

The Senate

Finance and Public Administration
Legislation Committee

Budget estimates 2006–07

June 2006

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Membership of the Committee

Members

Senator Brett Mason (Chair)	LP, QLD
Senator Andrew Murray (Deputy Chair)	AD, WA
Senator George Brandis	LP, QLD
Senator Carol Brown	ALP, TAS
Senator Mitch Fifield	LP, VIC
Senator Michael Forshaw	ALP, NSW

Senators in attendance

Senators Bernardi, George Campbell, Carr, Evans, Faulkner, Heffernan, Joyce, Ian Macdonald, Moore, Parry, Ray, Sherry, Siewert, Stott Despoja, Trood, Webber and Wong

NOTE: all senators may attend a meeting of a legislation committee in relation to estimates, question witnesses and participate in the deliberation of the committee at such a meeting (see Standing Order 26(8)).

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Chapter 1

Budget Estimates 2006-07

Introduction

1.1 The estimates process provides senators of all parties the opportunity to examine the financial position and operations of the Commonwealth government and, as such, constitutes one of the critical accountability mechanisms of the Parliament.

1.2 This is the Committee's report on the proceedings of its hearings on the budget estimates of expenditure conducted during May 2006. It first outlines the procedure for those hearings, before going on to record the issues that arose and discuss matters that the Committee sees as of importance to the Senate.

Reference of proposed expenditures

1.3 On 9 May 2006, the Senate referred to the Committee for examination the following documents:

- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2007;
- Particulars of proposed expenditure in respect of the year ending on 30 June 2007; and
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2007.

1.4 The Senate also referred the following:

- Particulars of certain proposed supplementary expenditure in respect of the year ending on 30 June 2006;
- Particulars of proposed supplementary expenditure in respect of the year ending on 30 June 2006; and
- The annual Tax Expenditures Statement.

Portfolio coverage

1.5 The Committee has responsibility for examining the expenditure and outcomes of the following:

- Parliamentary departments;¹
- Prime Minister and Cabinet portfolio; and
- Finance and Administration portfolio.

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

Hearings

1.6 The Committee held four days of public hearings from Monday to Thursday, 22 to 25 May 2006. Copies of the committee's transcript of evidence are tabled in four volumes of *Hansard* for the information of the Senate. Copies of *Hansard* are available on the internet at the following address: <http://aph.gov.au/hansard>.

1.7 Further written explanations furnished by departments and agencies will be tabled as soon as possible after they are received. That information is also available on the committee's internet page, found at the following address: http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/index.htm

1.8 As a matter of Parliamentary Privilege, all information is 'tabled' (i.e. published) on receipt.

1.9 Over the course of the four days' hearings—totalling over 41 hours—the Committee took evidence from the President of the Senate, Senator the Honourable Paul Calvert; the Minister for Finance and Administration, Senator the Honourable Nick Minchin; the Parliamentary Secretary to the Minister for Finance and Administration, Senator the Honourable Richard Colbeck; Minister for the Arts and Sport, Senator the Honourable Rod Kemp, together with officers of the departments and agencies concerned.

1.10 The following agencies were released from the hearings without examination: the Australian Public Service Commission; the National Water Commission; the Office of the Inspector-General of Intelligence and Security; Office of the Commonwealth Ombudsman; the Commonwealth Grants Commission; CRS Australia; Health Services Australia; and Australian Hearing.

Questions on notice

Explanations for late receipt of answers

1.11 The Committee again took up with departments the issue of late answers to questions on notice. On this occasion the Committee focused its attention on the lengthy delays between when draft answers were submitted to ministers' offices for

1 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.

clearance and when they were finally received by the Committee. While a painstaking process for all concerned, it should be seen as an indication of the Committee's resolve to get to the bottom of cases where answers are unacceptably delayed and to bring about a general improvement in the response time for provision of answers.

1.12 The Committee reminds Commonwealth officers that when delays in answering questions on notice are likely to occur, agencies are expected to provide explanations for the delay. The Committee appreciates that the nature of some questions may unavoidably mean delays. However, the Committee will only accept these delays where acceptable explanations are provided.

Deadline for submitting answers

1.13 The due date for submitting responses to questions on notice from the budget estimates round is 7 July 2006.

Examination of departments and agencies – general issues

1.14 The Committee's ability to scrutinise the portfolios allocated to it was again affected by the government's ban on questioning of matters before the Cole commission of inquiry into certain Australian companies in relation to the United Nations food-for-oil program (the AWB affair). The government imposed the ban at the start of the additional estimates hearings in February 2006. On that occasion, the government's concern seemed to be to avoid what it called 'parallel questioning' by committees while the commission held hearings. The continuation of the ban *after* the adjournment of the commission's hearings suggests that the ground had shifted, presumably to an undisclosed concern to avoid scrutiny of the matter while the commissioner prepares his report.

