

The Senate

Standing Committee on
Finance and Public Administration

Budget estimates 2007–08

June 2007

Commonwealth of Australia
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Membership of the Committee

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Senator Michael Forshaw (Deputy Chair)	ALP, NSW
Senator Sue Boyce	LP, QLD
Senator Carol Brown	ALP, TAS
Senator Concetta Fierravanti-Wells	LP, NSW
Senator Claire Moore	ALP, QLD
Senator Andrew Murray	AD, WA
Senator John Watson	LP, TAS

Participating members

Senators Barnett, Bartlett, Bernardi, Boswell, Brandis, Bob Brown, Carr, Chapman, Conroy, Crossin, Eggleston, Evans, Faulkner, Ferguson, Ferris, Fielding, Heffernan, Hogg, Joyce, Ludwig, Lundy, Ian Macdonald, McGauran, McLucas, Marshall, Milne, Nettle, O'Brien, Parry, Payne, Ray, Ronaldson, Sherry, Siewert, Stephens, Trood and Webber.

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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Budget Estimates 2007–08

Introduction

1.1 On 9 May 2007, the Senate referred to the Finance and Public Administration Committee for examination and report the following documents:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2008;
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2008;
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2008;
- Particulars of proposed supplementary expenditure in respect of the year ending on 30 June 2007; and
- Particulars of certain proposed supplementary expenditure in respect of the year ending on 30 June 2007.¹

Portfolio coverage

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

- Parliamentary departments;²
- 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.

1.3 The committee notes the following group under its purview has undergone structural reorganisation since the committee last reported on estimates.

1.4 The newly established Australian Reward Investment Alliance which converged the Commonwealth Superannuation Scheme Board and the Public Sector Superannuation Board, gained the following outcome and output structure:

1 *Journals of the Senate*, No. 143, 9 May 2007, p. 3753.

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.

New ARIA outcome structure

Outcome/Output	Previous wording	New wording
Outcome 1	NA	Effective and efficient administration of Australian Government superannuation schemes
Output Group 1.1	NA	Superannuation scheme governance

Questions on notice – date for responses

1.5 In accordance with Standing Order 26, the committee is required to set a date for the lodgement of written answers and additional information. The Committee requested that written answers and additional information be submitted by Friday 6 July 2007.

Hearings

1.6 The committee held public hearings on Monday 21, Tuesday 22, Wednesday 23, and Thursday 24 May 2007. Copies of the committee's transcript of evidence are tabled in four volumes of *Hansard* and which are available on the internet at the following address: <http://www.aph.gov.au/hansard>.

1.7 Further written explanations furnished by departments and agencies will be tabled, as received, in the Senate. 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' on receipt.

1.9 Over the course of the four days' hearings—totalling over 40 hours—the committee took evidence from the President of the Senate, Senator the Hon. Paul Calvert; the Minister for Finance and Administration, Senator the Hon. Nick Minchin, representing the Prime Minister; Parliamentary Secretary, Senator the Hon. Richard Colbeck, representing the Minister for Finance and Administration; and the Minister for Human Services, Senator the Hon. Chris Ellison, together with officers of the departments and agencies concerned.

1.10 The following agencies were released from the hearings without examination:

- The Office of the Inspector-General of Intelligence and Security;
- The Office of the Commonwealth Ombudsman;
- The Commonwealth Grants Commission;
- The Child Support Agency; and
- Australian Hearing.

General issues

1.11 Detailed scrutiny of expenditure on government advertising was a theme that ran through the examination of most departments and agencies. This issue is discussed in chapters 3, 4 and 5.

Format and content of the Portfolio Budget Statements

1.12 As part of its scrutiny of departments and agencies in the estimates process, the committee undertakes to examine the format and content of the Portfolio Budget Statements (PBS).³

1.13 On several occasions throughout the hearings the committee raised concerns with departments and agencies surrounding the difficulties in isolating where moneys for various programs had been appropriated and displayed in the PBS.

1.14 The committee reminds Commonwealth officers of the 'principles underlying the PBS', as set out by the Department of Finance and Administration:

The PBS should provide sufficient information, explanation and justification to enable Parliament to understand the purpose of each item proposed in the Appropriation Bills (Nos. 1 and 2) and Appropriation (Parliamentary Departments) Bill. It should translate the information in the Bills into the related outcomes and outputs.

