIR—Senator McLucas, you have questions on the HIC as well as—

Senator McLUCAS—Hearing Australia.

Senator CHRIS EVANS—I am concerned that you are more scared of Senator McLucas than of me, Mr Chairman.

CHAIR—I am.

Senator CHRIS EVANS—I will set out to rectify that. Can I indicate though that that will mean more questions will need to be placed on notice than I would have otherwise preferred. They will not be hugely extensive.

Senator Abetz—We will suffer that.

Senator CHRIS EVANS—I want to make it clear that in future I will not be suffering the time frame for estimates.

CHAIR—I understand that.

Senator CHRIS EVANS—We are going to have to address having this important department—that, as the government has announced, provides service to millions of Australians—accountable to the estimates process. That is important and, quite frankly, getting to it of an evening with half an hour to go is not appropriate at estimates. I am not blaming anyone particularly for that, but I do want to make the point that we need to fix it.

CHAIR—There being no further questions on Centrelink, we thank you, Mr Whalan.

[10.35 p.m.]

Health Insurance Commission

Senator McLUCAS—I want to start with a broader question about the changed administrative arrangements, but I am very mindful of the time. Can you concisely and briefly tell me how you feel the change from placement with Health and Ageing to placement with the Department of Human Services has been? What have the difficulties been and how do you intend to fix them?

Ms Argall—I will be brief. Apart from the actual changes to the administrative arrangements orders, the nature of the functions of the Health Insurance Commission and our operations has not changed at all. Historically, we have had a very strong relationship with our key policy agency, the Department of Health and Ageing, and that very strong relationship is being maintained and developed further.

Senator McLUCAS—So your client, if we are to use this purchaser-provider language, is still Health and Ageing?

Ms Argall—That is correct.

Senator McLUCAS—What is the rationale behind moving you out of Health and Ageing into the Department of Human Services?

Ms Scott—The government took the decision, which is reflected in the Prime Minister's statement of 22 October, that there was going to be an increased focus on improvements in service delivery and a conscious effort to consider service delivery issues in the development of policy. That saw six agencies being placed under the umbrella of Human Services. There was also an effort to increase ministerial accountability and improved governance arrangements.

Senator McLUCAS—That does not answer my question, but maybe that is because my head is in a different space. That is not your fault, Ms Scott. I understand that the HIC is essentially a service deliverer, but it sits very comfortably, to my mind, in the Department of Health and Ageing because of the complete nexus between the work that the HIC does and the

Department of Health and Ageing. I do not see a nexus between the HIC and Centrelink. Maybe there is an opportunity for that to happen.

Ms Scott—There is a nexus, I think.

Senator Abetz—This is an interesting discussion but, rightly, wrongly or indifferently, the government has made a decision that this will occur. It is within that parameter that the officials now have to operate.

Senator McLUCAS—I understand that completely.

Senator Abetz—So I am not sure how far it is going to actually get us for the purposes of the estimates.

Senator McLUCAS—I was seeking a technical explanation for the rationale, but you have described it as totally a political decision. I will go to a question on the Medicare enrolment file. I understand that database is currently being replaced. Is that correct?

Ms Dunne—We are currently doing some work on the Medicare enrolment file. It is a redesign of the file. The product is known as the consumer directory.

Senator McLUCAS—When you say it is a ‘redesign’, it sounds like a computer term. What does it mean? Is it a software issue?

Ms Dunne—Yes, in a sense. The redesign enables us to collect more information in relation to enrolled people. For example, certain constraints were placed on the existing enrolment file, which is 20 years old—it was created in 1984. Some of those design impediments are currently being corrected by the upgrade of the system: more fields and more opportunity to collect more information. Perhaps one of my colleagues would like to comment further.

Mr Andreatta—As Ms Dunne has said, the new consumer directory, which has been under development for a number of years, will replace our existing enrolment file, which has some deficiencies. At present it is not capable of being changed in a timely fashion. It is in old technology—20 years old, as was mentioned. We are now moving it onto a new IT platform which will allow us to capture more information onto that file, which will then allow us to deliver better services, make changes and introduce new initiatives in a more timely fashion.

Senator McLUCAS—Given the time, I wonder if you could provide on notice for the committee the list of the extra fields that are generated under the consumer directory.

Mr Andreatta—Sure.

