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Finance and Public Administration
Legislation Committee

Budget estimates 2005–06

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Membership of the Committee

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Senator the Hon. John Faulkner	ALP, NSW
Senator Mitch Fifield †	LP, VIC
Senator Michael Forshaw	ALP, NSW

† Substituting for Senator the Hon Bill Heffernan (LP, NSW) for the committee's examination of estimates.

Participating members

Senators Abetz, Brown, Carr, Chapman, Colbeck, Conroy, Coonan, Eggleston, Evans, Faulkner, Ferguson, Ferris, Harradine, Heffernan, Hogg, Knowles, Ludwig, Lundy, Mackay, Marshall, McGauran, Moore, O'Brien, Payne, Ray, Ridgeway, Sherry, Stephens, Tchen, Watson 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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Chapter 1

Budget Estimates 2005-06

Introduction

1.1 On 10 May 2005, the Senate referred to the committee for examination the following documents:

- Particulars of proposed expenditure for the service in respect of the year ending on 30 June 2006;
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2006;
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2006;

The Senate also referred the following:

- Particulars of certain proposed supplementary expenditure in respect of the year ending on 30 June 2005;
- Particulars of proposed supplementary expenditure in respect of the year ending on 30 June 2005; and
- The annual Tax Expenditures Statement.

Portfolio coverage

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

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

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

Hearings

1.3 The committee held four days of public hearings from Monday, 23 to Thursday, 26 May 2005. Copies of the committee's transcript of evidence are tabled in

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

four volumes of *Hansard* for the information of the Senate. Copies of *Hansard* are available on the internet at the following address: <http://aph.gov.au/hansard>.

1.4 Further written explanations furnished by departments and agencies will be tabled, when received, in volumes entitled Additional Information. 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

1.5 As a matter of Parliamentary Privilege, all information is 'tabled' on receipt.

1.6 Over the course of the four days' hearings—totalling over 42 hours—the committee took evidence from the President of the Senate, Senator the Honourable Paul Calvert; the Minister for Defence, representing the Prime Minister, Senator the Honourable Robert Hill; the Minister for Finance and Administration, Senator the Honourable Nick Minchin; and the Special Minister of State, Senator the Honourable Eric Abetz, together with officers of the departments and agencies concerned.

Questions on notice

Explanations for late receipt of answers

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

Deadline for submitting answers

1.8 The due date for submitting responses to questions on notice from the budget estimates round is 8 July 2005.

Examination of departments and agencies—the remaining structure of the report

1.9 The following sections of the report list the issues considered by the committee and discuss some of these in detail.

Chapter 2

Parliamentary Departments

2.1 The committee took evidence from the parliamentary departments on Monday, 23 May 2005.

Department of the Senate

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

- Outstanding answers to questions taken on notice by government departments during previous estimates hearings;
- Parliament House Open Day 2005;
- Increased budget allocation to the Citizenship Visits Program and the nature of that program; and
- Reduced budget allocation to support for office holders.

Outstanding answers to questions on notice

2.3 Senator Murray referred the President to statistics compiled by the Clerk on outstanding answers to questions taken on notice by departments during previous estimates hearings. Senator Murray emphasised his concern at the large number of overdue answers, stating:

Mr President, I am raising this with you because I think we are getting to a stage where, unless the President intervenes, the Senate itself is at risk of being treated with contempt.¹

2.4 Senator Murray questioned the President as to what leadership role he could take in dealing with the issue. The President responded that it was a matter for the Senate as a whole and that he would consult with the Clerk and 'see whether we can put something to the Senate for the Senate to make a decision on'.²

Citizenship Visits Program

2.5 Mr Evans, Clerk of the Senate, informed the committee that the increased budget allocation to the Citizenship Visits Program (CVP) would assist in meeting increasing demand for the program. Witnesses for the department went on to explain that the program subsidises visits by school groups to parliament, with the subsidy

1 *Finance and Public Administration Legislation Committee Hansard*, [hereafter *Committee Hansard*] 23 May 2005, F&PA 2

2 *Committee Hansard*, 23 May 2005, F&PA 2

level linked to the distance students need to travel to Canberra.³ The committee heard that student visits are currently at a record level and that the extra appropriation will not fully meet the demand.⁴

Support for office holders

2.6 Senator Faulkner questioned witnesses as to why the budget estimate for support to office holders in 2004-05 was zero. Mr d'Angelo, Chief Financial Officer, explained that the item was now funded through the Department of Finance and Administration, so the appropriation had been transferred accordingly. Mr d'Angelo said that the item related to Members of Parliament staff and some travel and related items.⁵

2.7 Mr Evans told the committee that the item had previously been an administered appropriation rather than a departmental appropriation, and that it was 'thought to be more rational that the payment of all members' and senators' personal staff be administered by the same department'.⁶

Department of Parliamentary Services (DPS)

2.8 Issues raised by members of the committee and other senators in attendance included:

- Budgeted revenue from goods and services and sales of assets;
- Parliament House Open Day 2005;
- The proposed DPS restructure;
- DPS certified agreement negotiations;
- Parliamentary Library budget, library services and the position of Parliamentary Librarian;
- Building works and maintenance, including maintenance work at the health and recreation centre, a major water leak from the forecourt water feature, lock replacements in Parliament House, and replacement of the Cabinet Room chairs; and
- Security enhancement works, including bollard replacement, after hours security arrangements for staff at the Senate entrance and alternative sites for the parliament to sit should Parliament House be unavailable.

3 *Committee Hansard, 23 May 2005, F&PA 4-5*

4 *Committee Hansard, 23 May 2005, F&PA 5*

5 *Committee Hansard, 23 May 2005, F&PA 6*

6 *Committee Hansard, 23 May 2005, F&PA 6*

Parliament House Open Day 2005

2.9 Senator Faulkner questioned witnesses regarding the status of Parliament House Open Day 2005 and suggestions that the open day may not go ahead. Ms Penfold, Secretary of the Department of Parliamentary Services, told the committee that the department was reviewing the open day arrangements. Ms Penfold said:

What has emerged is that it has been costing us about the \$28,000 a year, plus staff costs, to run the open day. For that, we get about 3,000 extra visitors. So we are looking at about \$9 per extra visitor for that open day. There are a variety of things we need to look to [in] terms of whether it is sensible for us to go on running the open day in that form.⁷

2.10 Ms Penfold told the committee that DPS would approach the chamber departments, through the Clerks, about sharing the costs of the open day. Ms Penfold advised that if financial problems remained, then DPS would approach the presiding officers to explain the position and seek a decision as to whether the open day would proceed.