Information should be reported at an appropriate level, having regard to materiality, parliamentary and public interest. In particular, the PBS should include sufficient information to explain significant proposed changes. When considering what to include in the PBS, entities should be responsive to the requirements of their Senate Legislation Committee.⁴

Preparation for regular questions from Senators

1.15 The committee appreciates the efforts of various departments to prepare documents in advance of the hearings to answer questions that are regularly asked by senators. In particular, the committee would like to commend the Ministerial and Parliamentary Services, outcome 3 of the Department of Finance and Administration, for the documents it regularly furnishes for the committee on members of parliament personal staff positions, and establishment variances to government staff.

1.16 There were other instances however where departments could further assist the committee. The committee has requested that the Government Communications Unit within the Department of Prime Minister and Cabinet consider including

3 See recommendation 17, Finance and Public Administration Committee, *Transparency and accountability of Commonwealth public funding and expenditure*, March 2007, p. 76.

4 Portfolio Budget Statements, Department of Finance and Administration, http://www.finance.gov.au/budgetgroup/Other_Guidance_Notes/portfolio_budget_statements_p.html

additional information in the *Active Campaigns* document they regularly table. The addition of two columns; the budgeted amount for each campaign, and the expenditure to date, would be an efficient way of conveying this information to the committee, rather than lengthy dialogue during the hearings. It was noted that this additional information was similar to that provided in response to PM68 in the Additional Estimates 2006-07. Senator Minchin, the Minister, indicated it was a reasonable request and undertook to look into it.

1.17 Further, the committee regularly requests a compliance report from the Australian Electoral Commission. The committee asks the commission to consider preparing a brief report for tabling at each estimates hearing.

1.18 Providing this information in written form would be a more efficient use of ministers', senators' and officials' time and would limit unnecessary dialogue between the committee and the department.

1.19 The sections of the report that follow list many of the issues considered by the committee and discuss some of these in detail. The order in which they appear does not necessarily reflect the relative importance of the issues.

Parliamentary Departments

2.1 The committee took evidence from the parliamentary departments on Monday, 21 May 2007. The following issues of interest are discussed below:

- Parliamentary education;
- Ordinary Annual Services;
- Security checks for pass holders; and
- Refurbishments.

Department of the Senate

Parliamentary education

2.2 Following inquiries at previous hearings, the committee scrutinised the Parliamentary Education Office's interaction with the newly established Parliamentary and Civics Education Rebate (PACER) program administered by the Department of Education, Science and Training (DEST). The committee reiterated concerns surrounding the decision to reallocate the Citizenship Visits Program from Parliament to DEST. The committee requested the department correspond with DEST to obtain statistics showing the number of students who have received payments under the PACER program, and the number of those students who participated in the PEO program at Parliament House.¹

2.3 In response to correspondence from the Department of the Senate, DEST supplied statistics for PACER, not statistics for students of the PACER program who participated in the PEO program. DEST explained that schools only had to attend the mandatory institutions as part of the PACER program 'wherever possible', as stated in the guidelines. This measure is intended to ensure that schools were not disadvantaged if certain institutions did not have the capacity to host the increasing number of school visits under the PACER program.²

Ordinary Annual Services

2.4 The committee also sought information on outcome budgeting and the ordinary annual services of the government in relation to section 53 of the Constitution with reference to the committee's report, *Transparency and accountability of Commonwealth public funding and expenditure*. The committee explored the Minister's delayed response to the Appropriations and Staffing Committee's request for information on the adequacy of portfolio budget statements in

1 *Estimates Hansard*, 21 May 2007, pp 5–8.

2 Budget Estimates 2007-08, Department of the Senate, answer to question on notice p. 1. (received 29 May 2007), http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/parliament/index.htm.

distinguishing between ordinary annual services and newly established programs.³ Subsequent to the hearing, the Minister responded to the President of the Senate in writing.⁴ This matter was further discussed during the examination of the Department of Finance and Administration (see chapter 4).