Senator McLUCAS—Also provide the cost of the project, the expected completion date and how much has been spent to this point in time. I understand, and you may be able to correct me, that there is an issue about data cleansing. Can you explain that to the committee?

Ms Argall—Generally, data cleansing is something that occurs whenever a new technology project is being implemented. If you are transferring information from one system to a new system then it is appropriate to ensure that the data is as clean and as correct as possible before you migrate data from one system to the other.

Senator McLUCAS—I understand there was a process or review of the movement of the data from one system to the other, and the HIC has a series of recommendations to deal with that issue of data cleansing.

Mr Andreatta—That is correct. Six recommendations came out of last year's ANAO audit. Those six recommendations have been accepted by the HIC, and in fact we have moved a long way to implementing most of those recommendations.

Senator McLUCAS—So all have been accepted and you are moving to complete all of them?

Mr Andreatta—We are in the process of completing all six.

Senator McLUCAS—If you take those questions on notice, that will complete that issue for me.

Mr Andreatta—Sure.

Senator McLUCAS—On the issue of health care concession cards, it has been suggested that a crackdown on the misuse of Commonwealth health care concession cards could net the federal government up to \$400 million in savings. I must say I do not have the reference to that comment, and I apologise for that. Is that anywhere near the ballpark of what compliance with health care cards could deliver?

Ms Argall—This is probably a Centrelink issue, if we are talking about concession cards.

Senator McLUCAS—Sure. I will put it on notice to Centrelink. The ANAO report that we referred to earlier says that up to half a million Medicare cards of people who have passed away are still circulating or are still current. 'Current' may be a more appropriate word.

Mr Andreatta—Correct. The ANAO recommendations were to improve or update our records for deceased persons. Currently, the way we update our records is basically through a non-obtrusive method. We rely on family members or relatives to inform us of a person's death so that we can then update our enrolment record. So to date we have been slow in updating those records, because we rely on advice from the general public. We have a project in train at the moment where we will be receiving data from the states' registers of births, deaths and marriages. By the middle of this year the system will be able to update death data. Our enrolment system will be updated accordingly.

Ms Argall—There were claims in the media that the fact that there were some deceased records maintained in our file represented a potential abuse of Medicare cards and a significant business risk. That is not true, and that is not a finding of the ANAO. It was a reference in the ANAO report but it was also a reference to the fact that we had processes under way with our new consumer directory project to ensure better and more direct data matching with registrars of births, death and marriages.

Senator MOORE—On that point, is there cross-referencing with Centrelink? I know that we have processes with pensioners and other people on payments whereby their families tend to notify Centrelink if someone has passed on because payment ceases. Is there a formal process between those two agencies?

Ms Argall—I do not believe so in relation to this, but my colleagues might correct me on that. I do not believe that is one of the areas that we—

Mr Andreatta—No, not at this stage, but with the establishment of the new department it is a possibility.

Senator McLUCAS—That is where I was leading you.

Mr Andreatta—I am certain that using the state register of births, deaths and marriages will give us all the death data we need to update our records. That may be shared with Centrelink as well.

Ms Argall—Certainly we are achieving that in relation to information sharing in relation to births—or we are attempting to do that—in terms of getting people’s approval to be able to pass the information on.

Senator McLUCAS—The data from the state births, deaths and marriages is not a complete set, although I dare say that would go a long way in tidying up that list. I accept your point, Ms Argall, about this not being an issue of fraud identified by the ANAO, but the potential for fraud may be there—not for half a million, of course, but for some. Has there been some analysis of the real risk to the HIC of having these cards of deceased persons still in circulation?

Ms Argall—I think the ANAO report addressed that issue and did not raise this as a risk to the business. So there is an independent report on that matter.

Senator McLUCAS—Of the ANAO report?

Ms Argall—Yes.

Senator McLUCAS—We will keep watch on that and get some reports.

Senator ALLISON—I have some questions about the repayment of Medicare rebates following compensation. I understand the HIC Medicare rebate recovery program has been asked to suspend cases in which they were attempting to recover money from people who were victims of child physical and sexual abuse while they were wards of the state in Tasmania. Is that correct?

Ms O’Connell—The process for making those compensation payments is triggered by a number of activities. In particular, there is firstly a notification where a settlement has been reached and then that triggers a series of actions from HIC. In those cases, I understand that that notification has not been received by HIC at this point.