2.11 Following further questioning from Senator Faulkner as to when such consultations would occur, the President of the Senate proclaimed that Parliament House Open Day 2005 would proceed:

Senator FAULKNER—So at this stage we do not know whether the open day will go ahead or not.

The PRESIDENT—There will be an open day in 2005.

Senator FAULKNER—There will be an open day?

The PRESIDENT—There will be.

Senator FAULKNER—You have just made that decision now—

The PRESIDENT—Yes, I have.

Senator FAULKNER—regardless of what Mr Speaker thinks?

The PRESIDENT—There will be.⁸

DPS restructure

2.12 Ms Penfold informed the committee that details of the proposed DPS restructure had not yet been finalized. She said that matters to be addressed by the restructure included problems in strategic decision making, priority setting and dealing with clients.⁹

7 *Committee Hansard*, 23 May 2005, F&PA 8

8 *Committee Hansard*, 23 May 2005, F&PA 9-10

9 *Committee Hansard*, 23 May 2005, F&PA 10

2.13 Mr Kenny, Deputy Secretary, outlined the consultation regarding the restructure that had taken place. This included development and dissemination, via the department's intranet site, of a draft set of underlying principles for the restructure and briefings with senior staff. Mr Kenny advised that the department was in the process of establishing a development and implementation team to fully develop the detail of the restructure.¹⁰

2.14 Senator Faulkner questioned witnesses about the process for briefing the President on the proposed restructure. The President told the committee, 'I do not intend, and neither does the Speaker, to get involved in all the detail of the reorganization of the department. That is not our job'.¹¹ Ms Penfold said that once the draft underlying principles had been settled, these would form the basis of a brief to the Presiding Officers.¹²

Library services and Parliamentary Librarian

2.15 The committee examined the removal of Research Brief No. 3, 2004-05 *Critical but stable: Australia's capacity to respond to an infectious disease outbreak* from the Parliamentary Library website. Ms Penfold told the committee that she had received written complaints about the paper from the secretary of the Commonwealth Department of Health and Ageing and the deputy director general of the New South Wales Department of Health.¹³

2.16 Ms Penfold went on to say that the paper had been removed when 'it emerged that the paper had not gone through the proper quality control processes usually applied by the library'.¹⁴ Witnesses advised that according to the library's guidelines, papers would usually go through a workshop step which had not occurred for this particular paper.

2.17 Members of the committee sought assurance from DPS witnesses that there had been no attempt to censor the Parliamentary Library. Ms Penfold told the committee:

My concern in this matter is not in any sense to keep the government or the health department happy. My concern is to ensure that what the Parliamentary Library puts out as public material is soundly based and defensible, is of good quality and will stand up in any sort of environment.¹⁵

10 *Committee Hansard*, 23 May 2005, F&PA 11

11 *Committee Hansard*, 23 May 2005, F&PA 11

12 *Committee Hansard*, 23 May 2005, F&PA 12

13 *Committee Hansard*, 23 May 2005, F&PA 23 and 59

14 *Committee Hansard*, 23 May 2005, F&PA 23

15 *Committee Hansard*, 23 May 2005, F&PA 63

2.18 In relation to the appointment of the Parliamentary Librarian, witnesses for DPS advised that applications closed at the end of April 2005 and an interview short-list was currently being agreed.¹⁶

Building works and maintenance

2.19 In response to questions from Senator Faulkner, DPS witnesses acknowledged that the Parliament House forecourt water feature had been leaking for some time, although the leak was only identified during recent security enhancement works. The committee heard that the leak has resulted in water wastage of 25,000 litres per day.¹⁷

2.20 Committee members also examined a range of other building and maintenance works and were disturbed that DPS witnesses were unable to promptly confirm whether the lock replacement program at Parliament House had yet commenced.¹⁸

Security enhancement works

2.21 In relation to security, committee members sought an update on the progress of the bollard replacement works. Ms Penfold said that 150 of the 170 original bollards had been installed, with 12 additional bollards to be put into the access slip roads. She advised that this remaining work had been deferred until the end of the winter sittings.¹⁹

2.22 Senator Faulkner questioned DPS about the tender process for the bollard contract, as none of the bollards had been sourced from within Australia. DPS witnesses said that none of the Australian bollards met the relevant specifications set by the ASIO Commonwealth Security Construction and Equipment Committee.²⁰

2.23 Senator Allison questioned witnesses about after hours security arrangements for staff requiring transport at the Senate entrance. The senator raised with witnesses possible options, such as a camera link to the security desk, to avoid staff having to wait unattended on Parliament Drive.²¹

16 *Committee Hansard*, 23 May 2005, F&PA 65

17 *Committee Hansard*, 23 May 2005, F&PA 31

18 *Committee Hansard*, 23 May 2005, F&PA 35

19 *Committee Hansard*, 23 May 2005, F&PA 37-39

20 *Committee Hansard*, 23 May 2005, F&PA 49

21 *Committee Hansard*, 23 May 2005, F&PA 39

Chapter 3

Prime Minister and Cabinet Portfolio

3.1 The committee took evidence from the Department of the Prime Minister and Cabinet and the Office of the Official Secretary to the Governor-General on Monday, 23 May 2005 and from the Department of the Prime Minister and Cabinet (in continuation), the Office of National Assessments, the Office of the Inspector-General of Intelligence and Security, the Australian Public Service Commission, the Australian National Audit Office and the National Water Commission on Tuesday, 24 May 2005.

Office of the Official Secretary to the Governor-General

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

- An offer by the Prince of Wales to provide transport on his private jet for the Governor-General and Mrs Jeffery, following the Pope's funeral;
- The Governor-General's patronage of charitable organisations;
- Budget allocation of \$7.7 million for implementation of a heritage property master plan;
- Increased use of the Rolls-Royce by the Governor-General; and
- Staffing issues, including staff turnover, Defence postings and staff use of the Employment Assistance Program.