1.15 As the chapters that follow indicate, the Committee was still able to examine departments about their response to the commission's request for documents, although the extent to which a line of questioning could be pursued was often circumscribed by officers refusing to supply answers on the basis of the ban.

1.16 The other significant development affecting all committees was the unilateral government decision to reduce the budget estimates hearings by two days over the fortnight of hearings. However, as the Committee has a tradition of not sitting on these so-called 'spillover' Fridays the decision did not impinge on the Committee's work.

1.17 The Committee also wants to draw attention to an interesting procedural discussion that arose during the appearance of the Department of the Senate. Senator Brandis engaged the Clerk of the Senate, Mr Evans, in a lengthy debate on the question of whether decisions of committee chairs establish practices of the Senate in a formal sense. The Clerk advised that only the Senate, and not committee chairs, can

prescribe rules and procedures, for instance, in relation to restricting the right of senators to ask questions at hearings.²

1.18 The following chapters of the report list the issues considered by the Committee and discuss some of these in detail. The order is not based on hierarchy but rather the order in which those issues arose during the hearings.

2 *Committee Hansard*, 22 May 2006, F&PA 17-20 See also *Procedural Information Bulletin*, No.202, 2 June 2006, p.1.

Chapter 2

Parliamentary Departments

2.1 The Committee took evidence from the parliamentary departments on Monday, 22 May 2006.

Department of the Senate

2.2 Issues raised by members of the Committee and other senators in attendance included:

- Transfer of the citizenship visits program from the parliamentary departments to the education department;
- The government decision to reduce estimates hearings annually by two days;
- Circulation of advice on the rules of the Senate as they relate to the conduct of committee hearings; and
- Foreign parliaments controlling their own budgets.

2.3 Senators inquired into the background to the decision to transfer the citizenship visits program (CVP) from the parliamentary departments to the Department of Education, Science and Training. The Committee heard that the decision was taken despite advice to the contrary from the parliamentary chamber departments, and despite the presiding officers raising concerns with the Prime Minister and other ministers about the proposal.

2.4 The Committee explored the reason for the President circulating to all senators prior the budget estimates hearings a paper titled, 'Conduct of committee hearings: rules of the Senate'. The paper had also been circulated in February after the additional estimates hearings. The Committee heard that the paper was designed to address areas of confusion on the part of some committee chairs during estimates hearings. Those areas related to the relevance of questions and the different roles of chairs and ministers in determining whether questions were 'out of order' when ministers refused to answer them. This led to the discussion on whether the decisions of committee chairs constitute formal practices of the Senate, which was canvassed in chapter one of this report.

Department of Parliamentary Services

2.5 Issues raised by members of the Committee and other senators in attendance included:

- Savings resulting from the implementation of the Podger review;
- Traffic flow around Parliament House;
- Vehicle and pedestrian safety around Parliament House;

- Staff turnover in the Department of Parliamentary Services;
- Building works and maintenance;
- Security issues; and
- Progress of the proposed child care centre.

2.6 The departmental secretary, Ms Penfold, informed the Committee that savings from amalgamating the parliamentary service departments, as recommended by the Podger review, stood at just under \$2 million. It was noted that this figure was well short of the savings estimated in the Podger review. DPS indicated it had made significant efforts to improve efficiency and reduce costs across the department independently of the review.

2.7 The Committee continued its examination of ongoing concerns about the operation and costs of the security bollards and traffic arrangements around Parliament House resulting from recent security measures. Ms Penfold told the Committee that operational problems with the bollards had decreased. The Committee also heard that a decision had been made to make the parliamentary ring road one way to improve traffic flow and pedestrian safety. The Committee was minded to have the Appropriations and Staffing Committee examine this matter again.

2.8 With respect to a proposed Parliament House child care centre, Ms Penfold informed the Committee that no decisions had been taken and that planning was in its initial stages.

Chapter 3

Prime Minister and Cabinet Portfolio

3.1 The Committee took evidence from the Office of the Official Secretary to the Governor-General and the Department of the Prime Minister and Cabinet on Monday, 22 May 2006 and from the Department of the Prime Minister and Cabinet (in continuation), the Australian National Audit Office and the Office of National Assessments, on Tuesday, 23 May 2006.

