

The Senate

Finance and Public Administration
Legislation Committee

Budget estimates 2010–11

June 2010

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The Senate

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Membership of the Committee

42nd Parliament

Senator Helen Polley (Chair)	ALP, Tasmania
Senator Scott Ryan (Deputy Chair)	LP, Victoria
Senator Doug Cameron	ALP, New South Wales
Senator Jacinta Collins	ALP, Victoria
Senator Helen Kroger	LP, Victoria
Senator Rachel Siewert	AG, Western Australia

Other Senators in Attendance

Senator the Hon Eric Abetz, Senator Chris Back, Senator the Hon George Brandis, Senator Mathias Cormann, Senator Concetta Fierravanti-Wells, Senator Mitch Fifield, Senator Michael Forshaw, Senator the Hon Bill Heffernan, Senator Gary Humphries, Senator Barnaby Joyce, Senator Scott Ludlam, Senator the Hon Ian Macdonald, Senator the Hon Brett Mason, Senator Claire Moore, Senator Stephen Parry, Senator Marise Payne, Senator the Hon Michael Ronaldson, Senator Russell Trood, Senator John Williams and Senator Nick Xenophon.

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Chapter 1

Budget Estimates 2010–11

1.1 On 11 May 2010, the Senate referred to the Finance and Public Administration Legislation Committee (the committee) for examination and report the following documents:

- particulars of proposed expenditure in respect of the year ending on 30 June 2011;
- particulars of certain proposed expenditure in respect of the year ending on 30 June 2011; and
- particulars of proposed expenditure in relation to parliamentary departments in respect of the year ending on 30 June 2011.¹

Portfolio coverage

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

- Parliamentary departments;²
- Prime Minister and Cabinet portfolio;
- Finance and Deregulation portfolio; and
- Human Services portfolio.

1.3 Appendix 1 lists the departments, agencies, authorities and companies under the portfolios mentioned above.

Variation of portfolios

1.4 On 12 May 2010, the Senate agreed to amend the order of the Senate of 13 February 2008 relating to the allocation of departments and agencies to legislative and general purpose standing committees. As a result, the Climate Change and Energy Efficiency portfolio was transferred from the committee's oversight to that of the Environment, Communications and the Arts Committee. The amendment of the allocation reflected the establishment of a new Department of Climate Change and Energy Efficiency (DCCEE) on 8 March 2010.

1.5 The Finance and Public Administration Legislation Committee continued to receive answers to questions on notice for the former Department of Climate Change in relation to the additional estimates held in February 2010.

1 *Journals of the Senate*, 11 May 2010, p. 3444.

2 As a matter of comity between the Houses, 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.

Portfolio Budget Statements

1.6 There were a number of changes to the outcomes and programs for departments and agencies. The Australian Electoral Commission (AEC) moved from a three outcome structure to a single outcome structure supported by three programs.³ The resources information and tables within the Portfolio Budget Statement (PBS) reflected this change, listing programs under a single outcome.

1.7 As a result of *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* (the Blueprint or the Moran Review), the Australian Public Service Commission (APSC) will implement reform of the Australian Public Service (APS). To order to implement the reform agenda, responsibilities including agreement-making, classification structures, APS pay and employment conditions, work level standards and workplace relations advice have been transferred from the Department of Education, Employment and Workplace Relations to the APSC.⁴ Whilst the PBS for the APSC notes this additional expense measure, the commencement date for the reforms are yet to be agreed by officials.

Hearings

1.8 The committee held public hearings on Monday 24, through to Thursday, 27 May 2010. An additional hearing was held on Thursday, 17 June to further examine Department of Finance and Deregulation, Outcome 2, Program 2.1 relating to government advertising. The committee Hansard may accessed at: http://www.aph.gov.au/senate/committee/fapa_ctte/estimates/bud_1011/index.htm⁵

1.9 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 resolved that written answers and additional information be submitted by Friday, 9 July 2010.

1.10 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 web page: www.aph.gov.au/Senate/committee/fapa_ctte/estimates/index.htm.

1.11 The committee notes its appreciation that the majority of agencies submitted their responses to Questions on Notice from Additional Estimates 2009–10 (February 2010), by the specified deadline of 26 March 2010. However, only 33 of the 94 questions on notice directed to the Department of Climate Change were answered before the commencement of the committee's Budget estimates with 42 provided during estimates hearing week.

1.12 Over the course of the five days' hearings—totalling over 40 hours—the committee took evidence from: the President of the Senate, Senator the Hon John

3 Finance and Deregulation Portfolio, *Portfolio Budget Statements 2010–11, Budget related paper No. 1.9*, p. 83.

4 Prime Minister and Cabinet Portfolio, *Portfolio Budget Statements 2010–11, Budget related paper No. 1.16*, pp. 111–2.

5 Appendix 2 provides an index to the Hansard transcripts.

Hogg; Special Minister of State, Senator the Hon Joe Ludwig; Assistant Treasurer, Senator the Hon Nick Sherry, representing the Finance Minister; and Senator the Hon John Faulkner, Minister for Defence, together with officers of the departments and agencies concerned.⁶

1.13 The following agencies were released from the hearings without examination: National Archives of Australia, National Australia Day Council Limited, Albury-Wodonga Development Corporation, Australian Industry Development Corporation, Australian River Co Ltd, ASC Pty Ltd, Australian Technology Group Ltd, Tuggeranong Office Park Pty Ltd and Australian Hearing.

Programming

1.14 In order to enable all senators who wished to attend the hearing to ask questions under particular programs, the committee's programs included a guide to timings for outcomes and agencies. While only a guide, the inclusion of timings assisted with the smooth running of the hearings. During the hearings the committee Chair called the programs within outcomes which assisted Senators to focus their questioning on matters within the programs.