3.3 With regard to the heritage master plan, witnesses explained that the Office had developed a maintenance and development schedule for Admiralty House in Sydney and Government House in Canberra.¹ The committee heard that a range of consultants had been engaged for the project, including heritage architects, engineers, and environmental consultants but only one contract had gone to competitive tender. Mr Bullivant, Corporate Manager, said:

We utilised the services of two main consultants that have been used by Government House for quite some time and are very familiar with both properties. As the lead consultants on the projects, they then subcontracted to a range of other consultants. We also engaged separately, through a competitive process, a heritage architect to look at the landscape requirements of Admiralty House.²

3.4 The committee examined works to be undertaken in accordance with the plan out to 2008-09. These works include refurbishment of a number of buildings, site

1 *Committee Hansard*, 23 May 2005, F&PA 81

2 *Committee Hansard*, 23 May 2005, F&PA 82

services such as electrical supply and fuel management, environmental system work primarily relating to air conditioning, occupational health and safety related works such as dealing with asbestos cement and lead based paint, infrastructure works including road upgrades and a new carpark, and provision of education and visitor facilities.³

Department of the Prime Minister and Cabinet (PM&C)

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

- A special appropriation of \$10 million to the Australia and New Zealand School of Government (ANZSOG);
- Unauthorised disclosures of information and subsequent investigations;
- Australia's wedding present to the Prince of Wales and the Duchess of Cornwall;
- Claims in the media that the Prince of Wales wishes to open the 2006 Melbourne Commonwealth Games;
- The increasing prevalence of the interdepartmental task force structure;
- The APEC Taskforce;
- PM&C involvement in the Palmer Inquiry;
- Continuity of government planning;
- The Regional Partnerships Program grant to the Beaudesert Railway;
- The appointment of Mr John Hannaford to the Australian Crime Commission;
- PM&C's coordination of answers to Senator Murray's questions on notice regarding government advertising;
- New administrative arrangements for Indigenous functions;
- The issue of unlicensed security consultants—a responsibility of the Attorney-General's Department;
- The government's advertising campaigns relating to the Tasmanian Community Forestry Agreement and state taxes;
- The total budget for government advertising;
- Budget preparations;
- The Medicare safety net issue;
- Industrial relations policy;
- PM&C involvement in and knowledge of the Gallipoli Peninsula road works;

-
- The Welfare Reform taskforce and the Welfare to Work steering committee;
 - The structure and operations of the National Security Division;
 - The taskforce on offshore maritime security;
 - Outstanding responses to questions on notice, including the cost to the taxpayer of functions held at Kirribilli House between 1 June 2003 and 1 January 2004 and the Prime Minister's stay at Claridge's Hotel; and
 - Maintenance expenditure at Kirribilli House and the Lodge.

Lack of preparedness by officers

3.6 The committee's ability to examine the expenditure and administration of government programs was hampered by some PM&C witnesses' ill-preparedness to answer questions on issues of such public policy significance and prominence as to be expected to be raised during this estimates round. Specific examples, which are discussed in more detail below, include witnesses taking all questions on notice relating to PM&C involvement in the Palmer Inquiry⁴ and being unable to provide specific answers to questions about the Beaudesert Heritage Rail Project until the second day of the department's appearance.⁵ Each of these matters had been the subject of debate in both chambers as well as intense media coverage prior to the hearings.

Australia and New Zealand School of Government (ANZSOG)

3.7 The committee questioned PM&C witnesses at length about the 2004-05 special appropriation of \$10 million to ANZSOG, intended to help the school achieve self-sustainability and attract and retain academic staff. The committee heard that Professor Allan Fels, ANZSOG Foundation Dean, had written to the government to request an endowment, and the decision to provide it was made in April 2005 by the Prime Minister in consultation with other ministers.⁶ Discussion ensued about the reasons the grant was made as a special appropriation by the Prime Minister and not within the usual budget process, and without consultation with partner governments involved in the school (namely the states and New Zealand). PM&C referred several questions on this matter to the APSC (as discussed later in the report), as PM&C had no direct involvement with the school until the arrangements for the grant were made. The committee also heard that the APS Commissioner represents the government on the ANZSOG board.⁷

4 *Committee Hansard*, 23 May 2005, F&PA 113

5 *Committee Hansard*, 23 May 2005, F&PA 116-121

6 *Committee Hansard*, 23 May 2005, F&PA 98

7 *Committee Hansard*, 23 May 2005, F&PA 94-101

Unauthorised disclosure investigations

3.8 The committee's continuing interest in investigations into leaks—further canvassed with DoFA witnesses as discussed later in this report—led to a broader exploration of processes in the Public Service for dealing with leaks. Mr Andrew Metcalfe, Deputy Secretary of PM&C, explained that the department did not have a coordinating role and 'it is usually up to the agency involved to refer the matter to the AFP [Australian Federal Police] if it thinks it is appropriate'.⁸

3.9 In response to a question on the number of leak investigations initiated by PM&C in the past year, the committee was told that one inquiry was initiated in October 2004 relating to a claim in the *National Indigenous Times* that it had cabinet in confidence papers.⁹ The committee also heard that approximately five or six leaks had been investigated during the past four years, and none of the investigations had been successful. Mr Metcalfe defended the importance of continuing to investigate leaks, saying that government trust in the public service '...goes to the core of the way our democracy operates. Therefore, it is a breach of that trust if that information is disclosed in an unauthorised way'.¹⁰

3.10 The committee's attention focused on a report in the *Sydney Morning Herald* of a leaked letter on in-vitro fertilisation matters from Senator Coonan, Minister for Communications, Information Technology and the Arts, to the Prime Minister. As the letter was reported to have been stamped 'Cabinet-in-Confidence', committee members questioned whether it fell within the scope of PM&C and whether the department would be referring the matter to the police for investigation. Officers at first claimed that the questions should be referred to the Minister's portfolio, then said that as the subject of the letter fell outside the scope of that portfolio it was a matter between the Minister and the Prime Minister, and not an issue involving PM&C.¹¹

The increasing prevalence of task forces

3.11 A theme which continued through the committee's examination of other agencies was the increasing prevalence of the raising of ad hoc taskforces to address high profile issues, in preference to establishing standing interdepartmental committees. Witnesses, however, suggested that the distinction may be more one of nomenclature than substance. Mr Metcalfe described his understanding of the differences as follows:

