

Finance and Administration Portfolio

4.1 The Committee took evidence from the Department of Finance and Administration (Finance) and portfolio agencies on Wednesday 23 and Thursday 24 May 2007. The committee discussed a range of topics, including: parliamentary staff and resources; the committee's *Transparency and accountability of Commonwealth public funding and expenditure* report; and the Future Fund Management Agency (the Future Fund). Several other noteworthy issues were also discussed.

Department of Finance and Administration

4.2 Considerable time was devoted to the scrutiny of the Ministerial and Parliamentary Services business group of Finance.

Parliamentary staff

4.3 As with preceding estimates hearings, Senators examined the numbers, and variance, in support staff for members of parliament. The committee appreciated that Finance had prepared in advance, to distribute to Senators, tables to show the figures since the last estimates round.¹

4.4 Opposition Senators criticised the increase in staffing levels for government members, particularly ministerial staff, highlighting a 29 percent increase compared with when the opposition was last in government. However the Parliamentary Secretary to the Minister for Finance and Administration, Senator the Hon Richard Colbeck, articulated that opposition and government staffing numbers had been maintained at the same ratio that existed before the Howard government came to office.²

4.5 One factor contributing to the overall increase in the numbers of support staff for members of parliament is the increased allocation of an extra staff member for each parliamentarian. This increase was justified by Finance on the grounds that increases in work load, and the added pressure of people interacting with electorate offices by email. The cost of improving building infrastructure (\$12.1 million) and the provision of and an extra staff member per electorate will be \$77.7 million over the next five years.³

1 *Estimates Hansard*, 23 May 2007, p. 16; Department of Finance and Administration, tabled documents, 23 May 2007; http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/finance/index.htm (accessed 6 June 2007).

2 *Estimates Hansard*, 23 May 2007, p. 42.

3 *Estimates Hansard*, 23 May 2007, pp 7–9; Commonwealth Government, Budget Measures, *Budget Paper no. 2*, p. 199; www.aph.gov.au/budget/2007-08/bp2/html/expense-17.htm (accessed 6 June 2007).

Security clearances

4.6 Continuing on from Monday's 21 May 2007 hearing with the Department of Parliamentary Services, Senators examined the issue of security clearances for parliamentary staff: particularly staff working in Ministers' offices. Senators wished to know the compliance rate of ministerial staff who have obtained appropriate security clearances. This information could not be provided to the committee during the hearing and was taken as a question on notice.⁴

Energy plan and audit

4.7 The committee asked a range of questions about Finance's 'national energy plan' and 'energy efficiency audit' for electorate offices. Officials responded to the committee's interest in lowering the amount of energy used by each electorate office by stating that there is a high degree of urgency to complete the plan and audit. The committee is currently awaiting an answer from Finance as to whether a draft of the energy management plan will be released. The committee is of the opinion that most members of parliament would like to receive advice on how to improve the energy efficiency of their electorate offices, in line with current public concern about global warming.⁵

New mobile phone rollout

4.8 Senator Fierravanti-Wells inquired into Finance's rollout of a new telephone system for parliamentarians. Finance informed the committee that the rollout of the mobile Personal Digital Assistant was intended to test the functionality of the new system. Due to problems encountered within the system several issues are currently being addressed. Senators explained that there are also problems within Parliament House, with signals continually dropping out, causing calls to be reconnected up to five or six times. This problem also causes added costs to Finance. Officials from Finance responded that it would consider how to address the issues raised by Senator Fierravanti-Wells.⁶

Transparency report

4.9 Finance stated that a 'single document' that clarifies the existing Government Senate Compact on the allocation of funds from consolidated revenue into appropriation bills is being developed. The committee welcomes the approach taken by the Minister expects to find out more about the proposed single document. The committee acknowledges comments made by the Minister that the document will allow

4 *Estimates Hansard*, 23 May 2007, pp 16–23.

5 *Estimates Hansard*, 23 May 2007, pp 10–14.

6 *Estimates Hansard*, 23 May 2007, pp 39–40.

officials from the Senate and Finance to work together to reach agreement with regard to the committee's report.⁷

4.10 The committee also welcomes Finance's commitment to the publication of a 'guidance on the outcomes and outputs framework', in response to the Auditor-General's report: *Application of the outcomes and outputs framework*, by the end of 2007.⁸

Strategic program reviews

4.11 The committee also notes Finance's announcement that it will undertake approximately 14 'strategic program reviews' per year, by the newly created 'Reviews and Training Branch'. Officials from Finance informed the committee that the branch will undertake medium term reviews, spanning several months, to investigate the effectiveness and efficiency of government programs. Finance announced that in order to facilitate the reviews, staff from other agencies will assist to provide outside expertise. This budget measure will cost \$19.8 million over the next four years.⁹

General issues

4.12 Other noteworthy issues that were raised by the committee included:

- The appropriate use of electoral offices as defined under the *Parliamentary Entitlements Act 1990*;¹⁰
- The involvement of Finance and the Australian Federal Police in the investigation of Queensland MPs;¹¹
- The certification of Senators' and Members' management reports;¹²
- The budget process involving the 'Expenditure Review Committee' and the 'Senior Ministers' Review' bids, including underspends and depreciation in departments;¹³
- The process of invoicing Senators by Finance: particularly when dealing with small transactions;¹⁴

7 *Estimates Hansard*, 23 May 2007, pp 91–93.