1.15 On Thursday, 27 May, the committee's hearing commenced at 10.00 am. Under Standing Order 26(3) no more than four estimates committees may meet at one time. However, the Secretary to the Treasury was required, pursuant to an order of the Senate, to appear at the estimates hearing of the Economics Legislation Committee. The Secretary was only available on the morning of Thursday, 27 May, outside the time scheduled for the Economics Legislation Committee estimates hearing. The committee agreed to accede to the Economics Legislation Committee request to commence at 10.00 am, thus complying with SO 26(3).

Procedural matters

Meaning of officer – Independent Communications Committee

1.16 During the hearing the committee canvassed issues relating to government advertising. It was noted that the Government has established a new body, the Independent Communications Committee (ICC), to report to chief executives on compliance with government advertising guidelines. The role undertaken by the ICC in relation to government advertising replaces the role previously undertaken by the Auditor-General. The committee asked whether the ICC would be available to answer questions during the estimates process.⁷

1.17 The Special Minister of State, Senator Ludwig, while commenting that 'the committee is independent from us and, from what I understand, they could be called. I would not object to that', took the request on notice.

6 Senator the Hon John Faulkner briefly replaced Special Minister of State, Senator the Hon Joseph Ludwig as minister at the table during the committee's consideration of the Australian Electoral Commission. *Estimates Hansard*, 27 May 2010, pp. 73–80.

7 *Committee Hansard*, 25 May 2010, p. F&PA 7.

1.18 The committee also sought the advice of the Clerk of the Senate in relation to the appearance of the ICC. The Clerk advised that Standing Order 26(5) empowers the legislation committees, when considering estimates, to ask for explanations from ministers in the Senate and officers. Further:

This has been interpreted in the past as covering the officers of any Commonwealth department or agency, including any Commonwealth statutory body, and any Commonwealth-owned company, regardless of whether they receive funds directly through the appropriation bills. Persons who do not fall into the category of officers technically may not be examined in an estimates hearing (although this rule has not been strictly adhered to on occasion when consultants or contractors have appeared).⁸

1.19 Following clarification that the members of the ICC are employed on a contractual basis and remunerated on a per diem basis, the Clerk concluded that:

This suggests to me that there is not an employment relationship between the committee members and the Commonwealth and that the committee members are therefore not "officers" within the meaning of standing order 26(5).⁹

1.20 While the committee could not question members of the ICC during the estimates process, it is open to the committee to examine the ICC through a non-estimates inquiry such as that in relation to the performance of departments and agencies or under an inquiry by the references committee after referral by the Senate.

1.21 During its examination of the Department of Finance and Deregulation, members of the committee were able to seek explanations in relation to the work of the ICC from departmental officers.

1.22 The committee made public the Clerk's advices and copies are available on the committee's website.

Public interest immunity

1.23 During questioning on the Building the Education Revolution (BER) performance audit report, the Auditor-General raised a claim of public interest immunity in declining to provide comments made by departments and others in relation to the draft BER performance audit report. While indicating that he would be able to provide an overview of the type of comments received, the Auditor-General claimed that disclosing the actual comments would impact on his relationships with departments and agencies. In addition, he commented that it may impact on his ability to gather open and comprehensive information. The Auditor-General added 'there

8 Dr R Laing, Clerk of the Senate, *Advice regarding the appearance of members of the Independent Communications Committee at Estimates Hearings*, 25 May 2010.

9 Dr R Laing Clerk of the Senate, *Further advice regarding the appearance of members of the Independent Communications Committee at Estimates Hearings*, 25 May 2010.

is...a public interest in departments feeling free to provide me with what we call audit-in-confidence information so that I can form my own view'.¹⁰

1.24 The committee's questioning established that the Auditor-General had raised a public interest immunity claim. The minister, Senator Ludwig, commented, in relation to the Auditor-General's public interest immunity claim, 'it is an interesting position because of course the Auditor-General reports to the parliament and is not a departmental officer in that sense'.¹¹

10 Mr Ian McPhee, Auditor-General, Australian National Audit Office, *Estimates Hansard*, 25 May 2010, p. 49.

11 *Committee Hansard*, 25.5.10, p. F&PA 50.

Chapter 2

Consideration of portfolios and agencies

2.1 The following discussion provides an overview of the issues raised during the estimates hearings.

Department of the Senate

2.2 The Clerk of the Senate advised the committee that the department of the Senate continues to face a tight budgetary situation and noted the continued application of the efficiency dividend on the department. Following a number of years of surplus, the department is expecting a deficit of around \$20,000 for this financial year, following from last year's recorded deficit of \$1.43 million. The deficits were attributed to the increase in committee activity in the current Parliament and a higher level of select committee activity than compared to previous years.¹ The Clerk also noted that over the last two years there has been a record number of references to committees.

2.3 The committee sought information on the degree of complexity and nature of legislation being referred to committees. The Clerk indicated that there is a tendency for complex legislation to be referred to committees, but commented that 'I do not think the legislation we have experienced this year or last year is any more complex than what has gone before'.²

2.4 The Clerk also responded to questions concerning the need to increase the level of resourcing of committees and commented that:

...it is fairly difficult to increase your baseline funding. What we do have in place are various strategies to cope with peak demands. We have a very flexible workforce in the committee office so there is a lot of lending of resources to assist with peaks in other committees. We also have on our books a number of very valuable former officers with a great deal of experience in the work of the Senate and its committees who are available to come back and do temporary assignments as the need arises. So we have a very highly skilled temporary and quick-acting workforce when required.³

2.5 The committee discussed the cost and timely production of daily press clippings by the Senate, in comparison to the House of Representatives. In the course of questioning, the committee was reminded that matters relating to the House of Representatives could not be canvassed. However, departmental officers indicated that preliminary discussions had already taken place between the three parliamentary departments in relation to the provision of press clippings to senators and members.⁴

1 *Committee Hansard*, 24.5.10, p. F&PA 3.