...an interdepartmental committee would indicate to me that the issue involves an ongoing process of discussion and consultation on issues that sit across a number of portfolios, and a task force might be established for a

8 *Committee Hansard*, 23 May 2005, F&PA 106

9 *Committee Hansard*, 23 May 2005, F&PA 101

10 *Committee Hansard*, 23 May 2005, F&PA 106

11 *Committee Hansard*, 23 May 2005, F&PA 104-105

more specific purpose...So to me, in describing [a task force] to you, I would say it is more task oriented and more specific in terms of a particular outcome, whereas an interdepartmental committee might be somewhat more routine in nature.¹²

3.12 The recently raised APEC Taskforce was cited as a case in point, with reference made to a comparable forerunner in the Commonwealth-State taskforce that coordinated security arrangements for the 2000 Sydney Olympics.¹³

Continuity of government planning

3.13 Questioning on media reports about the construction of a bunker at Bungendore, NSW, intended to protect high ranking government figures in the event of terrorist attack, led to a broader discussion about the Commonwealth's counter-terrorism infrastructure and continuity of government planning. The committee heard that while PM&C had coordinated the development of the continuity of government plan, responsibility for its implementation had been transferred to the Protective Security Coordination Centre within the Attorney-General's Department.¹⁴

The Beaudesert Heritage Rail Project

3.14 Committee members asked questions relating to PM&C's involvement in the Regional Partnerships Program grant for the Beaudesert Heritage Rail Project. Due to witnesses' ill-preparedness, questioning on this issue had to be delayed until the second day of the department's appearance.¹⁵ Members asked about the department's knowledge of a local member's request for the Prime Minister to use 'discretionary' funds to assist the rail venture. PM&C witnesses provided a chronology of correspondence on the Beaudesert Rail matter involving the Prime Minister, ministers and others. Members also delved into the role, and basis, of the Prime Minister's involvement in the government's grant to the Beaudesert Rail. Many questions about the timing of the decision to make the grant and the department and the Prime Minister's awareness of the ongoing problems with Beaudesert Rail's viability and solvency, were taken on notice.¹⁶

3.15 In examining the details of the decision to provide a grant, members sought the names of the relevant departmental officers who worked on the matter. As some officers are below Senior Executive Service (SES) level the department wanted to consider the matter of releasing names on the ground that it is policy for only SES level staff to appear before committees.¹⁷ When members attempted to identify the

12 *Committee Hansard*, 23 May 2005, F&PA 111

13 *Committee Hansard*, 23 May 2005, F&PA 111

14 *Committee Hansard*, 23 May 2005, F&PA 114

15 *Committee Hansard*, 23 May 2005, F&PA 119

16 *Committee Hansard*, 24 May 2005, F&PA 14-34

17 *Committee Hansard*, 24 May 2005, F&PA 23

names of staff in the Prime Minister's Office who liaised with PM&C officers on this issue, Senator Hill, the Minister representing the Prime Minister, refused on the ground that the inner workings of a ministerial office are private to the minister.¹⁸

Overdue responses to questions on notice relating to government advertising

3.16 Senator Murray highlighted the fact that answers from a number of major departments remain overdue a year after they were lodged. PM&C as the coordinating agency gave several reasons for the delay, not least the need to arrive at a uniform understanding and definition across government of some of the elements of the questions.¹⁹ Discussion ensued about the many different ways agencies manage and record information about communication activities.²⁰ Other general matters covered in relation to government advertising were PM&C's responsibility for authorising advertising campaigns, the lack of a total budget for advertising across government and compliance with the *Guidelines for Australian government information activities – February 1995*.²¹

Government advertising campaigns

3.17 A recent government advertisement promoting an agreement between the Commonwealth and Tasmanian governments on forest protection attracted criticism for being party political rather than a public information campaign. The department argued the advertisement was intended to 'ensure that there was clear, factual information available to the public'.²²

3.18 The committee's attention also focused on a May 2005 advertisement critical of the Western Australian Government's approach to taxation. Although the Government Communications Unit within PM&C had placed the advertisement, members found it difficult to discern the total cost for the advertisements as aspects were split between PM&C and Treasury.²³

New Indigenous functions arrangements

3.19 The committee examined PM&C's role in relation to new arrangements for Indigenous policy functions. Witnesses told the committee that PM&C provided support to the ministerial taskforce and the secretaries' group on Indigenous affairs—chaired by the PM&C Secretary. Ms Joanna Davidson, First Assistant Secretary,

18 *Committee Hansard*, 24 May 2005, F&PA 24

19 *Committee Hansard*, 23 May 2005, F&PA 122

20 *Committee Hansard*, 23 May 2005, F&PA 123

21 *Committee Hansard*, 24 May 2005, F&PA 41-43

22 *Committee Hansard*, 24 May 2005, F&PA 4

23 *Committee Hansard*, 24 May 2005, F&PA 40

Social Policy Division, advised the committee of the new arrangements and PM&C's role:

The ministerial taskforce has established a number of issues that it is particularly interested in. They get papers from the secretaries' group on those issues for them to consider those policy issues. They also have a role in looking at the budget for Indigenous affairs. The government introduced arrangements whereby the budget process for Indigenous specific proposals would be looked at across government. So we provided support to the ministerial taskforce as well and advice to them on that budget process on which things we thought were priorities.²⁴

Budget preparation

3.20 The committee devoted some time to understanding the involvement of the Prime Minister and his department in the preparation of the budget. Ms Goddard, Deputy Secretary, informed the committee of the department's roles:

The department plays a number of different roles in regard to the preparation of the budget. We basically provide the secretariat support for the Expenditure Review Committee, which undertakes many budget decisions, as you know. We provide a range of PM&C note takers for ERC meetings. We provide advice to the Prime Minister on individual proposals coming forward to the Expenditure Review Committee from ministers. We provide secretariat services to the Ad Hoc Revenue Committee and provide advice on revenue proposals coming forward to that committee.²⁵

3.21 The committee also asked about the Prime Minister and the department's role in finalising outstanding matters after the budget cabinet meeting. The committee was told that 'it is not unusual for the Prime Minister and the Treasurer to meet in the final stages of the budget and to discuss any loose ends, and cabinet gives them a remit—a hunting licence—to do so', and only the decisions arising from these meetings that require action by PM&C are communicated to the department.²⁶

