

# Additional Estimates 2008–09

## Introduction

1.1 On 4 December 2008, the Senate referred to the Finance and Public Administration Committee (the committee) for examination and report the following documents:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2009 [Appropriation Bill (No. 3) 2008–2009];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2009 [Appropriation Bill (No. 4) 2008–2009];
- Final Budget Outcome 2007–08; and
- Issues from the Advance to the Finance Minister as a Final Charge for the year ended on 30 June 2008.<sup>1</sup>

## Portfolio coverage

1.2 The committee has responsibility for examining the expenditure and outcomes of the:

- Parliamentary departments;<sup>2</sup>
- Prime Minister and Cabinet portfolio;
- Finance and Administration portfolio; and
- Human Services portfolio.

Appendix 1 lists the departments and agencies under the portfolios mentioned above.

## Restructure of portfolios

1.3 The committee notes that the *Administrative Arrangements Order* of 25 January 2008, amended 1 May 2008, made one change to the Prime Minister and Cabinet (PM&C) portfolio. Effective from 1 July 2008, Old Parliament House commenced operation as an executive agency under the *Public Service Act 1999*.<sup>3</sup>

1.4 There has also been a change to the PM&C output structure, with the addition of the Pacific Island Forum (1.5.9) to output group 1.5 (Support Services for

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1 *Journals of the Senate*, 4 December 2008, p. 1446.

2 As a matter of comity between the Houses, it is traditional that neither House inquires into the operations of the other House. For this reason, neither the annual report of, nor the proposed expenditure for, the Department of the House of Representatives is referred to a Senate committee for review.

3 Prime Minister and Cabinet Portfolio, *Portfolio Additional Estimates Statements 2008–09*, p. 3.

Government Operations). A full listing of outcomes and outputs can be found at appendix 2.

## Hearings

1.5 The committee held public hearings on Monday 23 and Tuesday 24 February 2009. Over the course of the two days' hearings—totalling over 21 hours—the committee took evidence from the President of the Senate, Senator the Hon John Hogg; Senator the Hon John Faulkner, Cabinet Secretary and Special Minister of State, representing the Prime Minister and the Minister for Finance and Deregulation; Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law, representing the Minister for Finance and Deregulation; Senator the Hon Joe Ludwig, Minister for Human Services; and Senator the Hon Penny Wong, Minister for Climate Change and Water, together with officers of the departments and agencies concerned.

1.6 The following agencies were released from the hearings without examination: Australian Institute of Family Studies; National Archives of Australia; Office of the Commonwealth Ombudsman; Office of National Assessments<sup>4</sup>; Old Parliament House; Australian Reward Investment Alliance; The Commissioner for Superannuation; CRS Australia; Australian Hearing; and Health Services Australia.

1.7 Copies of the committee's transcript of evidence are tabled in two volumes of *Hansard*. Copies of *Hansard* are available on the internet at the following address: [www.aph.gov.au/hansard](http://www.aph.gov.au/hansard).<sup>5</sup>

1.8 In accordance with Standing Order 26, the date for submission to the committee of written answers or additional information relating to expenditure is Thursday, 9 April 2009.

1.9 Further written information furnished by departments and agencies will be tabled, as received, in the Senate. That information is also available on the committee's internet page: [www.aph.gov.au/Senate/committee/fapa\\_ctte/estimates/index.htm](http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/index.htm).

## General issues

### *Operation Sunlight*

1.10 The Government's reform agenda to improve the openness and transparency of public sector budgetary and financial management and to promote good governance practices was contained in *Operation Sunlight – enhanced budget transparency; a practical suite of measures to enhance budget transparency* re-released on 16 April

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4 Officials from the Office of National Assessments did appear briefly before the committee but no questions were put.