2.5 During the examination of the department, members of the committee and other senators in attendance also raised the following issues:

- The Dalai Lama's visit to Canberra;
- Rules on photography and broadcasting of Senate proceedings;
- Replacement of printers in Senators' offices; and
- Refurbishment of the chamber refreshment rooms.

Department of Parliamentary Services

Security checks for pass holders

2.6 The committee raised questions with the Department of Parliamentary Services (DPS) in relation to the proposals to subject certain classes of pass holders (press gallery, lobbyists, staff of non-ministerial parliamentarians and departmental employees) to security checks prior to employment. Some committee members expressed concern that the proposal could impede the freedom of press, and suggested the proposal be examined by the staffing committee.⁵

2.7 Subsequent to the hearings, the Presiding Officers announced that they would not accept the recommendation that members of the Press Gallery undergo police background checks due to genuine concerns expressed by building occupants. Ms Karen Middleton, the press gallery president, responded:

The Press Gallery believes this proposal, had it proceeded, would have given police and bureaucrats the power to determine who works as a journalist. This would have fundamentally undermined basic democratic tenets including free access to the legislature and an independent media. We appreciate the Presiding Officers' willingness to hear the arguments and their subsequent decision not to proceed.⁶

2.8 Other security issues relating to members of parliaments' staff are discussed in the report's examination of the Department of Finance and Administration in chapter 4.

3 *Estimates Hansard*, 21 May 2007, pp 8–10.

4 Budget Estimates 2007-08, Department of the Senate, answer to question on notice p. 2. (received 1 June 2007), http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/parliament/index.htm.

5 *Estimates Hansard*, 21 May 2007, pp 16–29.

6 'Media police checks rejected', *Canberra Times*, 26 May 2007, p. 5.

Refurbishments

2.9 There was prolonged examination of DPS regarding the cost of planned refurbishments of the dining suite in the Prime Minister's office.⁷ A spokesperson for the Prime Minister later indicated outside the hearing that 'there was a proposal to increase the size of the area but the Government has decided not to proceed.'⁸

2.10 In addition, the committee heard that \$200 000 had been allocated to replace the executive chairs in the Cabinet suite as the previous chairs had been water damaged in a flood two years ago. The department noted that \$94 315 of this expenditure would be reimbursed by Comcover.⁹

2.11 The committee was pleased to hear the positive report on the functioning of the security bollards outside the entrances to Parliament House. The committee heard that there had been no incidences since March 2007, and a 0.07 per cent failure rate.

2.12 The committee was also pleased to hear DPS had undertaken to follow up various inquiries from previous hearings. DPS is requesting a Health Services Australia review of the influenza vaccine administered on a voluntary basis to building occupants.¹⁰

2.13 The committee also heard that indexes for the bound volumes of *Hansard* had been improved and re-inserted into the volumes.¹¹

2.14 Other matters of interest raised included:

- Improving energy efficiencies and use of water in Parliament House;¹²

7 *Estimates Hansard*, 21 May 2007, pp 40–43 and 46–57.

8 'PM Scraps \$540,000 dining room plan', *The Australian*, 21 May 2007, <http://www.theaustralian.news.com.au/story/0,20867,21768385-1702,00.html>.

9 *Estimates Hansard*, 21 May 2007, pp 38–40.

10 *Estimates Hansard*, 21 May 2007, pp 36–38.

11 *Estimates Hansard*, 21 May 2007, pp 46 and p. 61.

12 *Estimates Hansard*, 21 May 2007, pp 43–44.

- Other building services and refurbishments; and
- Various activities of the Parliamentary Library.

Prime Minister and Cabinet Portfolio

3.1 The Committee took evidence from the Prime Minister and Cabinet portfolio on Monday 21 and Tuesday 22 May 2007. The following issues of interest are discussed below:

- Government advertising;
- APEC summit; and
- State Coach Britannia.