Industrial relations policy

3.22 The committee investigated the department's role in developing industrial relations policy, and was advised that an interdepartmental committee chaired by DEWR with PM&C as a member was formed after the 2004 election and meets when required. The extent of the department's other involvement with workplace relations policy is providing advice to the Prime Minister on cabinet proposals.²⁷

24 *Committee Hansard*, 23 May 2005, F&PA 126

25 *Committee Hansard*, 24 May 2005, F&PA 4

26 *Committee Hansard*, 24 May 2005, F&PA 7

27 *Committee Hansard*, 24 May 2005, F&PA 11-14

Involvement in the Palmer Inquiry

3.23 Witnesses advised the committee that while PM&C had not been involved in developing the terms of reference of the Palmer Inquiry into the unlawful detention of Cornelia Rau and related immigration matters, the department had subsequently provided advice to the Prime Minister's office on the powers and protections of such an administrative inquiry.²⁸ Its only other involvement had been to comment on a draft advertisement inviting submissions to the Palmer Inquiry, meet with DIMIA to be briefed on the main issues and advise the Prime Minister on the progress of the process of the inquiry.²⁹

Welfare Reform taskforce and Welfare to Work steering committee

3.24 Members asked about the now-defunct Welfare Reform taskforce established in February 2005 to develop the Welfare Reform Package unveiled in the 2005-06 budget. The taskforce, chaired by PM&C, comprised twelve full time staff from eight agencies. The committee's questioning revealed the blurred lines of accountability associated with cross-agency taskforces.³⁰ For example, it emerged that the taskforce had briefed several ministers prior to the cabinet meeting where the package was considered; but other ministers with portfolio staff on the taskforce were not briefed, as illustrated by this exchange:

Senator CHRIS EVANS—Who did you as a task force brief before it went to cabinet?

Ms Davidson—It varied, but there were briefings of the Prime Minister, as I said, the Minister for Employment and Workplace Relations and Minister Dutton. It varied from time to time. There were also briefings of Minister Patterson. Sometimes there were briefings of their officers if we were not able to brief the ministers themselves.

Senator CHRIS EVANS—Did you brief the Treasurer or the Minister for Finance and Administration?

Ms Davidson—I do not believe there were any briefings of the finance minister. I recall briefings of the Treasurer's office, but I am not sure whether we were actually able to brief the Treasurer.³¹

3.25 An area of concern to the committee was that PM&C officers were unable to answer questions relating to the key assumptions underpinning the welfare reform package and the expected impacts of implementing the package.³²

28 *Committee Hansard*, 24 May 2005, F&PA 37

29 *Committee Hansard*, 24 May 2005, F&PA 38-39

30 *Committee Hansard*, 24 May 2005, F&PA 48-53

31 *Committee Hansard*, 24 May 2005, F&PA 50

32 *Committee Hansard*, 24 May 2005, F&PA 53

Medicare safety net

3.26 Unsuccessful questioning about the department's awareness of the cost of the Medicare safety net issue led to a broader discussion of cabinet confidentiality after Senator Hill refused to disclose whether the government's announced decision on this matter had been a cabinet decision. The following exchange took place:

Senator CHRIS EVANS—So, Minister, you indicated that this was not a cabinet decision or—

Senator Hill—I did not indicate whether it was or it was not.

Senator CHRIS EVANS—I see. You will not indicate. You do not want to say whether it was a cabinet decision. I do not understand—

Senator Hill—A decision of government was announced. The formal processes by which government reaches a decision are the business of government.

...

Senator CHRIS EVANS—So your objection is to actually telling me whether or not there was a cabinet decision.³³

Road works at Anzac Cove

3.27 The committee heard that the department had little more than peripheral involvement in the Anzac Cove traffic congestion issue. A spirit of gratitude and respect towards the Turkish Government and people for permitting Australians, New Zealanders and others to commemorate their war dead at Gallipoli was expressed by the committee, minister and senior PM&C officers alike.³⁴

The National Security Division

3.28 The committee sought to obtain a clearer picture of the internal structure of the national security components of PM&C and various taskforces and committees dealing with different aspects of national security policy, for example, the Taskforce for Offshore Maritime Security and the National Counter Terrorism Committee secretariat.³⁵

3.29 Mr Lewis, First Assistant Secretary of the National Security Division (NSD) provided this overview of the structure and operations of the NSD:

We are structured with essentially two branches: the Defence and Intelligence Branch—which obviously ranges over those issues emanating from the Defence Department and the six intelligence agencies—and the Domestic Security Branch—which ranges over a number of domestic

33 *Committee Hansard*, 24 May 2005, F&PA 60

34 *Committee Hansard*, 24 May 2005, F&PA 71

35 *Committee Hansard*, 24 May 2005, F&PA 61-65

security issues that are considered by the mainstream departments of Attorney-General's, DOTARS and a number of other agencies. Within the Domestic Security Branch there is a section known as the SET unit—Science, Engineering and Technology Unit—a group of four or five secondees, people with scientific backgrounds. The SET Unit works towards bringing focus to our national science and technology effort in order to harness that effort and focus it on counter-terrorism capability. We are about 43 folks in number.³⁶

3.30 Mr Lewis also told the committee that the NSD achieves its mandate of fostering greater coordination and a stronger whole-of-government policy focus by the following mechanisms:

We maintain daily linkages with the aligned department. We are engaged in a large number of interdepartmental committees, some of which we convene and some of which we sit on. We are clearly linked to a number of departments through the National Counter-Terrorism Committee, where, as you know, the federal government departments that have a dog in that fight are sitting on one side and all the states and territories are on the other. We have extensive linkages through that formal committee system. There is the Australian Government Counter-Terrorism Policy Committee, where we are also hooked up. There is then, of course, the SCNS—the Secretaries Committee on National Security—and the NSC process, which we support. So there is a wide range of areas in which we roam and operate—maintaining, as I say, this very strong cross-portfolio linkage.³⁷

Office of the Inspector-General of Intelligence and Security (IGIS)

3.31 Mr Carnell, the Inspector-General of Intelligence and Security, provided an update in his opening statement on the following:

- Resourcing, including new staff positions and IT upgrading;
- Progress with inquiries;
- Matters related to ASIO questioning and detention warrants;
- Legislative developments; and
- Lt Colonel Collins' case relating to the loss of access to an intelligence database by some Australian Defence Force personnel in Dili in December 1999.³⁸

3.32 The committee's examination of IGIS concentrated on the fifth matter above, namely the Collins' case, which has been of ongoing interest to members for sometime now. The main issue of interest was the expected date of release of the public version of the Inspector-General's report into the matter.