2 *Committee Hansard*, 24.5.10, p. F&PA 7.

3 *Committee Hansard*, 24.5.10, p. F&PA 7.

4 *Committee Hansard*, 24.5.10, pp F&PA 4–5.

2.6 The committee also questioned officers in relation to the recent recruitment rounds within the committee office and the establishment of select committees including capping of the number of select committees and establishment of a select committee contingent on the completion of the work of an existing select committee.

Department of Parliamentary Services

2.7 The committee questioned the Department of Parliamentary Services (DPS) in relation to implementing provisions of Operation Sunlight which will see the Parliamentary Library providing extra information and advice to non-government parliamentarians in election years. Under the arrangements, the library will receive \$500 000 in additional funding to augment its resources for the 2010–11 and 2013–14 election years. It was indicated that the Parliamentary Librarian is currently discussing the implementation of the program with the Joint Standing Committee on the Parliamentary Library, including the equitable distribution of the service.⁵ The Library Committee will be convening to undertake a detailed decision. The committee requested on notice, that details of the final agreement reached by the Library Committee be provided.⁶

2.8 Access to data from Centrelink by the Parliamentary Library was discussed at length. The Librarian indicated that a parliamentary researcher had requested data from Centrelink in order to provide information to a member. Centrelink had responded that the data would not be made available unless the library divulged the name of the member requiring this information and the reasons for the request. The committee sought information on the sequence of events and the response of the Librarian. The President indicated that he would seek investigation of and advice in relation to the matters raised.⁷ This matter was canvassed further during questioning of Centrelink (see para 2.70 below).

2.9 The committee revisited questions from additional estimates in February 2010 regarding security arrangements at Parliament House. Specifically, removing security screening for members and senators entering Parliament House who have already been issued with security passes. Mr Alan Thompson, Secretary, informed the committee that while consideration had been given to 'the concept of an electronic gateway', where pass holders would 'simply tag through rather than having to have an officer control the door', the Security Management Board are still considering the feasibility of such an initiative.⁸

2.10 The committee also discussed changes made to security rosters which directly affect the supervision of cleaners in ministerial suites. DPS assured the committee that

5 *Committee Hansard*, 24.5.10, p. F&PA 11.

6 *Committee Hansard*, 24.5.10, p. F&PA 13.

7 *Committee Hansard*, 24.5.10, pp F&PA 16–29.

8 *Committee Hansard*, 24.5.10, pp F&PA 31–32.

this is taken into full consideration in the creation of rosters and that cleaners are, in fact, supervised while within ministerial suites.⁹

2.11 Other matters raised included the costs of the media monitoring service; the use of publications on the Library's website by external websites; staff recruitment processes; the new mail screening facility; and parliamentary IT services.

2.12 During the discussion on staff recruitment processes, matters were raised relating to the appointments of a non-ongoing employee to undertake a structural review and the manager of the parliamentary gym and shop, the husband and son respectively of the DPS Chief Financial Officer (CFO). DPS indicated that the appointment of the officer to undertake the structural review had been made on the basis of his area of expertise. In relation to the manager's position, the Secretary indicated that proper recruitment procedures had been followed and that the CFO had informed the Secretary that her son was an applicant for the position.¹⁰ The matter was reported in the *Canberra Times* on 25 May 2010. On 10 June, the *Canberra Times* printed a correction indicating that the article on 25 May contained an inaccurately paraphrased report of committee evidence.

Prime Minister and Cabinet Portfolio

Office of the Official Secretary to the Governor-General

2.13 The Official Secretary to the Governor-General informed the committee that the Governor-General since taking office, had visited 78 locations in Australia, including remote locations, as part of her engagement with the community. The Official Secretary noted that the visits to remote Western Australian were the first by a Governor-General.¹¹

2.14 The committee discussed the level of staff turnover within the Office of the Official Secretary to the Governor-General (OOSGG). The Official Secretary informed the committee that since the last estimates hearing in February 2010 there has been 'five separations, of which four were retirements and one was a person who moved to the private sector'.¹² All five of these positions have now been refilled and all were advertised as merit-based appointments, apart from the position of speechwriter.

2.15 This led to a more detailed discussion regarding the position of the Governor-General's speechwriter. The Official Secretary indicated that the speechwriter was a direct appointment in a consultancy capacity. While acknowledging that this was 'a very personal appointment', the Official Secretary noted that 'we are fortunate to

9 *Committee Hansard*, 24.5.10, p. F&PA 44.

10 *Committee Hansard*, 24.5.10, pp F&PA 38– 42.

11 *Committee Hansard*, 24.5.10, p. F&PA 57.

12 *Committee Hansard*, 24.5.10, p. F&PA 57.

employ one of, perhaps, Australia's finest speechwriters'. The speechwriter worked on major speeches with others in the office contributing to other speeches.¹³

2.16 Other matters discussed included the Governor General's wine cellar; government representation at investitures during 2009; and the dismissal of the former Official Secretary, Mr Malcolm Hazel.

Department of the Prime Minister and Cabinet

2.17 The committee noted the funding allocation to the Department of the Prime Minister and Cabinet of \$12 million in the 2010–11 Budget and queried its use as it was not tied to a specific program. The department clarified that it was appropriated across three years at \$4 million per annum to be utilised to support work on reform advice within the department and will be primarily focused on the health reforms, the APS reforms and work linked to the G20.¹⁴

2.18 The committee also discussed the allocation of \$1.5 million to assist the department with meeting the operational requirements of the COAG agenda; the cost of hosting COAG meetings in state locations; and various national initiatives including the national health and hospitals framework and the national partnership agreement on remote indigenous housing.