Senator ALLISON—I am sorry, what notification?

Ms O’Connell—The notification in relation to a settlement.

Ms Argall—I will address the issue briefly for you. The government is reviewing its policy in this area. In the interim, while that review is taking place, we have suspended taking action in relation to recoveries.

Senator ALLISON—I see. How long will the suspension last?

Ms Argall—We expect the government’s review to be within a very short time, and as soon as the outcome of that review is known that suspension will be lifted.

Senator ALLISON—And the suspension applies only to the Tasmanian cases?

Ms O'Connell—Yes, as I understand it.

Senator ALLISON—What about all the other cases where people received compensation for abuse—for example, those who got compensation from the churches?

Ms Argall—I do not believe that there are any cases pending that the HIC is suspending at the present time.

Senator ALLISON—How many cases have been suspended?

Ms O'Connell—At this time it relates only to those Tasmanian cases. We are not aware of—

Senator ALLISON—Yes, but how many are there?

Ms Argall—Are you asking about the statistics in relation to compensation cases generally or just the Tasmanian?

Senator Abetz—Just the Tasmanian child abuse cases, is that right?

Senator ALLISON—I would not mind asking about the others, although, just to clarify it, you seem to be suggesting that there are no others.

Ms O'Connell—Not in relation to abuse that we are aware of.

Ms Scott—I am saying this from recollection, so I might be a little wrong, but I think we are talking about numbers in the high thirties.

Senator ALLISON—That are outside the Tasmanian—

Ms Scott—No.

Senator Abetz—That are the Tasmanian ones.

Ms Scott—Yes, that are the Tasmanian ones.

Ms Argall—The number is 340.

Senator ALLISON—That is 340 wards in Tasmania.

Ms Argall—We have been notified about the planned offer of settlement by the Tasmanian state government of approximately 340 cases where wards of the state suffered abuse.

Senator ALLISON—So you have not made any attempt to recover this money because you have only just been advised about it, presumably.

Ms Argall—No, we have not made attempts to recover the money.

Senator ALLISON—So what moneys have been recovered already from such cases of child abuse? Now and again there are reports in the news about compensation being paid.

Ms Argall—I cannot give you any statistics in relation to cases of abuse. We do have statistics available in relation to compensation recovered in general, which I have here somewhere. In 2003-04 cases registered were 66,444, cases finalised were 61,494, and refundable benefits covered in relation to those were \$38 million.

Senator ALLISON—But these are not abuse cases.

Ms Argall—These are compensation recovery cases in general. They will be all cases where compensation is payable.

Senator ALLISON—So that will include some child abuse cases?

Ms Argall—It may.

Senator ALLISON—So what about the review? Is the review looking just at the Tasmanian situation or more broadly?

Ms Argall—This is a matter for the Department of Health and Ageing.

Senator ALLISON—The HSC is not involved in the review?

Ms Argall—No.

Senator ALLISON—I understand. So you cannot advise me about the likelihood that there will be different approaches to different states or different kinds of abuse or different circumstances.

Ms Argall—No.

Senator ALLISON—Is it possible to break down the number that you have suggested has been the subject of recovery into those which have been about child abuse?

Ms Argall—I doubt it, but I am happy to look at that on notice if you would like.

Senator ALLISON—Does the HIC have any processes for ensuring that supplying the information necessary for working out how much money the victims have to give back to the HIC does not further traumatise those who have already been through this experience?

Ms Argall—Yes, we do. I will ask Ms O'Connell to comment.

Ms O'Connell—There are some options within the legislation that allow us to, for example, offer a bulk payment arrangement that would reduce the trauma suffered by those who were subjected to abuse.

Senator ALLISON—Is that available? Is that on your site? Is it a document we are talking about?

Ms O'Connell—Is part of the act that allows for bulk payment as one of the options.

Senator ALLISON—A bulk payment option would mean that the 300, or whatever it was, cases in Tasmania would be dealt with collectively.

Ms O'Connell—Yes, collectively by the insurer—or the government in that case.

Senator ALLISON—Would that mean that the recovery would take place prior to the money being handed over to those people involved?

Ms Argall—That is correct.

Senator ALLISON—What about where an individual takes a case to a church, for instance?

Ms O'Connell—The bulk payment option is still available on an individual basis. But, again, it is an arrangement with the insurer—in that case the state.