Department of the Prime Minister and Cabinet

Government advertising

3.2 The committee devoted a significant amount of time to scrutinising expenditure on government advertising. As mentioned in chapter 1, it would assist the committee if the department in future could include two additional columns in the 'Active Campaigns' document regularly tabled by the department. The committee notes the Minister has agreed to consider this proposal.¹

3.3 The committee gave particular attention to pending campaigns.² This issue was raised as a result of questions relating to the Workplace Relations Minister's public statements that the recently commenced advertising campaign on the new fairness test for Australian Workplace Agreements was a 'first tranche'. The committee heard evidence that the government would spend \$4.1 million on this campaign in the week 20–26 May 2007.

3.4 The department gave evidence that, for this financial year to 31 March 2007, the total advertising expenditure through the central advertising system was \$116.1 million, comprising \$81.8 million in campaign advertising and \$34.3 million in non-campaign advertising.³ Subsequent to the hearing, the department amended these figures. Total advertising expenditure from 1 July 2006 to 31 March 2007 was \$170 985 996, comprising campaign advertising of \$118 271 669 and non-campaign advertising of \$52 714 327.⁴

3.5 There was extensive discussion regarding the classification of a series of advertisements relating to the new fairness test as 'non-campaign advertising'. The

1 *Estimates Hansard*, 22 May 2007, p. 29.

2 *Estimates Hansard*, 22 May 2007, pp 18–74.

3 *Estimates Hansard*, 22 May 2007, p. 47.

4 The figures quoted in evidence in fact related to the financial year to 31 December 2006. See Mr Robert McMahon, Assistant Secretary, Government Communications Unit, Department of Prime Minister and Cabinet, clarification of evidence, received 1 June 2007, http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/pmc/index.htm

advertisements in question were full-page newspaper advertisements which appeared on 5 and 6 May (prior to the fairness test taking effect on 7 May) costing \$472 175.⁵

3.6 According to the Government Communications Unit's website, non-campaign advertising is:

...simple, no-frills advertising that generally appears only once or twice and contains factual statements not intended to promote or advise on policies or programmes of the government. [It is generally limited to]...staff recruitment; public notices; auction and Tender notices; invitations to make submissions or apply for grants; and notification of date and/or location specific information (eg notification of a public meeting at 8pm on Wednesday 15 July at the Town Hall).⁶

3.7 Opposition senators argued that as the advertisements were designed to promote the fairness test changes they should not have been classified as 'non-campaign advertising'. However, Senator Minchin, the Minister representing the Prime Minister, did not agree with the Opposition's assertions, arguing their definition was incorrect.⁷

APEC Summit

3.8 The committee examined the APEC Taskforce regarding the expenditure on several large preliminary meetings of the APEC summit in September 2007. Discussion focussed on the cost involved in holding the meetings and the security arrangements. Officials again declined to disclose the official dress of the APEC summit on the basis that it would 'spoil the surprise'.⁸

State Coach Britannia

3.9 The issue of the State Coach Britannia was again discussed. The committee re-visited evidence that a \$250 000 grant had been given to provide the private gift of a royal coach to the Queen for her birthday. The committee heard that construction of the coach was yet to be completed and that further government expenditure in the order of \$100 000 is expected for transportation of the item to the UK. Non-government senators were critical of the process of approving the grant payment.⁹

3.10 Other issues of interest examined by the committee included:

5 *Estimates Hansard*, 22 May 2007, pp 39–42 and 44–57.

6 'Central Advertising System', Department of the Prime Minister and Cabinet, Government Communications Unit website, <http://www.gcu.gov.au/code/cas/index.html>.

7 *Estimates Hansard*, 22 May 2007, pp 18–38; 42–44; and 58–62.

8 *Estimates Hansard*, 21 May 2007, pp 65–81.

9 *Estimates Hansard*, 21 May 2007, pp 100–114.

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- A Freedom of Information request for files on the water policy announcement;¹⁰
 - The new PM&C building;¹¹ and the demolition of the former PM&C building;¹²
 - Appointment decisions by Cabinet;¹³
 - The Prime Minister's statement on nuclear energy;¹⁴
 - The Government business emissions trading task group;¹⁵
 - Estimates training for Government Communications Unit officers;¹⁶
 - Expenditure on capital and non-capital works and suppliers at the official establishments;¹⁷ and
 - The COAG working group on indigenous generational reform.¹⁸