36 *Committee Hansard*, 24 May 2005, F&PA 61-62

37 *Committee Hansard*, 24 May 2005, F&PA 63

38 *Committee Hansard*, 24 May, F&PA 79

3.33 Mr Carnell informed the committee that he had prepared a version that addressed national security concerns but that the Minister of Defence had subsequently asked him to make further changes which would take into account privacy issues. The minister in attendance, Senator Hill, as the relevant minister indicated that the privacy issues relate to administrative actions against three officers flowing from Mr Carnell's report and that these actions must run their course before a version of the report can be released.³⁹ Mr Carnell commented that the Privacy Act is 'very restrictive' in terms of what information about disciplinary matters can be made public.⁴⁰

3.34 Mr Carnell was asked if he was satisfied that his report had to be 'amended' to meet privacy concerns. Mr Carnell made it clear that he was abridging his report, not amending it, and that he was striving to retain as much of its original content as possible. He told the committee:

I am keen that as much as possible remain in there and in the words I originally wrote. I think it does need to be an accurate reflection of what I originally reported, but some minor deletions for security reasons needed to be made. From a privacy point of view, one of the matters that I have had to reflect on is not just the simple removal of names but the removal of information which would effectively identify who particular players were. So there are two things compelling this: deletion; or abridgement by using some alternative words and brackets. I am doing my darnedest to keep that to a minimum so that ultimately you can have as much as possible of it so that you can, hopefully, be satisfied that the matter has been properly investigated.⁴¹

3.35 The Minister indicated that at the time (24 May) he expected the administrative actions to require two more weeks to be completed; the next stage would be for Mr Carnell to present an abridged version for him to consider for public release.

Office of National Assessments (ONA)

3.36 Issues raised by members of the committee and other senators in attendance included:

- Estimates of civilian and military casualties from acts of war in Iraq since March 2003;
- ONA's assessment of political, military and economic conditions in post-Saddam Iraq; and
- A matter related to an ONA consultant appearing before a Senate committee.

39 *Committee Hansard*, 24 May, F&PA 80

40 *Committee Hansard*, 24 May, F&PA 81

41 *Committee Hansard*, 24 May, F&PA 81

3.37 Members revisited the issue of figures on civilian casualties in Iraq, canvassed during the additional estimates hearing in February 2005. ONA again stated that no authoritative figures are available, not least because of the absence of reliable Iraqi reporting systems on civilian casualties. Members heard that estimates of civilian casualties since the start of hostilities in March 2003 vary widely from about 12,400 to 100,000. Questioning also went to the credibility of some of these estimates and the different methodologies used to arrive at them. The discussion then moved onto estimates of casualties for both non-Iraqi civilians and military personnel.⁴²

3.38 Senator Faulkner sought ONA's assessment of the state of the insurgency and broader political and economic conditions in Iraq. With regard to the insurgency, Mr Varghese, Director-General of ONA, stated:

If you are asking me what my assessment is of the strength of the insurgency, I would say that the trend line at the moment shows a slight decrease. Rates of attack spike at any given interval but, if you compare the trend line over the last six months with the preceding 12 months, it would be trending down. Does that mean that the insurgency is on its way out? I think the short answer is no. The reality is that in Iraq we are going to be dealing with a violent insurgency for some considerable period. Whether we will see the insurgency move up again in terms of a trend line, I am not in a position to say. So when you ask whether things are getting better, that is one snapshot.⁴³

3.39 Mr Varghese then pointed to a number of encouraging developments in the Iraqi political sphere:

You could look at the political environment in Iraq, where I think you could make an assessment that the politics of Iraq is getting better in the sense that the Sunnis, who are driving the insurgency, are now beginning to make a calculation—at least some of them are—that they may be better off in the tent than outside of the tent. They have had a successful election, they have had the establishment of an interim government, which includes all major factions in Iraq—albeit with a longer period of formation than probably most people would have liked. I think they are positives on the political front, but there is still a long way to go.⁴⁴

3.40 Mr Varghese rounded out the picture by referring to conflicting economic factors in Iraq:

You can look at the economy and, again, you will see a mixed picture there. You have some of the economic indicators trending upwards strongly and you have some that are bouncing along the bottom. Are things getting better in Iraq is not a simple question to answer. Some things are certainly getting

42 *Committee Hansard*, 24 May, F&PA 72-74

43 *Committee Hansard*, 24 May, F&PA 74

44 *Committee Hansard*, 24 May, F&PA 74

better, others are standing still and, in one or two places, they may be falling behind.⁴⁵

Discussion continued on economic and public health conditions in Iraq where, again, ONA stated that obtaining reliable information is difficult.

3.41 Senator Faulkner also questioned Mr Varghese on whether ONA officers had discussed with Dr John Gee, a consultant engaged by ONA, a request for him to appear before another Senate committee. Mr Varghese confirmed that Dr Gee had raised the matter with him. Mr Varghese also confirmed that Dr Gee had spoken to an officer in PM&C about the matter. When asked to disclose the identity of the PM&C officer, Mr Varghese initially demurred and then took the matter on notice.

Australian National Audit Office (ANAO)

3.42 The committee welcomed the new Auditor-General, Mr Ian McPhee, and wished him well with his responsibilities.⁴⁶

3.43 Issues raised by members of the committee and senators in attendance included:

- The annual illustrative financial statements;
- Outcome reporting;
- Consultative relationships between the ANAO and comparable international audit bodies;
- The ANAO's budget allocation and budget pressures;
- Auditing of third parties and non-government agencies;
- Identity fraud;
- International accounting standards; and
- Four specific audit reports:
 - Audit Report No. 38 2004-05: *Payment of Goods and Services Tax to the States and Territories*;
 - Audit Report No. 39 2004-05: *The Australian Taxation Office's Administration of the Superannuation Contributions Surcharge*;
 - Audit Report No. 42 2004-2005: *Commonwealth Debt Management Follow-up Audit*; and
 - Audit Report No. 21 2004-05: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2004*.