2.19 Other issues discussed with the department included:

- the establishment of the Victorian Bushfire Reconstruction and Recovery Authority;
- a freedom of information application in relation to the Fitzgibbon matter and whether the communication between Minister Gillard and Slater and Gordon was undertaken in her capacity as Deputy Prime Minister;
- the COAG health reform and the need to change the Inter Governmental Agreement in light of the non-inclusion of Western Australia; and
- the Prime Minister's Twitter account.

Australian Institute of Family Studies

2.20 In evidence, the Australian Institute of Family Studies (AIFS) indicated that it was making savings through a greater use of online electronic publishing and also seeking to reduce travel costs through teleconferencing and videoconferencing. The AIFS indicated that savings of \$47,000 had been made in the 2009–10 with projected savings for the forward years. In addition, the AIFS is seeking to expand its revenue through contracts and commissions.¹⁵

2.21 Considerable time was spent in discussion of family violence and its mediation through the Magistrates Court compared to mediation through family relationship centres. The committee also discussed the issue of better screening for

13 *Committee Hansard*, 24.5.10, pp F&PA 58–60.

14 *Committee Hansard*, 25.5.10, p. F&PA 55.

15 *Committee Hansard*, 24.5.10, p. F&PA 71.

family violence by the Magistrates Court. Professor Alan Hayes, Director, advised that the Federal Magistrates Court is considering improvements to identification procedures and the need for 'uniformly applied screening instruments'.¹⁶

2.22 Other matters discussed included the AIFS's recent review of adoption practices between 1940 and 1970.

Office of the Privacy Commissioner

2.23 The committee investigated a directive from the government to the Office of the Privacy Commissioner (OPC) to provide media and political briefs. The Commissioner clarified that the majority of these communications were short comments providing updates such as the release of a report and, on occasion, additional material for estimates hearings. The Commissioner emphasised that the independence of the OPC is not in any way compromised by the provision of this information to the government. The Commissioner stated:

We provide briefing to the Department of Prime Minister and Cabinet as we are part of the portfolio. We are independent in the exercise of our functions under the act—that is, in handling complaints and conducting audits and providing some policy advice. That is why we provide submissions to many government inquiries and many parliamentary inquiries. That is the way we exercise the independence that comes with being the statutory authority that we are.¹⁷

2.24 The committee also sought information on the scrutiny of any privacy breaches associated with Google and their Street View service.

Old Parliament House

2.25 Old Parliament House was questioned about the invitation list for the opening of the opposition party room exhibition.¹⁸

Australian Public Service Commission

2.26 The committee questioned officers on staffing levels within the Australian Public Service, and in particular a noted rise in staff from the 2,750 originally predicted in the 2009–10 Budget, to the current prediction of 5,003 in the 2010–11 Budget.¹⁹ Mr Steve Sedgwick, the Australian Public Service Commissioner, explained:

There has been a long-term decline in the proportion of the Public Service that is trainees and a long-term increase in the proportion of the Public Service that is SES.²⁰

16 *Committee Hansard*, 24.5.10, p. F&PA 75.

17 *Committee Hansard*, 24.5.10, p. F&PA 84.

18 *Committee Hansard*, 24.5.10, pp F&PA 86–89.

19 *Committee Hansard*, 24.5.10, p. F&PA 89.

20 *Committee Hansard*, 24.5.10, p. F&PA 90.

2.27 The committee pursued matters arising from the report, *Ahead of the Game: Blueprint for Reform of Australian Government Administration* (the Blueprint or the Moran review). On 8 May 2010, the Government advised that it had accepted all the recommendations contained in the report. The Australian Public Service Commission (APSC) will implement some of the reforms.

2.28 The committee drew attention to the Moran review's examination of efficiency, particularly in relation to the efficiency dividend and the potential re-examination or abolition of the dividend; a citizen survey as a feedback mechanism; and the movement of staff from the Department of Education, Employment and Workplace Relations to the APSC.

2.29 The committee sought clarification of comments made in the Moran review relating to the structure of the SES and whether there is an over-proliferation of staffing at this level. The Commissioner commented:

...over a period of time there has been a steady increase in the average classification level in the Public Service...at a time when over the last 15 years the Public Service at large grew by about 15 per cent, the size of the SES grew by about 50 per cent plus in each band. That has just raised the question as to what has been driving that. Is it a function of the growing complexity of the work and the nature of the representational duties that are now performed by senior officers or is it other things like classification creep, which is a less than rigorous application of the work level standards? We do not know the answer to that.²¹

2.30 Continuing the discussion on the SES, the committee queried the level of responsibilities allocated to the new Secretaries Board arising from recommendations of the Moran review. Concerns were expressed about the accountability of the Board to Parliament. The Commissioner put the view that:

Each of the members of the Secretaries Board reports to a minister and, in the context of whole-of-government issues, there are the standard questions around the authority of cabinet, the responsibilities of ministers...none of that has changed. I cannot see that there is anything different about this set of relationships compared to portfolio secretaries in terms of the accountability of each member of that group to their minister and to the government.²²

2.31 The committee also discussed the Moran review's reliance on the Australian National University as a source of training and research for the APS. Matters raised included the concentration of the APS and its advising bodies within the ACT. The Commissioner responded:

It [the Moran review] actually places quite an emphasis on the Public Service developing networks and relationships with a broad range of thinkers and expertise. It puts as strong an emphasis on those academic

21 *Committee Hansard*, 24.5.10, p. F&PA 97.