Senator ALLISON—Have you done any figures of what would be the average amount people might have to repay in those circumstances? Are there any percentages that are possible to quote?

Ms Argall—Yes, we have. I think the latest estimates are very low in terms of the percentage of the total payout.

Senator ALLISON—Meaning two per cent, or 20 per cent?

Ms Argall—I think it ranges from about 0.5 per cent to two per cent.

Senator ALLISON—Is it possible to get some figures on what that means in total?

Ms Argall—If it were two per cent, it would be in the order of \$400.

Senator ALLISON—Is that still worth collecting? Sorry, that is not a question for you. I will ask other questions of the department of health. Can I raise some question about the crackdown, if I can put it that way, on the billing practices of abortion clinics. Can you outline what action has been taken in the last couple of years in relation to policing the charging practices of abortion service providers?

CHAIR—Are you able to answer this?

Ms Argall—The issue around the abortion debate, which has been in the public arena in recent times, is a matter for the Department of Health and Ageing. If your question is around our compliance and review activities, I can tell you that abortion clinics are not targeted as part of our compliance and review activities as a specific case. Our compliance and review activities are conducted across all services.

Senator ALLISON—In 2004, as I understand it, the HIC laid charges against two abortions service providers. Is that correct?

Ms Argall—Dr Janet Mould can confirm that.

Dr Mould—You asked whether in 2004 we laid charges against two. The answer is no. We had charges against one provider, which were still current in 2004.

Senator ALLISON—Is there any systematic examination of the charging practices of abortion providers?

Ms Argall—In my previous answer I indicated that that was not the case.

Senator MOORE—Ms Argall, is it true that your process is also stimulated by people putting in complaints about providers or people wanting to stimulate some kind of investigation? Do you have—to use another department's terminology—a 'dob in' process? If you had people contacting the agency saying, 'I reckon this group is screwing the system', would that be enough to stimulate an investigation?

Dr Mould—Yes. We receive well over 2,000 complaints a year—

Senator MOORE—I would have thought so.

Dr Mould—through our various methods, including a forward reporting hotline. All those complaints are assessed and rated and a decision is taken as to what should happen—no further action, investigation, further statistical analysis et cetera.

Senator MOORE—So if there were some kind of process—say, dobbing in a range of clinics that offered a particular service—it would still have to be investigated through due process?

Dr Mould—Correct. They are all initially assessed for their value. Further data analysis is carried out and then a decision is made by the case management committee as to the next action to be taken.

Senator ALLISON—I would now like to go to the issue of obstetricians and their charging practices. This arose from, I guess, a lot of public debate and reports about the new safety net and obstetricians who were appearing to take advantage of the safety net. Have charges been laid against any obstetrician so far?

Ms Argall—That is a question more appropriate to the Department of Health and Ageing.

Senator ALLISON—Because the HIC is not investigating and charging any obstetricians?

Ms Argall—There have been no overcharging practices.

Senator ALLISON—Obstetricians have not overcharged?

Ms Argall—In relation to the application of the new arrangements. Sorry, Senator, could I have your question again? I think I may have misunderstood it.

Senator ALLISON—Following the introduction of the Medicare safety net, I heard it said, either by the minister or somebody else, that the matter was being looked into and the suggestion was made that some obstetricians might be charged for the cost-shifting, I guess, that is associated with this.

Ms Argall—I think when the new arrangements were introduced there might have been some lack of clarity about the application of the guidelines. Given that lack of clarity, the Department of Health and Ageing has subsequently provided that clarity in changes.

Senator ALLISON—So there is a new planning and management item for obstetric services? Is that correct?

Mr Andreatta—That is correct. That was introduced on 6 September. That came about because of the issue around the clarity of the new safety net arrangements. The Department of Health and Ageing met with the AMA and the doctors' groups to discuss that particular issue, and the outcome was the introduction of that new item, which helped with clarifying what is an in-hospital service and what is an out-of-hospital service.

Senator ALLISON—Is there any data available on how often that item has been used so far?

Mr Andreatta—I do not have any data with me, but I certainly could get that for you.

Senator ALLISON—Could you put a dollar figure on all those as well?

Mr Andreatta—Yes.

Senator ALLISON—Have doctors been informed in writing about the new item number? This may be a question for the health department as well.