5 Appendix 3 provides an index to the Hansard transcripts.

2006.<sup>6</sup> In 2008, budget transparency issues contained in Operation Sunlight were reviewed by then Senator Andrew Murray. The Murray review and Government responses were publicly released in December 2008.<sup>7</sup> The Government had revised the original document to report on initiatives already implemented and to incorporate further reforms. This updated document is now presented as *Operation Sunlight – Enhancing Budget Transparency*.<sup>8</sup>

1.11 During Additional Estimates, a number of matters pertaining to *Operation Sunlight – Enhancing Budget Transparency* were discussed.

#### *The ordinary annual services of government*

1.12 In the course of the examination of the Department of the Senate, issues in relation to the ordinary annual services of government were canvassed. The Clerk of the Senate, Mr Harry Evans, noted that, although the Senate had established a definition for ordinary annual services more than 40 years ago, this was no longer adhered to strictly. As a result, expenditure is incorrectly included in the appropriation bills for the ordinary annual services of government. The Clerk commented that 'the government collectively, which in reality means the Department of Finance and Deregulation, adopted the view that anything under an existing outcome is part of the ordinary annual services'. He went on to state:

As you know, the outcomes are extremely broad, vague and all-encompassing so completely new programs are turning up in the ordinary annual services bill. This was pointed out by the Audit office, and it has certainly been taken up by the Appropriations and Staffing Committee. This situation is not in accordance with the past determinations of the Senate on the subject...<sup>9</sup>

1.13 The Clerk noted that the Senate Appropriations and Staffing Committee had reported on the matter a number of times but that the Government had yet to respond to the committee. However, the need to resolve the issue was highlighted by the Clerk:

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6 This discussion paper largely restates the paper released by Mr Lindsay Tanner MP, then Opposition Shadow Minister for Finance, on 24 October 2005 with the same name.

7 Senator Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, [www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/budget-transparency-report.pdf](http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/budget-transparency-report.pdf) (accessed 2.2.09); Australian Government, *Commonwealth Government Response*, June 2008, <http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/official-government-response-to-murray-report.rtf> (accessed 2.2.09).

8 Australian Government, *Operation Sunlight – Enhancing Budget Transparency*, December 2008, [www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/operation-sunlight-enhancing-budget-transparency.rtf](http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/operation-sunlight-enhancing-budget-transparency.rtf) (accessed 10.3.09).

9 Mr H Evans, Clerk of the Senate, *Estimates Hansard*, 23.2.09, p. 4.

Something will have to be done soon because there is always something that puts this problem on the backburner, and currently it is the global financial crisis. We cannot deal with this problem with the ordinary annual services while the global financial crisis is threatening. There is always something that shoves this problem to the back of the queue, but something will have to be done soon, otherwise the distinction between ordinary annual services and everything else will be lost. We will soon get to a situation where there is only one bill presented and the other bill disappears altogether, and that would be a great loss for accountability because you then simply cannot distinguish between the ordinary ongoing normal expenditure of government and new expenditure.<sup>10</sup>

1.14 As articulated by the Clerk, the distinction between expenditure on the ordinary annual services of government and other expenditure provides a useful tool for parliamentary scrutiny and accountability in addition to ensuring compliance with the relevant Constitutional provisions (sections 53 and 54) for the appropriation of revenue or moneys. This committee's 2007 report *Transparency and accountability of Commonwealth public funding and expenditure* and the Murray review both supported the need to isolate the ordinary annual services as is provided for in the Constitution. It was recommended that the Senate continue to seek clarification from the Government about what should be included in the different appropriation bills and that the Senate should then form a view as to the appropriateness of the split. When any differences are resolved to the satisfaction of the Senate, the now Department of Finance and Deregulation should be required to monitor and enforce the split.<sup>11</sup>

1.15 The committee notes that the reform agenda, *Operation Sunlight – Enhancing Budget Transparency*, states that the 'Government is considering proposals to put to the Senate to clarify the allocation of items between the Appropriation Bills'.<sup>12</sup> However, given the importance of this matter to effective Senate scrutiny and the continuing misallocation of expenditure between appropriation bills, the committee considers that the matter should be addressed as quickly as possible.