22 *Committee Hansard*, 24.5.10, p. F&PA 93.

networks, whether they are in Canberra or anywhere else, as it does on the ANU.²³

2.32 Other matters discussed include whistleblower protections; work-life balance in the APS; separation and engagement data; and the impact of a freeze on recruiting on the APS.

Office of the Commonwealth Ombudsman

2.33 The Office of the Commonwealth Ombudsman was briefly examined on the directive to provide briefings to the government. Mr Ronald Brent, Acting Ombudsman stated:

We have not been instructed to provide any reports. We have been asked, where we consider it appropriate, to provide briefing on matters that might be relevant to the Prime Minister's office.²⁴

2.34 When questioned about the independence of the office, the Acting Ombudsman reiterated:

The ombudsman's office is not subject to direction from the minister. We are protected statutorily from undue interference and we make our decisions based on what is in the interests of the effective and proper functioning of the ombudsman's office.²⁵

Office of the Inspector-General of Intelligence and Security

2.35 The committee questioned the Office of the Inspector General of Intelligence and Security on the marked increase in complaints against the Australian Security Intelligence Organisation (ASIO) in relation to security assessment processes. It was indicated that complaints rose from 193 in last financial year to 850 to date for this financial year.

2.36 Dr Vivienne Thom, Acting Inspector-General of Intelligence and Security, explained that 842 of these complaints were about the timeliness of security assessments undertaken by ASIO. The OIGIS stated that it did not investigate all complaints as they largely concerned delays and had similar characteristics and allegations regarding ASIO's efficiency.²⁶

2.37 Senators also sought information on proposed legislation which will require the OIGIS to assess whistleblower complaints concerning intelligence and security agencies; progress of the recruitment of a new Inspector-General; and the capacity of the office to meet their increased workload.

23 *Committee Hansard*, 24.5.10, p. F&PA 93.

24 *Committee Hansard*, 24.5.10, p. F&PA 102.

25 *Committee Hansard*, 24.5.10, p. F&PA 103.

26 *Committee Hansard*, 24.5.10, p. F&PA 107.

Office of National Assessments

2.38 The Office of National Assessments responded to questions relating to the recruitment of staff and the length of time taken to fill vacancies.

Australian National Audit Office

2.39 The committee spent a considerable amount of time examining the Australian National Audit Office (ANAO). The main issues considered included the establishment of the Independent Communications Committee (ICC) and its impact on the role of the Auditor-General in his assessment of campaign advertising; and auditing of the economic stimulus project, Building the Education Revolution (BER).

2.40 Since 2008, the Auditor-General has undertaken the scrutiny of government advertising campaigns valued over \$250,000. The Special Minister of State, Senator the Hon Joseph Ludwig, explained that the Government had requested that a review (the Hawke review) be undertaken of advertising arrangements and that as a result, the Independent Communications Committee had been established:

Dr Allan Hawke was appointed on 27 January 2010 to conduct a review of government advertising arrangements, and he commenced on 8 February and a final report was provided...on 26 February 2010. Dr Hawke's report was released by me on 31 March 2010.

Dr Hawke's recommendations included establishing an Independent Communications Committee to report to chief executives on compliance with government advertising guidelines in place of the role formerly played by the Auditor-General. The Independent Communications Committee is chaired by Dr Allan Hawke, with former public servants, Ms Barbara Belcher and Ms Helen Williams.²⁷

2.41 The minister informed the committee that the Hawke review had recommended that the Auditor-General was not the most suitable person to conduct performance audits of campaign advertising, as the Auditor-General has been responsible for providing a report regarding proposed campaign advertising activity within the advertising guidelines. The minister went on to comment 'it was a challenge, in our view and in Dr Hawke's view, for the position of the Auditor-General to then conduct performance audits on campaign advertising'.²⁸

2.42 In regards to the powers of the Auditor-General, the Minister added:

...the Auditor-General is free to undertake an audit of any campaign or aspect of the government's advertising framework. In addition, the \$250,000 remains.²⁹

2.43 The committee noted the Auditor-General's comments in a letter to the Special Minister of State on 29 March 2010 voicing his disappointment at the lack of

27 *Committee Hansard*, 25.5.10, p. F&PA 5.

28 *Committee Hansard*, 25.5.10, p. F&PA 6.

29 *Committee Hansard*, 25.5.10, p. F&PA 5.

consultation with his office in the finalisation of the Hawke review. Mr McPhee stated:

...in my letter to Senator Ludwig I was contrasting the processes employed following the Hawke review, whereby I was not consulted on the completed review report nor did I have the opportunity to directly inform government of my views before government took their decision to change the arrangements with respect to the review of advertising campaigns.³⁰

2.44 Mr McPhee noted that the new guidelines removed the need for an explicit cost-benefit analysis to be undertaken prior to campaigning. Minister Ludwig clarified:

...the role of the cost-benefit analysis is to ensure that the effectiveness of the advertising and information campaign is maximised within the available campaign budget provided by government. The guidelines now reflect that intent, requiring that advertising campaigns should be cost-effective and justified within the budget allocated to the campaign. The cost-effectiveness measure was introduced to remove complexity and deliver better information for assessment, as has been the case with the cost-benefit analysis.³¹

2.45 The Auditor-General also noted that under the new arrangements, the ANAO's view would not be given before the campaign commenced.³²

2.46 There was extensive discussion in relation to the Auditor-General's powers in auditing the Building the Education Revolution (BER), specifically, the inability of the ANAO to consider whether the Commonwealth received 'value for money'. The Auditor-General indicated that as the audit had been undertaken at the request of the Senate, he had provided advice to the former Clerk of the Senate, Mr Harry Evans, outlining the scope of the audit.