Mr Andreatta—The new item number was included in the latest edition of the Medicare Benefits Schedule. The description is in that.

Senator ALLISON—So you would expect them all to know from that?

Mr Andreatta—Yes.

Senator McLUCAS—Is the new item a replacement of the original item, which I thought had two parts?

Ms Argall—We really are getting into the areas of responsibility of the Department of Health and Ageing. The medical benefits schedule is their area of responsibility.

Senator McLUCAS—I understand that.

Senator ALLISON—In relation to parental access to information held by HIC, has there been any movement on the proposal which was touted to deal with parental access to that data for children under 16?

Ms Scott—That is a policy matter, and the question is better directed to the Department of Health and Ageing.

Senator ALLISON—So, again, it is not a matter that you have been involved in. You may suggest that this question is also the case: is your department dealing with the 12½ per cent PBS pricing measure change?

Ms Argall—The Department of Health and Ageing is dealing with that.

Senator ALLISON—All right. My questioning will be a lot shorter than expected then. Two items on the MBS are specifically for procedures which may have abortive outcomes—items 35643 and 16525, the latter being management of second trimester labour.

Ms Argall—Can we pause there. Again, we are talking about the medical benefits schedule, which is a policy issue more appropriately addressed to the Department of Health and Ageing.

Senator ALLISON—Okay. That is probably the case with all my questions.

CHAIR—Are there any further questions for the Health Insurance Commission?

Senator McLUCAS—I do not have a question but a comment to you, Mr Chair. Over many years we have had an ongoing discussion about where Medibank Private should exist. There has been pressure to have Medibank Private appear at this committee, and I am aware, Mr Chair, that you are of the view or, as I do not want to put words in your mouth, there was a general view that it was more effective for Medibank Private to appear at community affairs because of the nexus between the issues that we discuss at community affairs. I would like to put to this committee that the same issues that surround Medibank Private also go to the Health Insurance Commission. We can spend the next while working out whether we ask witnesses one question or another, or we can do it like we used to do, when we had the Health Insurance Commission and the department in the same room, at the same time, and we actually do the work of the Senate committee and get some clarity on the issues. I am following up Senator Evans's earlier comments and am suggesting that we truly look at the appropriate placement of the HIC, Hearing Australia and, shall I dare say, Medibank Private, in the hope that we can place them back into community affairs or somewhere more appropriate.

CHAIR—I am sure there will be further discussions about this within the committee and also within the executive itself. It is an issue that has been going backwards and forwards, but I suspect that it has not been resolved yet.

Senator McLUCAS—The new structure provides us with an opportunity to look at it. Let us just do it the most efficient way.

CHAIR—There being no further questions for the HIC, I thank the witnesses very much.
[11.08 p.m.]

Australian Hearing

CHAIR—Ms Green, welcome. You are the lucky last witness!

Ms Green—Yes, last but not least!

CHAIR—Indeed.

Senator McLUCAS—I will try and do this as quickly as I possibly can. You have, I understand, introduced a voluntary clinical bonus scheme. When was that introduced?

Ms Green—That was introduced about six months ago. I think it has been in operation for six months.

Senator McLUCAS—Just briefly for the committee, could you explain the operation of the scheme?

Ms Green—Australian Hearing has 80 per cent of its work in the private sector, where clients come and choose from amongst a whole range of providers. It is common practice across the whole private sector to offer the clinician a bonus payment, which we call a top-up, on the sale of a hearing aid. That means the government has a subsidised range of hearing aids, and if the client's needs are such that a more advanced form of technology is needed then it is common practice across the whole industry to offer clinicians some form of bonus on that sale.

There is currently a manpower shortage in Australia, and indeed almost across the world, in audiologists and without that payment we just cannot compete for salary recompense packages that would keep staff. Our arrangements are very stringent and they are very modest compared to the private sector. People do not get the payment until the client has kept the device for some considerable time and not returned it. In other words, it has been an appropriate device for their particular needs.

Senator McLUCAS—How long is that, Ms Green?

Ms Green—It is a 55-day period, and I think we wait three months to make sure that the device has not been returned.

Senator McLUCAS—And if it has not been returned but just put in the cupboard—like my father—how do you know?

Ms Green—We do not know. Any device given through any method can end up not being used.