8 *Estimates Hansard*, 23 May 2007, pp 108–110.

9 *Estimates Hansard*, 23 May 2007, pp 76–77; pp 7–9; Commonwealth Government, Budget Measures, *Budget Paper No. 2*, p. 199; <http://www.aph.gov.au/budget/2007-08/bp2/html/expense-17.htm> (accessed 6 June 2007).

10 *Estimates Hansard*, 23 May 2007, pp 3–6.

11 *Estimates Hansard*, 23 May 2007, pp 37–38.

12 *Estimates Hansard*, 23 May 2007, pp 23–24.

13 *Estimates Hansard*, 23 May 2007, pp 6–7 and 72–78.

14 *Estimates Hansard*, 23 May 2007, p. 41.

- Commonwealth government procurement guidelines;¹⁵
- The distribution of funds from the Land Fund to the Indigenous Land Corporation;¹⁶
- Public sector superannuation advice and unfunded liabilities;¹⁷
- The Commonwealth's decision to contest a Sydney Airport land sale stamp duty bill of \$401 million;¹⁸
- The establishment of the Australian government's online service point;¹⁹
- Australian Reward Investment Alliance's late annual report;²⁰
- Finance's involvement in the 1 May 2007 industry statement;²¹
- The construction of the National Portrait Gallery;²²

Future Fund Management Agency

Northern Trust

4.13 Opposition Senators were interested to understand what knowledge Mr Costello, the General Manager of the Future Fund Management Agency, had of the relationship between the Northern Trust, the recently appointed trustee of the future fund, and the collapse of the Enron pension fund. Mr Costello told the committee that he was aware of a class action against the Northern Trust and the Enron fund. Mr Costello reasoned that the settlement of that action by Northern Trust in no way negatively reflects on its behaviour, or financial security.²³

4.14 Opposition Senators questioned the merit behind the decision not to appoint an Australian-based company to manage the Future Fund. Mr Costello, and the Minister for Finance, both justified the selection of a non-Australian based company on the grounds that the successful tenderer represents the best value for money.²⁴

4.15 The committee notes the independence of the Future Fund, and the importance for it to be free from the pressure of political influence. Its independence

15 *Estimates Hansard*, 23 May 2007, pp 77–79 and p. 104.

16 *Estimates Hansard*, 23 May 2007, pp 79–80.

17 *Estimates Hansard*, 23 May 2007, pp 80–89 and pp 92–101.

18 *Estimates Hansard*, 23 May 2007, pp 89–91.

19 *Estimates Hansard*, 23 May 2007, pp 94–96.

20 *Estimates Hansard*, 23 May 2007, p. 98.

21 *Estimates Hansard*, 23 May 2007, pp 102–108.

22 *Estimates Hansard*, 23 May 2007, pp 110–113.

23 *Estimates Hansard*, 23 May 2007, pp 42–43.

24 *Estimates Hansard*, 23 May 2007, pp 51–52.

is enshrined in the Future Fund Act. Mr Costello reinforced this view, stating to the committee that the board acted independently in its decision to appoint Northern Trust as a custodian:

I think the independence of the Future Fund is something that everybody who works for the organisation holds very dear...All of our decisions are reviewable internally of course. Part of your obligation in running a best practice organisation is that you constantly benchmark your decision[s]. We remain focussed. This was a very exhaustive process. We covered a huge number of issues which, of course, have not been discussed today—only one has—across a wide variety of areas which are very much part of the day-to-day life of the fund. We are satisfied with that decision. We believe we have chosen a very high-quality provider, we believe they will service our needs very well and we remain committed to that decision.²⁵

4.16 The committee notes the ongoing process of Northern Trust applying for an Australian Financial Services Licence through the Australian Securities and Investments Commission. The committee also notes Mr Costello's evidence that it would be desirable for the Northern Trust to adhere to the Australian Custodial Services Association's code of conduct.²⁶

4.17 The committee continued its previous examinations during the Budget, and Additional Estimates of 2006-07, of the Future Fund's proposed staffing levels and general operations. Mr Costello informed the committee that currently Northern Trust has two people working in Australia, with plans to increase the number to approximately ten 'relationship management' staff. These staff will also uphold compliance functions, with staffing numbers expected to increase with the development and growth of the Future Fund²⁷