Office of the Official Secretary to the Governor-General

3.11 During examination of the Office of the Official Secretary to the Governor-General the committee re-visited the issue of the independence of the Council for the Order of Australia, and in particular whether state government Council representatives have the power to veto nominations. This issue was considered previously at the Additional Estimates hearing in February 2007. The Official Secretary to the Governor-General explained to the committee why he sought to clarify the matter following the Additional Estimates hearing:

...I wrote to the committee because Senator [Bob] Brown had indicated in the press release that I had said certain things in relation to the way the independent Council for the Order of Australia worked and basically asserted that I had confirmed his view that a state government representative was able to veto a nomination. I said at the time of the hearing that that was not the case. I noticed after the hearing, when the release was made, that that assertion was continued. I felt that it was important that the committee know that this was not the case, because I felt

10 *Estimates Hansard*, 21 May 2007, pp 93–96.

11 *Estimates Hansard*, 22 May 2007, pp 91–94.

12 *Estimates Hansard*, 21 May 2007, pp 114–115.

13 *Estimates Hansard*, 21 May 2007, pp 115–121.

14 *Estimates Hansard*, 21 May 2007, pp 124–129.

15 *Estimates Hansard*, 21 May 2007, pp 129–133.

16 *Estimates Hansard*, 22 May 2007, pp 15–18; pp 62–63.

17 *Estimates Hansard*, 22 May 2007, pp 74–91.

18 *Estimates Hansard*, 22 May 2007, pp 100–106.

it cast aspersions on the integrity of the honours process—which it did. That is the reason why I wrote and in the terms that I did.¹⁹

3.12 The committee pursued the following areas of interest:

- Administration of the Australian honours system;
- The building project for the Honours secretariat precinct;
- Capital works expenditure; and
- Maintenance of the buildings and grounds.²⁰

Australian Public Service Commission

3.13 During a relatively brief examination of the commission the committee explored:

- Entitlement and employment conditions for staff who transfer between agencies as a result of an administrative orders change;²¹
- Redundancies in the Australian Public Service;²²
- Protection for whistleblowers under the Australia Public Service Act;²³ and
- SES retreats.²⁴

Office of National Assessments

3.14 The committee addressed the following issues during examination of the Office of National Assessments:

- East Timor;
- Afghanistan;
- Iraq; and

19 Mr Malcolm Hazell, CVO, Office of the Official Secretary to the Governor-General, *Estimates Hansard*, 21 May 2007, p. 86. See also correspondence from Mr Malcolm Hazell, on consideration of nominations by the Council for the Order of Australia, received 21 February 2007, http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/add_0607/pmc/orderofaustralia_addinfo.pdf

20 *Estimates Hansard*, 22 May 2007, pp 86–92.

21 *Estimates Hansard*, 22 May 2007, pp 3–5. Budget Estimates 2007-08, Australian Public Service Commission, answer to question on notice PM36, and clarification of evidence (received 23 May and 6 June 2007), http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/pmc/index.htm

22 *Estimates Hansard*, 22 May 2007, pp 5–7.

23 *Estimates Hansard*, 22 May 2007, pp 7–11.

24 *Estimates Hansard*, 22 May 2007, pp 11–12.

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- Climate change.²⁵

Australian National Audit Office

3.15 The committee spent considerable time scrutinising defence performance audits conducted by the ANAO. The committee focused in particular on the Australian Light Armoured Vehicle (ASLAV) report and management of army minor capital equipment procurement projects. It also explored the difficulties defence has had with GST invoices and foreign currency transactions. The committee expressed concerns that Department of Defence and the Defence Materiel Organisation (DMO) are not addressing the systematic problems that the ANAO reports highlight.

3.16 Mr McPhee, the Auditor-General, explained that it is difficult to assess Defence's response to the audits:

...we only look at a very small proportion of major Defence projects, and so it is very hard to give you a general response. The other thing I would say is that we auditors are trained to be sceptical until we are persuaded otherwise, and so my scepticism is still appropriately high until we see evidence of changes seriously occurring on the ground. As yet, while there are signs, our reports are still highlighting issues with contract management and project management. I am the first to recognise their world is complex and the risks are high, but it is only through the disciplined approach to protecting the Commonwealth's interests and managing these projects with greater discipline that DMO will get on top of it.²⁶

3.17 The committee heard that the Joint Committee of Public Accounts and Audit has recommended that the DMO produce reports on their top 30 projects. The government is sympathetic to the recommendation and has requested the ANAO and DMO bring forward a cabinet submission on the proposal for next year's budget.²⁷

25 *Estimates Hansard*, 22 May 2007, pp 108–116.