Senator McLUCAS—That is right. Do you have any understanding of how many devices are not continued to be used? Just from my personal experience, it seems that there are fairly high levels.

Ms Green—I do not have a figure at hand. I know our researchers have done some work on it and I understand the Office of Hearing Services has been doing surveys. They may be better placed to answer the question.

Senator McLUCAS—Back in Health and Ageing—terrific. That is all right. Back to the process: a person comes to Australian Hearing and sees one of your clinicians. How does the patient know that there is a top-up payment, given that their perception would essentially be that this is a government service, not a private service?

Ms Green—From the outset, when they get their voucher, they get a choice of providers to go to. They get a list from the Office of Hearing Services. That list will have a range of providers of different varieties, so it is clearly not just a government service. There are many providers in the marketplace.

Ms Scott—I think there are about 150.

Ms Green—Actually, there are now about 180 providers in the marketplace.

Ms Scott—It is a highly competitive market.

Senator McLUCAS—Do you think most of your patients know that they are coming to an Australian government owned entity?

Ms Green—I think most of them do. We have done quite a bit of consumer research, and they understand that we also work in the private sector. To answer your question, the covenant under which we operate, under the Office of Hearing Services, obliges us—or anyone—to offer choice. The choice is around a number of hearing solutions. When you do the consumer research you find that they resoundingly want choice. They do not want to be offered just the government subsidised device. So they are given a choice, usually of three devices, and they are told the various attributes of each device and that one is fully subsidised and the others may have a fee attached to them. They are given a formal quote, and on that formal quote it is acknowledged that there is a royalty payment or a bonus payment to the clinician. That is written out for them so that they are fully informed.

Senator McLUCAS—Have you tested the level of understanding of patients who take up either option 2 or 3 that there is a top-up payment to the clinician?

Ms Green—We have not actually tested that, no.

Senator McLUCAS—What level of complaint have you had about the bonus system?

Ms Green—We have not had a level of complaint from clients; we have had some complaints from some of the hearing impaired advocacy groups.

Senator McLUCAS—Hearing impaired people are not invariably but almost invariably older and are less likely to make a direct complaint and would more likely go through an advocacy group. We have had some concerns expressed. I wonder whether for the record you could provide us with a copy of the offer that you would make.

Ms Green—Of course, yes.

Senator McLUCAS—So that we can see how patients are advised about—

Ms Green—The quote with the disclaimer on it, yes.

Senator McLUCAS—With the advice that the clinician is going to get the top-up.

Ms Green—The secretary just reminded me that we are probably far more transparent about the process than many of our competitors.

Senator McLUCAS—The difference being that people who come to Australian Hearing think that they are coming to an Australian government owned—and they are quite right—provider of hearing services which, over the last five to 10 years—you can correct me—has changed immeasurably in the way in which services are delivered. Historically there has been the view that you get your government hearing aid from Australian Hearing, which is different from the private provider model in their perception.

Ms Green—That is not the case. The private providers offer government subsidised hearing aids. The nature of the service is very similar in the voucher market.

Senator McLUCAS—When did the voucher market come in?

Ms Green—It was in 1997.

Senator McLUCAS—That is what I mean. But then the question for Health and Ageing is how we are going to get you more audiometrists and—

Ms Green—Audiologists, yes.

Senator McLUCAS—and how we get them paid the right amount of money. But that is not a question for you.

Ms Green—The question of the bonus is industry wide. Many of our clinicians express to me great concern that there is any implication that they are anything other than ethical.

Senator McLUCAS—I need it on the record that there is no question about the ethics of these individuals; it is a question of perception, of the historical nature of Australian Hearing, the way people view it and the belief—unfortunately the forlorn belief now—that you can get health services free in Australia. On that sad note—

CHAIR—Thank you very much, Minister, Ms Scott and Ms Green, for your patience this evening. We have run a bit over time; I apologise. There being no further questions, that completes the committee's examination of additional estimates for the 2004-05 financial year. I remind agencies that the committee has set 1 April 2005 as the date for the submission of written answers to questions that were taken on notice. I thank the minister and officers for their attendance and assistance. On behalf of the committee I would like to thank all the officials who appeared before the committee during the day, and this evening in particular, for their cooperation. I would also like to thank the committee secretariat, the attendants and the officers of DPS for their Hansard and broadcasting services.

Committee adjourned at 11.19 p.m.