45 *Committee Hansard*, 24 May, F&PA 75

46 *Committee Hansard*, 24 May 2005, F&PA 83

Annual illustrative financial statements

3.44 Senator Sherry asked when the next set of illustrative financial statements would be published. Mr McPhee advised that, in response to concerns raised by his predecessor, the department of finance would be preparing the documents from this year forward. Mr McPhee went on to explain that the previous Auditor-General's concerns related to 'independence issues in producing a guide for agencies to produce financial statements and then undertaking the subsequent audit'.⁴⁷ In order to address this potential conflict of interest, DoFA had agreed to take over the production of the illustrative accounts. Witnesses advised that the ANAO would continue to be consulted regarding the preparation of the accounts.⁴⁸

Outcome reporting

3.45 Senator Sherry questioned the ANAO about areas for improvement in the specification and measurement of outcomes, including the relationship between specific programs and generic outcomes. Mr McPhee told the committee that:

One of the things that the finance department and the Audit Office have been saying for some time is that, where you do have broad outcome statements, agencies should really consider perhaps the use of intermediate outcomes as a step towards the overall outcome.⁴⁹

3.46 Mr McPhee went on to say that there is a balance to be struck between providing information for accountability purposes and the sheer volume of documents required to report on specific programs. In response to further questions, Mr McPhee acknowledged that a cost blow-out in a particular program, when it is encompassed within a broad outcome, may not be identifiable from the documents currently published. Mr McPhee advised that information on program costs within outcomes exists, but is not published universally.⁵⁰

3.47 Mr McPhee told the committee that although there is currently some cautious presentation in outcome statements, the 'idea is to get to more clearly articulated outcomes so we know how successful we are being in achieving the particular goal'.⁵¹ The committee supports this view and emphasises the need for outcomes to be clearly defined, so that informed performance assessments can be made.

47 *Committee Hansard*, 24 May 2005, F&PA 83

48 *Committee Hansard*, 24 May 2005, F&PA 83

49 *Committee Hansard*, 24 May 2005, F&PA 84

50 *Committee Hansard*, 24 May 2005, F&PA 85

51 *Committee Hansard*, 24 May 2005, F&PA 84

ANAO budget allocation and budget pressures

3.48 Committee members questioned the ANAO about an additional allocation of \$12.8 million to the office over the next four years. Mr McPhee told the committee that the additional funding was for contract work and for the Defence financial statements.⁵² The committee heard that the ANAO had also, unsuccessfully, sought additional funds for extra IT capability, contracting in additional audit staff and for the additional rent for Centenary House.

3.49 Committee members explored with the ANAO the budget pressures facing the office and possible repercussions for its audit program. The committee heard that the previous Auditor-General, Mr Pat Barrett, had such serious concerns about the shortfall in funding for the ANAO's financial statement audit functions that he had taken the unusual action of writing to the Prime Minister about the matter.⁵³

3.50 Mr McPhee told the committee that, in the absence of additional funding, the ANAO has reallocated resources to ensure its financial statement work does not suffer in 2005-06. Such measures included deferring IT systems development, recordkeeping and other corporate projects, reducing investment in professional development for staff, and reducing the target number of mainstream performance audits each year, from 46 to 44.⁵⁴

3.51 The committee heard that budget pressures will continue to impact on the ANAO in coming years. These pressures include salary increases, ongoing efficiency dividends and decreased budget estimates for employee provisions.⁵⁵ Mr McPhee told the committee that 'The position we have arrived at is that we can manage the situation in 2005-06; however, it becomes more challenging in the out years...'.⁵⁶

Auditing of third parties and non-government agencies

3.52 Senator Murray asked the ANAO about issues associated with auditing outsourced services and whether this caused a cost burden for the agency. Witnesses informed the committee that there had been 'enormous change' in this area, such as the inclusion in Finance's procurement guidelines of model contract clauses, which give the ANAO access to third party providers where necessary.⁵⁷ Mr McPhee told the committee that most agencies have adopted these clauses in their procurement arrangements. He went on to inform the committee that 'even the private sector community that deals with the public sector now has come to an understanding about

52 *Committee Hansard*, 24 May 2005, F&PA 87

53 *Committee Hansard*, 24 May 2005, F&PA 88

54 *Committee Hansard*, 24 May 2005, F&PA 91

55 *Committee Hansard*, 24 May 2005, F&PA 91-92

56 *Committee Hansard*, 24 May 2005, F&PA 92

57 *Committee Hansard*, 24 May 2005, F&PA 96

the role of the Audit office'.⁵⁸ The committee was pleased to hear about this progress in establishing a culture of accountability in relation to government contracting.

GST payments

3.53 In relation to Audit Report No. 38, Senator Sherry clarified with witnesses that 2004-05 was the first year since the GST was introduced that the states received at least as much from GST as they would have received under pre-GST arrangements. Witnesses for the ANAO noted that while this appeared to be the case for each state, some states had already stopped receiving budget balancing assistance in earlier years.⁵⁹

3.54 Senator Sherry also questioned witness about the spreadsheet system used by Treasury for calculating GST related payments to the states. Mr Boyd told the committee:

...what we would have expected – our normal approach – would have been to actually consider the best way of going about that and to have gone through a design process, designing the system and how all the interrelationships would work and then building upon that. What we are commenting on in the report is that that process did not appear to have occurred in the Department of the Treasury.⁶⁰

3.55 The committee heard there were a number of shortcomings associated with Treasury's approach, including system limitations should calculations need to change over time, and risks associated with protection of the data and ability of people to access the spreadsheet.⁶¹

Administration of the Superannuation Contributions Surcharge

3.56 In relation to Audit Report No. 29, witnesses for the ANAO confirmed that there exists between \$360 million and \$750 in uncollected surcharge revenues, associated with a seven year backlog in processing of exceptions.⁶² Mr White, Acting Group Executive Director, said that the Australian Taxation Office (ATO) has a team working through the exceptions and that the ANAO had been advised that the backlog will be processed by 30 June this year.⁶³