2.47 The Auditor-General explained that he did not have the mandate under the *Auditor-General Act 1997* to consider whether the 22 implementing education authorities were achieving value for money.³³ The Auditor-General went on to comment that he could audit the administration of Commonwealth agencies, however the performance of state government entities would fall under the purview of state auditors-general.³⁴

2.48 The committee expressed concern about the limitation to the Auditor-General's mandate and suggested to the Auditor-General that it would facilitate the work of the Parliament if the Senate could be informed of instances when the ANAO saw itself being precluded from undertaking examinations because of jurisdictional

30 *Committee Hansard*, 25.5.10, p. F&PA 8.

31 *Committee Hansard*, 25.5.10, p. F&PA 11.

32 *Committee Hansard*, 25.5.10, p. F&PA 16.

33 *Committee Hansard*, 25.5.10, p. F&PA 28.

34 *Committee Hansard*, 25.5.10, p. F&PA 28.

issues.³⁵ The Auditor-General noted, in relation to issues raised in the conduct of the BER audit, that this 'is a very contemporary issue in public administration' particularly given recent developments in public administration under the umbrella of the Council of Australian Governments.³⁶

2.49 In relation to the BER audit, the committee also examined the methodology employed by the ANAO in the school principal survey for the BER audit, and whether an accurate representation could be drawn from the number of surveys returned.

Finance and Deregulation Portfolio

Department of Finance and Deregulation

2.50 The committee commenced questioning of officers by seeking clarification of the policy under the Government's fiscal strategy which required the government to offset all new spending with savings in order to bring the budget back into surplus. Assistant Treasurer, Senator the Hon Nick Sherry, explained that a disciplined approach to spending, with offsets to new spending proposals and a cap on expenditure to two per cent growth, will in part, contribute to the delivery of a budget surplus in three years time.³⁷

2.51 The committee briefly discussed the change of commencement date of the Carbon Pollution Reduction Scheme (CPRS) and its implications for the Budget. The department reiterated information provided in Budget Paper No. 1, that funding of the CPRS has been removed from forward estimates due to the delay in the implementation of the scheme.³⁸ Senators also discussed the expenditure of the \$652 million, previously allocated under the CPRS, to renewable energy and efficiency measures.³⁹ The minister commented:

I think we have well outlined the rationale for both measures, for their treatment in the budget forward estimates. It is totally consistent with past practice, not just under this government but under your government.⁴⁰

2.52 Senators also raised the BER with officers and addressed matters including the costing of the BER and the subsequent appropriation of \$1.7 billion in additional funds due a shortfall in funding and the limited time in which the department had undertaken the original costing of the initiative. Mr Tune indicated that the timing did not have an impact on the costing of the program, and that costings are made on assumptions that may change over time.⁴¹

35 *Committee Hansard*, 25.5.10, p. F&PA 29.

36 *Committee Hansard*, 25.5.10, p. F&PA 28.

37 *Committee Hansard*, 26.5.10, p. F&PA 3.

38 *Committee Hansard*, 26.5.10, p. F&PA 5.

39 *Committee Hansard*, 26.5.10, p. F&PA 7.

40 *Committee Hansard*, 26.5.10, p. F&PA 7.

41 *Committee Hansard*, 26.5.10, p. F&PA 11.

2.53 The committee expressed interest in the mechanisms utilised for the additional appropriation for the BER. Departmental officers explained that the additional spending was approved on 17 March 2009 through a regulation 10 approval. Mr Tune commented:

What was given by the minister for finance was a regulation 10 approval under the FMA Act, and that is a theoretical amount. The reason that regulation 10 approval is required by the Minister for Finance and Deregulation is that spending is to proceed across a number of years, and that is covered under that act...It does not actually approve spending in a sense that there is a cabinet decision or a government decision to spend that amount. It is just a technical thing that is done under this regulation 10—to give you some coverage down the track.⁴²

2.54 The committee briefly discussed Commonwealth liability arising from the Home Insulation program. The department informed the committee that there has been some claims for compensation through the Comcover scheme (the Commonwealth's insurance scheme) of which none have been accepted.⁴³

2.55 The committee revisited discussions from additional estimates in February 2010, regarding the Operation Sunlight recommendation in relation to the provision of policy and costing advice to non-government parties prior to an election. It was indicated that funding had been allocated to the Parliamentary Library to provide this service. Further, discussions had been conducted with the Parliamentary Library to outline that the appropriations of these funds as an outcome of Operation Sunlight and are available for their use.⁴⁴

2.56 The committee also continued to canvass issues in relation to the ICC. The committee was interested in the support provided to the ICC by Finance and Deregulation staff and details of the operations of the ICC. Specifically, the committee discussed the methods by which exemptions from scrutiny under the clause of 'compelling reasons' could be undertaken. Mr John Grant, First Assistant Secretary, Procurement Division, explained:

I suppose the process is that—and it is based on experience—before the campaign has even been brought before the ICC a request for exemption might be made and is considered by the minister. The minister takes the decision and then informs the chair of the ICC and the parliament.⁴⁵

2.57 Other issues discussed included:

- health agreements and funding between different levels of government;
- assumptions underpinning the health agreement funding;
- examination of regulatory decisions across the Commonwealth;

42 *Committee Hansard*, 26.5.10, p. F&PA 12.

43 *Committee Hansard*, 26.5.10, p. F&PA 25.

44 *Committee Hansard*, 26.5.10, p. F&PA 28.

45 *Committee Hansard*, 27.5.10, p. F&PA 11.

- new travel arrangements including frequent flyer points;
- ministerial staffing;
- monitoring of payment of accounts by government agencies and the payment of penalty interest for late payment; and
- Google advertisements.