Office of the Official Secretary to the Governor-General

3.2 Issues raised by members of the Committee and senators in attendance included:

- The Governor-General's outback trip;
- Cultural loans to official establishments; and
- Orders of Australia.

3.3 The Committee examined in detail the purpose, cost, staffing and itinerary of the Governor-General's outback trip. Mr Hazell, Official Secretary to the Governor-General, informed the Committee that the trip was being undertaken to promote the Year of the Outback 2006. The Committee heard that the first phase of the Governor-General's schedule began on 8 May 2006 and included visits to South Australia and Queensland. Mr Hazell told the committee that the second phase started on 22 May 2006 and would include visits to the Northern Territory and Western Australia.

3.4 Senators were interested to understand the Governor-General's role in revoking Orders of Australia. Mr Hazell told the Committee that the Governor-General revokes Orders of Australia on the basis of recommendations from the Council of the Order of Australia. The Committee heard that since inception of the Australian honours system twenty-two Orders of Australia had been revoked. The reasons for revocations concerned criminal and inappropriate behaviour by nominees.

Department of the Prime Minister and Cabinet

3.5 Issues raised by members of the Committee and senators in attendance included:

- Answers to questions on notice;
- Issues related to the Cole commission;
- United States Senate investigation into the Australian Wheat Board (AWB);
- State funerals;
- Iraqi civilian casualties;

- Interdepartmental task forces and committees;
- Indigenous programs;
- Progress of planning for the Asia-Pacific Economic Cooperation (APEC) meeting 2007;
- Government advertising;
- Official visits by the Queen and United States Secretary of State;
- Official trips by the Prime Minister; and
- Maintenance costs for the Prime Minister's Official Residences.

3.6 As mentioned in chapter one, the continued government ban on questioning of matters before the Cole commission circumscribed the Committee's examination of the AWB affair. Nevertheless, as during the February additional estimates hearings members were able to pursue 'process questions' delving into internal departmental actions to supply the commission with relevant documents and information. Questioning also went to the department's actions and role in relation to similar inquiries undertaken by the UN and the US Senate.

3.7 Under questioning it emerged that, despite possessing the capacity to identify when diplomatic cables were opened and by whom, there had been no checking to identify which officers had read cables containing information on AWB's alleged activities before the government publicly announced its knowledge of the matter. Questioning on various AWB matters, such as communications between the Prime Minister's office and then Ambassador Thawley in Washington, was limited, however, by official witnesses refusing to answer on the ground of the government ban.

3.8 Members examined the department's role in the coordination, implementation and oversight of numerous Indigenous programs. These programs are administered through Commonwealth departments and agencies or jointly through the Commonwealth and state/territory government bodies. The complex arrangements for delivery of Indigenous programs posed considerable difficulty for the examination of the funding and performance of these programs. Senators repeatedly struck problems in obtaining information when questions were referred to other departments (appearing before other committees) to answer.

3.9 The concern with cross portfolio programs, like those in the Indigenous affairs realm, is that it makes it very difficult to identify who is responsible and answerable for expenditure and performance. This is also of concern to the Committee in relation to the Department of Human Services and related agencies, as previous Committee reports have shown.

Australian National Audit Office

3.10 As with previous estimates hearings examination of the ANAO focused on issues of concern and importance raised in ANAO reports. On this occasion questioning focused almost exclusively on defence related issues including:

- Financial statements of the Department of Defence;
- ANAO report No. 36 of 2005-06 on the Tiger Helicopter Project; and
- ANAO report No. 40 of 2005-06 on the procurement of explosive ordnance for the Australian Defence Force.

3.11 The Committee heard that as with previous years the ANAO had serious qualifications in regards to Defence's accounts. Mr Michael Watson, Executive Director – Assurance Audit Services Group, said:

In lay terms, in fiscal 2005 the Secretary of Defence was unable to prepare a full set of accounts therefore the Auditor-General could not conclude on that audit. That was the case in fiscal 2005. That is probably in the hierarchy of an audit qualification one of the most serious you can get.¹

3.12 Senators also examined in detail the ANAO report on procurement of the Tiger armed reconnaissance helicopter. Senators raised concerns with various aspects of the project, particularly the ANAO finding that the Defence Materiel Organisation (DMO) had agreed to accept a lower specification aircraft without adequately documenting the new agreement between it and the contractor.² This finding threw into doubt the adequacy of the governance framework and internal accountability of DMO's contracting processes.