Board appointments and indemnity

4.18 The committee also sought clarification about the process of appointment and discharge of members to the Future Fund board. The Minister informed the committee that appointments are made consistent with the 'Uhrig principles': stating that the chairman provides advice on potential appointments. For a member of the board to be dismissed section 44 of the *Future Fund Act 2006* can be invoked by the responsible Ministers.²⁸

4.19 Senators pursued information about the specifics of the indemnity offered to the Future Fund management board. The Minister for Finance explained to the committee that the need for the board to have an indemnity is in line with corporate best practice, and is always provided for Commonwealth bodies that operate in similar

25 *Estimates Hansard*, 23 May 2007, p. 59.

26 *Estimates Hansard*, 23 May 2007, pp 49–50.

27 *Estimates Hansard*, 23 May 2007, p. 55.

28 *Estimates Hansard*, 23 May 2007, pp 70–71.

situations within the market place. The Minister informed the committee that the exact nature of the indemnity offered to the Future Fund management board is not finalised: and for this reason it could not be provided to the committee. Nevertheless the Minister is open to the proposition of making it available to the committee in the future.²⁹

Higher Education Endowment Fund

4.20 With respect to the government's announcement in the Budget to devote \$5 billion to the establishment of a 'higher education endowment fund' (HEEF) Senator Sherry took an interest in understanding what administrative arrangements would be created between HEEF and the Future Fund. The Minister and Senator Sherry discussed some details of the administrative processes including:

- new administrative arrangements to facilitate philanthropic donations from individuals and corporations;
- one board will have responsibility for the two separate funds; and
- responsibility for HEEF will reside in the education portfolio.³⁰

4.21 The committee notes that combining the administrative arrangements of the Future Fund with HEEF will create added costs associated with administration. The committee would appreciate it if these costs were disclosed to the committee once they are known by the Future Fund, preferably at the next Supplementary Budget estimates hearing scheduled in November.³¹

Australian Electoral Commission

4.22 The committee explored details of an AEC advertising campaign. The AEC will spend \$12.5 million on advertising to encourage people to enrol to vote ahead of this year's election. Officials indicated that they were undertaking this campaign in order to publicise the recent changes to voter enrolment arrangements that will apply on issuing of the electoral writ.

4.23 The total cost of the AEC campaign, which began on 27 May, will be around \$16 million, including \$3.2 million for creative production and translation into 26 languages. The campaign will run on radio and television, the internet, in cinemas, newspapers and on outdoor billboards and banners in the lead-up to this year's federal election. Senator Murray questioned the expenditure on the creative component of the package and urged the commission have their internal auditors scrutinise the expenditure.³²

29 *Estimates Hansard*, 23 May 2007, pp 59–63.

30 *Estimates Hansard*, 23 May 2007, pp 69–70.

31 *Estimates Hansard*, 23 May 2007, pp 67–70.

32 *Estimates Hansard*, 24 May 2007, pp 5–16.

4.24 In light of the pending 2007 election the committee devoted significant attention to scrutinising the state of the electoral roll; voters who have moved address; new voters; the young people reach; fraudulent enrolment and multiple voting.³³

4.25 In accordance with past practice, the committee pursued with the commission its interest in matters under investigation. These included the:

- SALUS fund in South Australia;
- The Victorian ALP fundraising matter;
- Mr Russell Galt's legal fees;
- The Friends of Indi; and
- The Wielengta Fighting Fund.³⁴

4.26 The committee heard the AEC had concluded its investigations into the expenditure disclosure lodged by Willmac Enterprises after the 2004 election, and had referred a separate matter relating to Willmac Enterprises to the Australian Federal Police. Officials responded to many of the committee's questions in relation to the disclosure matter. However, the Electoral Commissioner took a series of questions from Senator Bob Brown on notice, saying he did not want to compromise the Australian Federal Police investigation. This was acceptable to the committee.³⁵

4.27 Other issues raised by the Committee and other senators included:

- The tally room;³⁶
- The Continuous Roll Update (CRU) review;³⁷
- Expenditure for the AEC;³⁸ and

33 *Estimates Hansard*, 24 May 2007, pp 16–30 and pp 44–46.

34 *Estimates Hansard*, 24 May 2007, pp 31–34.

35 *Estimates Hansard*, 24 May 2007, pp 31–44 and pp 46–49.

36 *Estimates Hansard*, 24 May 2007, p. 43.

37 *Estimates Hansard*, 24 May 2007, pp 49–50.

38 *Estimates Hansard*, 24 May 2007, pp 50–52.

- The authorisation requirements for political broadcasts and publications.³⁹

39 *Estimates Hansard*, 24 May 2007, pp 52–53.