Future Fund Management Agency

2.58 The committee discussed the Future Fund's Telstra shareholding. Mr Paul Costello, General Manager, informed the committee that while the Future Fund has, 'a mandated position to reduce its Telstra shareholding over time', comments regarding the shares and speculation on various outcomes have impacts on the share value.⁴⁶

2.59 The committee moved on to discuss the Future Fund's international shareholding and expressed concerns about investments in markets made risky by the financial crisis. Mr Costello commented:

We have been concerned about the events which have coalesced and arrived in a very significant way in a very short period of time, so we have been trying to de-risk the program, whilst not giving up our obligation to try and achieve a return on it. We have been both changing the composition of what we hold, to make it less exposed to these sorts of risks, and managing and rotating within programs to try and avoid exposures to these sorts of systemic risks.⁴⁷

ComSuper

2.60 The committee questioned ComSuper on quality improvements to the compilation of data held by ComSuper. Mr Leo Baxtor, Chief Executive Officer, clarified:

That is true, there is a contract out to find somebody to examine the ways that data is held in ComSuper and the quality of that data. Having said that, there is no evidence that the data holdings are in any way causing any incorrect benefits to be paid to members.⁴⁸

2.61 The committee also discussed the indexation of superannuation in relation to recommendations made in the Matthews review into Commonwealth civilian and military superannuation schemes.⁴⁹

Australian Reward Investment Alliance

2.62 The committee briefly questioned the Australian Reward Investment Alliance (ARIA) on its resource sector shareholdings particularly as ARIA has significant investments in BHP Billiton Ltd. The committee expressed concern about the fall in

46 *Committee Hansard*, 26.5.10, p. F&PA 75.

47 *Committee Hansard*, 26.5.10, p. F&PA 78.

48 *Committee Hansard*, 26.5.10, p. F&PA 86.

49 *Committee Hansard*, 26.5.10, p. F&PA 80–85.

BHP's share prices and sought to determine if the proposed mining tax could be a causal factor. However, Mr Lochiel Crafter, Chief Executive Officer, stated:

...I simply cannot tell you what the impact of the discussion regarding the tax is; there is simply too much other activity in the marketplace to define what the impact of this tax is versus all the other things that have happened in the market in six weeks.⁵⁰

Medibank Private

2.63 The committee questioning of Medibank Private focused on changes to products offered which responded to customer feedback on the need for more clarity in the range of products offered.⁵¹

2.64 The committee also queried Medibank's lack of presence on the private health insurance comparative website, iSelect. Officers informed the committee that Medibank Private does not have an interest in being branded through that channel, and has recorded growth in membership without needing to be marketed on iSelect.⁵²

Australian Electoral Commission

2.65 The committee questioned the Australian Electoral Commission (AEC) on methods employed to increase voter enrolments. Officers reiterated comments made at the last round of estimates, that there is no penalty for failing to enrol. Officers did note that current figures show a growth in the number of people who are registered to vote.⁵³ Mr Ed Killesteyn, Electoral Commissioner, added:

The Commonwealth Electoral Act is quite unique in that it is one of the few pieces of legislation, in fact I cannot recall any other similar piece of legislation that I have ever had to administer, where the issue that we are talking about, which is enrolment, is both an entitlement for an Australian citizen and an obligation...Under that bases, as an administrator I have to both pursue strategies which encourage people to get on the roll and use their entitlement...and at the same time use whatever tools I have at my disposal to enforce that enrolment.⁵⁴

2.66 The committee also expressed interested in the number of organisational ballots for which the AEC runs elections, funding of protected action ballots and potential technological improvements to the conduct of ballots.

50 *Committee Hansard*, 26.5.10, p. F&PA 89.

51 *Committee Hansard*, 26.5.10, p. F&PA 94.

52 *Committee Hansard*, 26.5.10, p. F&PA 96.

53 *Committee Hansard*, 27.5.10, pp F&PA 71–72.

54 *Committee Hansard*, 27.5.10 p F&PA 73.

Human Services Portfolio

Department of Human Services

2.67 The committee sought information on staffing matters including staff levels, retirements and redundancies and staff travel.⁵⁵ The committee then proceeded to explore the co-location of Centrelink, Medicare, CSA and CRS offices. The department indicated that 21 additional offices would be co-located by September and another 20 by the end of 2011. Talks are being held with the Community and Public Sector Union (CPSU) in relation to staffing matters arising from the co-locations.⁵⁶

2.68 Matters canvassed with the Child Support Agency (CSA) included the number of paying parents, the number of children supported through the arrangements and the total amount of support paid (\$949 billion in 2008–09). 250 000 parents are in arrears with a total outstanding debt of \$1.151 as at April 2010. Officers indicated that even though a child may have reached the age of 18 years and no longer fall within the child support arrangements, if there are outstanding arrears, the case remains active. If the CSA has been unsuccessful over a number of attempts and over a period of time to collect the arrears, the case may be marked for non-pursuit. However, the cases marked for non-pursuit are continually reviewed to ascertain if they should be reactivated for example, if a new collection opportunity arises.⁵⁷

CRS Australia

2.69 Questions directed to CRS included staffing levels and turnover, advertising expenditure and travel. CRS also provided information on client numbers.

Centrelink

2.70 Centrelink provided information in relation to the request by the Parliamentary Library for data on the family tax benefit. Officers indicated that Centrelink worked under a protocol with policy departments as a custodian of data that they collect or that Centrelink collects on their behalf. Further, 'that protocol says that Centrelink needs to seek permission for the release of data' from the policy department. Ms Hogg, CEO Centrelink, stated that:

When we received the request, under the protocol from 2006, we then approached FaHCSIA to seek permission to release the data, but the FaHCSIA decision maker denied that request. But I do understand now that a senior FaHCSIA officer has reviewed that decision and the data was, I understand, being released to the Parliamentary Library this morning.⁵⁸

55 *Committee Hansard*, 27.5.10, pp F&PA 86–87.