Office of National Assessments

3.13 Issues raised by members of the Committee and other senators in attendance included:

- ONA's assessment of unfolding events in East Timor;
- ONA resources allocated to East Timor, Iraq and the Solomon Islands;
- The Iraq conflict;
- Evaluation of ONA performance; and
- The procedure and controls for distributing ONA reports.

3.14 ONA's appearance coincided with the early stages of the deployment of Australian and other forces to East Timor, where conditions on the ground continued to be of concern. The timing allowed the Committee to explore with ONA the situation in East Timor and its assessment of the roots of the current crisis and the prospects for resolving the situation. Members also took the opportunity to inquire into the adequacy of ONA's staffing dedicated to monitoring East Timor prior to the outbreak of violence there.

¹ *Committee Hansard*, 23 May 2006, F&PA 85.

² ANAO, *Management of the Tiger Armed Reconnaissance Helicopter Project – Air 87*, Audit Report No.36, 2006-2006, p.17. See also *Committee Hansard*, 23 May 2006, F&PA 99.

3.15 The question of the apparent absence of any ONA reporting to government on numerous reports alleging AWB bribes to Iraq was also raised. However, questioning was immediately cut off by ONA's refusal to answer on the ground of the ban on matters before the Cole commission.

Chapter 4

Finance and Administration Portfolio

4.1 The Committee took evidence from the Department of Finance and Administration, Future Fund Management Agency, Comsuper, CSS and PSS Boards and the Australian Electoral Commission on Wednesday, 24 May and the Department of Finance and Administration (in continuation), the Department of Human Services, Centrelink, Medicare Australia and the Child Support Agency, on Thursday, 25 May.

Department of Finance and Administration

4.2 Issues raised by members of the Committee and other senators in attendance included:

- Answers to QON;
- Transfer of the Citizenship Visits program to the Department of Employment, Science and Training;
- Leaked email of DoFA staff member on assignment in the Solomon Islands;
- Use of ethanol fuel in Comcar vehicles;
- Act of grace payments relating to the Iraq war;
- Budget contingency reserve;
- DoFA's role in defence procurement;
- Future Fund Management Agency (FFMA) including staffing, operations, proposed structure and investment strategy;
- Implications of extending public sector benefits to same sex couples;
- Implications of budget superannuation changes on public sector superannuation;
- Indexation rates;
- Office of Evaluation and Audit evaluation of family violence programs;
- Sale of Snowy Hydro Corporation, Telstra and Medibank Private;
- Members of parliament staffing numbers and allocations;
- Ministerial and Parliamentary Services training for parliamentary staffers;
- Training of Comcar drivers; and
- Australian Government Information Management Office's (AGIMO) role in the implementation of the proposed government services access card.

4.3 The hearings presented an important opportunity for senators to examine the Future Fund Management Agency (FFMA) which was established in April 2006. The Committee is particularly pleased the chair of the board for the fund and agency head, Mr David Murray, ultimately agreed to appear to address senators' interests in his view on the operation of the fund.

4.4 The Committee reiterates its view that the appearance at hearings of agency heads, even those serving in a part time capacity such as Mr Murray, is crucial for the scrutiny and accountability of bodies in receipt of public funds. This is particularly the case for a body such as the FFMA which is to be entrusted with a significantly large sum of public money.

4.5 Members also took advantage of the appearance of departmental officials to seek explanations for contingency funds in the budget papers for various departments. This questioning reflected the paucity of explanatory information in the portfolio budget statements (PBS) about the purpose for which certain funds are to be used. For example, it was noted that the PBS for the agriculture portfolio contains an allocation of \$10 million for 'other decisions yet to be announced'.

4.6 The Committee heard that allocations for undisclosed purposes are not a new development but have featured in previous budget papers. The Committee was also told that the decision about when to disclose the purpose of such funds lies in the hands of the government. The inclusion of contingency allocations without any specified purpose points to weaknesses in the accountability framework of the appropriations process.

4.7 The Committee examined in detail AGIMO's role in developing and implementing the government services access card. Questioning focused on, among other things, the degree of consultation with stakeholders to address privacy concerns. Scrutiny of the access card program continued in the subsequent examination of the Department of Human Services (DHS).

Australian Electoral Commission

4.8 Issues raised by members of the Committee and other senators in attendance included:

- Voter education programs;
- AEC investigations into funding and disclosure matters;
- Voting arrangements for Australian citizens overseas; and
- Voter registration in remote areas.