26 Mr Ian McPhee, Auditor-General, Australian National Audit Office, *Estimates Hansard*, 22 May 2007, p. 125.

27 *Estimates Hansard*, 22 May 2007, pp 125–127.

3.18 Other issues examined by the committee included:

- Breaches of the Financial Management and Accountability Act; and
- Audit of the Future Fund Management Agency.²⁸

28 *Estimates Hansard*, 22 May 2007, pp 127-129.

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.

Human Services Portfolio

5.1 The Committee took evidence from the Human Services portfolio on Thursday 24 May 2007. The Committee examined the department together with Centrelink, Medicare Australia and Health Services Australia (HSA). The examination focused mainly upon issues surrounding the Access Card. The following issues of interest are discussed below:

- Access Card;
- Late responses to questions on notice; and
- Certain contractual arrangements of Health Services Australia.

Department of Human Services

Access Card

5.2 Senator the Hon. Chris Ellison, Minister for Human Services, indicated his desire for the revised Access Card bill to be referred to a senate committee for inquiry. He stated that it was the government's intention to introduce the bill into the parliament in the June 2007 sitting fortnight. The Minister and officials discussed at length various technical aspects of the Access Card.¹ The committee also heard that the Minister had carried out extensive consultations with a number of privacy and welfare rights organisations.²

5.3 Subsequent to the hearing the Minister announced the Access Card bill would not be introduced into the parliament in June. The Minister announced that there would be a public release of an exposure draft enabling further consultation with the states, territories and other stakeholders.³

Late responses to questions on notice

5.4 Committee members expressed frustration at the arrival of responses to questions on notice on the day of the estimates hearings. Twelve responses of a total of 94 were received on the day (with an additional 17 received in the week prior to the hearings). It was acknowledged that unlike previous estimate hearings, the department had provided all its responses prior to the hearings. Nonetheless, committee members told officials that receiving responses on the day of the hearings 'does not aid the system'.⁴

1 *Estimates Hansard*, 24 May 2007, pp 77–107.

2 *Estimates Hansard*, 24 May 2007, p. 102.

3 'A question of identity on the cards', *Weekend Australian*, 9 June 2007, p. 21, http://parlinfoweb.parl.net/parlinfo/Repository1/Media/npaper_4/SMBN60.pdf.

4 *Estimates Hansard*, 24 May 2007, p. 56.

5.5 The Departmental Secretary explained that the delays had been caused by the need to provide detailed answers and the difficulties posed by the busy Budget period. In order for the committee to understand the cause of the delay the department undertook to provide on notice the date on which responses (received after the due date) were sent to the Minister's office.⁵ The committee was pleased to hear that the department will no longer include a statement on the cost and hours committed by the department to each question on notice response.⁶

5.6 Other issues raised by members of the committee included:

- The Department of Human Services budget;⁷
- The budget for IT expenditure;⁸
- Job Capacity Assessments;⁹ and
- The Commonwealth Rehabilitation Service (CRS) Australia.¹⁰

Centrelink

5.7 The majority of discussion between Centrelink officials and the committee centred around the Access Card.¹¹ Other matters raised included:

- Fraud and compliance;¹² and
- Assaults and security provisions.¹³

Medicare Australia

5.8 In a relatively brief examination of Medicare, the committee examined matters pertaining to the Access Card and IT expenditure.¹⁴

Health Services Australia

5.9 Health Services Australia (HSA) was examined by the committee for the first time in a number of years. Officials from HSA were questioned about a contract for

5 *Estimates Hansard*, 24 May 2007, pp 55–57.

6 *Estimates Hansard*, 24 May 2007, pp 80–81.

7 *Estimates Hansard*, 24 May 2007, pp 99–100.

8 *Estimates Hansard*, 24 May 2007, pp 107–108.