56 *Committee Hansard*, 27.5.10, pp F&PA 89–91.

57 *Committee Hansard*, 27.5.10, pp F&PA 93–94.

58 *Committee Hansard*, 27.5.10, p. F&PA 100.

2.71 The committee also discussed the 2006 protocol for the provision of information.⁵⁹

2.72 Officers also explained the processes by which policy changes are implemented by Centrelink, in particular the announcement that the Government will strengthen job seeker engagement. Centrelink indicated that there are two areas where changes will be made: first, job seekers will be able to report their income by ringing a call centre or over the internet; and secondly, selected customers – those job seekers who are most vulnerable to longer term unemployment – will have intensive participation contact interviews on a regular basis.⁶⁰

2.73 Other matters raised with Centrelink included conduct of job seeker interviews; staffing resources; development of evaluation processes for the new approach to interviews; the work of employment service providers; fraudulent activity; media analysis; and rural service officers.

Medicare Australia

2.74 The committee discussed the underlying assumptions in relation to the costs for the new hospital network. Medicare explained:

The procedures are similar for when we design and cost any new piece of work that we are asked to perform. What typically happens is that we are approached by the policy agency, who would give us some policy outcomes they are looking to deliver. They might talk to us about the types of delivery mechanisms they would like and we would talk about the assumptions: the types of customers, the number of transactions et cetera. We would then work to design what that solution might look like. It might involve the development of an information technology system; it might involve us talking about how much time our staff out in the network might require to undertake particular transactions. We design what this service model will look like and then we go through a process to cost how much it will be to build and implement that service model.⁶¹

2.75 Other matters raised with Medicare included the home insulation project; development of the Unique Health Identifier; aged-care forms; and Medicare fraud.

Senator Helen Polley

Chair

59 *Committee Hansard*, 27.5.10, pp F&PA 102–04.

60 *Committee Hansard*, 27.5.10, p. F&PA 109.

61 *Committee Hansard*, 27.5.10, p. F&PA 122.

Coalition Senators' Additional Comments

'National Emergency' withheld from Estimates

1.1 Coalition Senators express their deep disappointment in the government's contemptuous treatment of the Senate Estimates process. In particular, the deliberate decision of the Special Minister of State to delay the announcement of his exemption to the government's advertising guidelines until the day after the committee's Estimates hearing had concluded.

1.2 This act exposes the hypocrisy of the government over the issue of 'openness and accountability' and is in poor form, given the committee acceded to the Minister's request to reschedule its proceedings to fit in with the Minister's timetable.

1.3 Coalition Senators believe that the Minister's deliberate attempt to avoid scrutiny warranted the recalling of Estimates to reconsider Outcome 2.

1.4 The Minister's announcement on 28 May 2010 of the exemption of the Mining Tax campaign from its advertising Guidelines took place four days after its granting. Claims from the Minister that it took him four days to draft the parliamentary statement simply do not ring true, given that he had been provided with a draft statement ten days beforehand.

1.5 Moreover, the Minister was able to amend the final letter to the Treasurer by 24 May 2010. The substantive reasons in both documents are word-for-word identical, which would indicate that the claim of subsequent revision of the parliamentary statement over the next four days is, at best, an evasion.

1.6 During this period, the Minister could easily have tabled his statement out-of-session, publicly announced it, or had it tabled in the House of Representatives. It was also open to him to simply table the 24 May 2010 letter to the Treasurer, with a short explanatory statement attached.

1.7 Coalition Senators believe that the Minister's refusal to take any of these steps, choosing instead to withhold tabling his statement until the completion of Estimates, puts paid to the claim that the Rudd Government would put an end to the so-called 'sick cancer within our system' in the form of political advertising.

Answers to Questions on Notice

1.8 Coalition Senators note the further disrespect of the Estimates process evidenced in the government's lacklustre record of response to Questions on Notice.

1.9 Notwithstanding the ample time allocated for written and verbal questions taken on notice, many questions from Additional Estimates in February remained unanswered even while the present Budget Estimates were being considered, far later than the date of 26 March 2010 which was set for their response.

1.10 The failure to answer Questions on Notice by the agreed time is not only disrespectful to the Senate, but severely impedes the scrutiny of Budget Estimates when senators are required to ask unanswered questions on multiple occasions.

1.1 In particular, the poor performance of the Department of Climate Change and Energy Efficiency should be singled out for comment.

Senator Scott Ryan
Liberal Party of Australia
Senator for Victoria

Senator Helen Kroger
Liberal Party of Australia
Senator for Victoria

Appendix 1

Departments and agencies under the Committee's 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 Institute of Family Studies;
- Australian National Audit Office;
- Australian Public Service Commission;
- National Archives of Australia;
- National Australia Day Council
- Office of the Commonwealth Ombudsman;
- Office of the Inspector-General of Intelligence and Security;
- Office of National Assessments;
- Office of the Official Secretary to the Governor-General;
- Office of the Privacy Commissioner; and
- Old Parliament House.

Finance and Deregulation Portfolio

- Department of Finance and Deregulation;
- Albury-Wodonga Development Corporation;
- Australian Electoral Commission;
- Australian Industry Development Corporation;
- Australian Reward Investment Alliance;
- Australian River Co Ltd;
- Australian Technology Group Ltd;
- ComSuper;
- Future Fund Management Agency;

- Medibank Private Ltd; and
- Tuggeranong Office Park Pty Ltd.

Human Services Portfolio

- Department of Human Services (includes Child Support Agency and CRS Australia)
- Centrelink;
- Medicare Australia; and
- Australian Hearing.

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