4.9 Following the custom of past hearings, the AEC briefed the Committee on recently concluded investigations. Mr Bodel, Director, Funding and Disclosure, also informed the Committee of three investigations under way which fall outside the AEC's ongoing audit program. These investigations are into:

- The Greg Maguire matter, which the Finance and Public Administration References Committee referred to the AEC;
- A complaint of Mr Kelvin Thompson MP regarding alleged breaches of the Electoral Act by Commonwealth government departments; and
- Possible third-party returns by the Exclusive Brethren during the 2004 federal election.

4.10 While the Committee records its appreciation of the AEC's continued briefings on investigations, it is disappointed at the inability of commission staff to answer questions related to a certain contract for advertising. The absence of the responsible officer on the ground of ill-health – which is perfectly understandable – did not obviate the commission of its responsibility to have available during estimates hearings other staff or readily accessible information to address matters raised by senators.

4.11 As noted in previous Committee reports, staff turnover and unforeseen absences require departments and agencies to have adequate information management systems in place to safe keep corporate knowledge and deal with such contingencies. In the case of estimates hearings, the dates for which are settled well in advance, this should be routine.

Department of Human Services and agencies

4.12 The Committee examined the department together with Centrelink, Medicare and the Child Support Agency. Issues raised by members of the Committee and other senators included:

- Answers to questions on notice;
- Government services access card;
- Welfare to Work contact trial;
- Welfare to Work guidelines;
- Centrelink 'Refresh' IT systems upgrade;
- Tasmanian Medicare Smart Card trial;
- Child support reforms; and
- Staffing of the Child Support Agency.

4.13 The perennial issue of late answers, unsatisfactory answers or refusals to answer questions taken on notice again attracted attention during this budget estimates round. Of particular interest on this occasion was the recent development of the department and its agencies recording the time taken and cost of preparing answers. Officers informed the Committee that the minister had requested that these figures be recorded for all answers to questions from the Senate and the House of Representatives.

4.14 Officers also explained the 'costing method' for calculating the time and cost of answers. While hourly rates depend on the rank of the officers involved in preparing answers, the calculation of time appears to be no more than an *estimate* made by those officers.

4.15 The Committee also discovered that there is a fixed minimum rate of one hour at \$40 per answer, regardless of the time spent on a question. This would seem to explain the incongruous situation of the department recording costs for responses which merely repeat earlier responses that refuse to disclose information or answer senators' questions, often on the ground that it would be *too costly* to do so.

4.16 If the department is to continue to provide estimates of the costs of answering questions, the process might be improved by a more concrete and less speculative means of assessing costs.

4.17 The Committee also examined at length the proposed government services access card. A broad range of aspects relating to the proposed card were raised, including:

- Privacy issues;
- Consultation with stakeholders;
- Information to be stored on the card;
- Technology to be employed;
- Central information database;
- Security issues; and
- Estimated cost savings and benefits.

4.18 The Committee heard that planning was in its initial stages and many elements of the card were yet to be finalised. Officers claimed that no comparable program of such a scale had to date been undertaken in Australia.

Acknowledgements

4.19 The Committee expresses its appreciation of the service provided by the secretariat, broadcasting and transcription services provided by the Department of Parliamentary Services and the service provided by the Black Rod's office and committee room attendants in preparing the rooms and providing refreshments for members and witnesses during the hearing.

4.20 The Committee also wishes to thank all ministers and departmental and agency officers for their assistance.

Next hearings – Supplementary budget estimates 2006-07

4.21 By resolution of the Senate, the Committee is scheduled to consider the supplementary budget estimates for the 2006-07 financial year from Monday 30 October through Thursday 2 November 2006.

4.22 While the Committee endeavours to follow the usual convention relating to the order of appearance of witnesses, it reminds ministers, departments and agencies that they need to be prepared to be available on the above days.

Senator Brett Mason

Chair

Appendix 1

Departments and agencies under the three portfolios for which the Committee has oversight

Parliamentary departments

- Department of the Senate; and
- Department of Parliamentary Services.

Prime Minister and Cabinet Portfolio

- Department of the Prime Minister and Cabinet;
- Australian National Audit Office;
- Australian Public Service Commission;
- Office of National Assessments;
- Office of the Commonwealth Ombudsman;
- Office of the Inspector-General of Intelligence and Security; and
- Office of the Official Secretary to the Governor-General.

Finance and Administration Portfolio

- Department of Finance and Administration;
- Department of Human Services
- Australian Electoral Commission;
- Commonwealth Grants Commission;
- Commonwealth Superannuation Administration (Comsuper);
- Commonwealth Superannuation Scheme Board;
- Public Sector Superannuation Scheme Board
- Future Fund Management Agency
- Centrelink;
- Medicare Australia;
- Australian Hearing; and
- Health Services Australia.