9 *Estimates Hansard*, 24 May 2007, pp 110–113.

10 *Estimates Hansard*, 24 May 2007, pp 113–116.

11 *Estimates Hansard*, 24 May 2007, pp 116–119.

12 *Estimates Hansard*, 24 May 2007, pp 119–123.

13 *Estimates Hansard*, 24 May 2007, pp 123–24.

14 *Estimates Hansard*, 24 May 2007, pp 124–26.

the provision of radiology services, valued at \$250 000 per annum for 2 or 3 years. The contract was awarded to Digital Health Screening on a sole supplier basis.¹⁵

5.10 Evidence was given by HSA's Managing Director that he and the owner of Digital Health Screening were former colleagues and had sat on the board of an imaging company together in 1998–2002. The owner of Digital Health Screening became aware of the opportunity to provide the radiology service to HSA through the Managing Director of HSA. The contract was approved by an executive meeting, without going to the board, as permitted by the HSA procurement guidelines.¹⁶ The committee heard the Managing Director was of the view that he did not have a personal interest and so did not exclude himself from the decision.

5.11 Senator Ellison, the Minister for Human Services, indicated that the HSA Group is accountable to its shareholders, the Finance Minister and the Health Minister, and that he would draw the matter to their attention. Later the Managing Director stated the Shareholder Ministers were aware of the relationship between himself and the owner of Digital Health Screening.

5.12 The committee also heard evidence of a second contract with Digital Health Screening to provide radiology services worth \$1 million per annum for 3 years. The Managing Director indicated that this contract had been approved by the board in accordance with HSA's procurement guidelines.

5.13 Subsequent to the hearing both the Minister and the Managing Director provided additional information to the committee.

5.14 On 25 May 2007 the Minister advised that he had been misinformed prior to the hearing that he was not a shareholder of HSA. He wrote to the committee to correct the record, stating:

...I have since been informed that the constitution for Health Services Australia Limited was amended by special resolution in early 2005 following changes to the Administrative Arrangement Orders in late 2004... Accordingly, I am therefore informed that I am a shareholder Minister for Health Services Australia Limited.¹⁷

15 *Estimates Hansard*, 24 May 2007, pp 129–134.

16 The HSA Group is a *Commonwealth Companies and Authorities Act 1997* body and as such is not subject to the Commonwealth Procurement Guidelines. The company is managed by an independent Board of Directors.

17 Senator the Hon. Chris Ellison, Minister for Human Services, clarification of evidence, received 25 May 2007, http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/human_services/index.htm

5.15 On 31 May 2007 the Managing Director retracted the claim that the Shareholder Ministers were aware of his relationship with the owner of Digital Health Screening, and stated they were not aware of the prior relationship.¹⁸

5.16 Other issues raised by the committee and other Senators include:

- The appointment of the HSA Managing Director;¹⁹
- Annual reports;²⁰ and
- Procurement guidelines.²¹

Acknowledgements

5.17 The committee expresses its appreciation of the service provided by the secretariat, the 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.

5.18 The committee also wishes to thank all ministers and departmental and agency officers for their assistance.

Next hearings—Budget Supplementary Estimates 2007–08

5.19 By resolution of the Senate, the committee is scheduled to consider the supplementary budget estimates for the 2007–08 financial year from Monday 12 November through to Thursday 15 November 2007.

5.20 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 Mitch Fifield

Chair

18 Mr Walter Kmet, Managing Director, Health Services Australia, clarification of evidence, received 31 May 2007, http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/bud_0708/human_services/index.htm

19 *Estimates Hansard*, 24 May 2007, pp 126–127.

20 *Estimates Hansard*, 24 May 2007, pp 127–128.

21 *Estimates Hansard*, 24 May 2007, pp 128–129.

Appendix 1

Departments and agencies under the four 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;
- Australian Electoral Commission;
- Commonwealth Grants Commission;
- Commonwealth Superannuation Administration (Comsuper);
- Australian Reward Investment Alliance (ARIA); and
- Future Fund Management Agency.

Human Services Portfolio

- Department of Human Services;
- Centrelink;
- Medicare Australia;
- Australian Hearing; and
- Health Services Australia.

Appendix 2

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