### **Recommendation 1**

**1.16 The committee recommends that the Government respond to the Standing Committee on Appropriations and Staffing reports on the ordinary annual services of government as a matter of priority.**

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10 Mr H Evans, Clerk of the Senate, *Estimates Hansard*, 23.2.09, p. 5.

11 Senate Finance and Public Administration Committee, *Transparency and accountability of Commonwealth public funding and expenditure*, Recommendation 8, p. 41; Senator Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, Recommendation 4, p. 12.

12 Australian Government, *Operation Sunlight – Enhancing Budget Transparency*, December 2008, p. 11.

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### *Implementation of Operation Sunlight*

1.17 The Department of Finance and Deregulation (Finance) indicated that the policy objectives contained in Operation Sunlight are being implemented. Ms Kathryn Campbell stated that throughout 2008 all outcome statements were reviewed by a team within the department and any changes will be included in the budget papers for 2009–10. She noted that guidance will be provided to agencies on the development of the portfolio budget statements.

1.18 Finance also noted that, as part of the changes, each outcome will list the programs that contribute to that outcome and there will be key performance indicators identified for each program. Targets for each of the programs will be included within the outcomes, where feasible, and the annual reports of agencies for the following year will report achievements against those targets.<sup>13</sup> One such example is that of Centrelink targets which could include the number of benefits paid per hour or the accuracy of benefit payments. The Secretary of Finance, Dr Ian Watt, noted that 'it is an estimate of how you perform your task'.<sup>14</sup>

1.19 The committee welcomes the review of outcomes undertaken by Finance. For too long, outcomes have been worded in extremely general and vague terms and couched in aspirations rather than purposes for which the money is appropriated. This has led to difficulties in ensuring accountability of government expenditure as instances have been identified where the purpose of expenditure is unknown until the expenditure takes place. This lack of clarity has also resulted in Senators being unable to identify the appropriate areas in which to ask questions during estimates hearings leading to missed opportunities and weakened oversight.

1.20 The inclusion of program-level information in outcomes is also a welcome addition and one that was recommended by the committee in its transparency and accountability report.<sup>15</sup> Program-level information with key performance indicators will do much to enhance the transparency of government activities and assist the Parliament in its work.

1.21 Finance will hold a briefing for industry on the implementation of Operation Sunlight and the policy and process implications for the financial operations of the Australian Government at the end of March 2009. Briefings will also be held for members of the Australian Public Service. However, according to information

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13 Ms K Campbell, Department of Finance and Deregulation, *Estimates Hansard*, 24.2.09, pp 54–55.

14 Dr I Watt, Secretary, Department of Finance and Deregulation, *Estimates Hansard*, 24.2.09, p. 55.

15 Senate Finance and Public Administration Committee, *Transparency and accountability of Commonwealth public funding and expenditure*, Recommendation 8, p. 41; Senator Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, Recommendation 13, p. 52.

available to the committee, no briefings are planned for Parliamentarians and their staff.

1.22 The committee is concerned that without adequate briefing, Senators will not be appropriately equipped to thoroughly examine the impact and implications of such changes. Whilst such changes are directed at improving accountability and transparency, briefing Parliamentarians and their staff is essential to ensure that the particulars of Operation Sunlight are appreciated and can therefore be subject to rigorous investigation. Indeed, the effectiveness of Operation Sunlight will be determined in part by the ability of Senators to scrutinise and examine the reforms contained in it.

### **Recommendation 2**

**1.23 The committee recommends that the Department of Finance and Deregulation conduct briefings for members of the Parliament and their staff on the implementation of Operation Sunlight.**

### **Recommendation 3**

**1.24 The committee recommends that the Department of Finance and Deregulation publish, on a quarterly basis, a newsletter for members of the Parliament to keep members informed about the progress of the implementation of Operation Sunlight.**