58 *Committee Hansard*, 24 May 2005, F&PA 97

59 *Committee Hansard*, 24 May 2005, F&PA 99

60 *Committee Hansard*, 24 May 2005, F&PA 99

61 *Committee Hansard*, 24 May 2005, F&PA 99-100

62 *Committee Hansard*, 24 May 2005, F&PA 101

63 *Committee Hansard*, 24 May 2005, F&PA 102

Defence financial statements

3.57 Witnesses for the ANAO explained the reasons for the highly publicised qualifications of Defence financial statements in 2004 (Audit Report No. 21), pointing to problems with Defence's internal reporting systems and data.⁶⁴ Mr Goodwin, Group Executive Director, explained:

...what transpired was a series of scope limitations on the following balance sheet line items: general stores inventory, \$2 billion; explosive ordnance inventory, \$845 million; repairable items, which is a component of specialist military equipment, \$2.8 billion; military provisions, which are the entitlements for military personnel, \$1.2 billion; and land and buildings, \$1.4 billion. We are not saying that those items do not exist; we are saying that, due to a series of issues around the internal controls and a series of issues around the operational systems that support the data within the systems of Defence, we, as well as the Department of Defence and the Secretary of the Department of Defence, could not verify those balances.⁶⁵

3.58 Mr Goodwin noted that it was a 'very rare and very significant event' for the ANAO to be unable to verify a department's financial statements.⁶⁶ He said that while the ANAO has qualified Defence's accounts to varying degrees over a number of years, there had been a deterioration in inventory asset management in the 2003-04 financial year.

3.59 The ANAO told the committee that Defence is undertaking 15 remediation plans to address the issues raised in various audit qualifications. Mr Goodwin said:

...the issues that gave rise to the audit qualifications are around management oversight and internal controls and therefore should be able to be addressed by remediation plans. They are not technical accounting matters; they are control matters.⁶⁷

Australian Public Service Commission (APSC)

3.60 Issues raised by members of the committee and other senators in attendance included:

- A special appropriation of \$10 million to ANZSOG;
- Staffing levels;
- Certified agreement negotiations; and
- Absence management.

64 *Committee Hansard*, 24 May 2005, F&PA 104

65 *Committee Hansard*, 24 May 2005, F&PA 104

66 *Committee Hansard*, 24 May 2005, F&PA 105

67 *Committee Hansard*, 24 May 2005, F&PA 105

Australia and New Zealand School of Government

3.61 Following referrals from PM&C, the committee questioned witnesses for the APSC regarding the special appropriation of \$10 million to ANZSOG. Witnesses told the committee that the proposal was initiated by Professor Fels, following discussion with the ANZSOG board.⁶⁸ Ms Briggs, Australian Public Service Commissioner, said:

Professor Fels was quite interested to see the grant paid as soon as possible because he was quite keen, firstly, to shore up the resources of the organisation. He also saw that as an important stepping stone to approach the other jurisdictions which are part of the five governments associated with ANZSOG for similar capital grants.⁶⁹

3.62 However, the committee heard that at this stage the states and New Zealand have not contributed matching funding and witnesses for the APSC were unable to advise what contribution is being made by the universities associated with the school.⁷⁰

3.63 The committee heard that the Commonwealth's response to Professor Fels' proposal indicated six areas of activity that the Commonwealth wanted to see funded. Ms Briggs said:

This funding is to be provided to: attract and retain world-class teachers; increase the scope and effectiveness of teachers; strengthen ANZSOG's capacity to undertake new initiatives and make a wider contribution to the improvement and innovation of government administration; develop leadership capability amongst senior executives; contribute to improved governance in the region; and improve the relationship between public service leaders across jurisdictions, building a whole of government culture et cetera.⁷¹

3.64 Committee members questioned the APSC as to why the grant had to be paid in the 2004-05 financial year and did not go through the normal budget process, but witnesses did not provide an answer. Ms Briggs responded, 'I do not have an answer for that. In my approaches I have not specified when I would like to see the money paid'.⁷²

Absence management

3.65 Senator Mason sought an update on the APSC's development of guidelines for absence management, which it agreed to undertake in response to the ANAO report on this matter (Audit Report No. 52 2002-03). The report stated:

68 *Committee Hansard*, 24 May 2005, F&PA 113

69 *Committee Hansard*, 24 May 2005, F&PA 113

70 *Committee Hansard*, 24 May 2005, F&PA 114

71 *Committee Hansard*, 24 May 2005, F&PA 114

72 *Committee Hansard*, 24 May 2005, F&PA 116

The Commission advised that it notes the work already undertaken by the ANAO in identifying better practice approaches to absence management in the APS and proposes to use this work as a basis for developing guidelines. Timing for development of the new guidelines for agencies will be considered as part of the Commission's business planning process. As priorities for attention in 2003–04 have already been identified, the issue of guidelines for dealing with unscheduled absences will be considered for inclusion in the 2004–05 business planning process.⁷³

3.66 The committee heard that the APSC had not yet produced the proposed guidelines.⁷⁴ Ms Tacy, Deputy Public Service Commissioner, said:

Linked to our issues around workforce planning and people management, we would deal with issues around absence management, leave management and, more generally, work and family issues and so on. But we have not, given our other priorities, been able to address the issue of producing guidelines.⁷⁵

3.67 Further, Ms Briggs told the committee that the APSC was not intending to treat the matter as a priority in the coming year.⁷⁶ This is of some concern to the committee given the estimated cost of unscheduled absences in the APS,⁷⁷ and the ANAO's finding that, 'little more than one-half of responding APS agencies...reported that policies and procedures for absence management had been issued by their agency'.⁷⁸

National Water Commission (NWC)

3.68 Issues raised by members of the committee and other senators in attendance included:

- The NWC's structure and priorities;
- Grant assessment guidelines and process;
- NWC engagement with other sectors;
- Relationship between the NWC and other initiatives; and
- Involvement of the NWC in research.

73 ANAO, Audit Report No. 52, 2002-03, *Absence Management in the Australian Public Service*, pp 21-22

74 *Committee Hansard*, 24 May 2005, F&PA 118

75 *Committee Hansard*, 24 May 2005, F&PA 118

76 *Committee Hansard*, 24 May 2005, F&PA 118

77 The ANAO estimates that the overall direct salary cost of APS unscheduled absence was \$295 million in 2001-02. See ANAO, Audit Report No. 52, 2002-03, *Absence Management in the Australian Public Service*, p. 10

78 ANAO, Audit Report No. 52, 2002-03, *Absence Management in the Australian Public Service*, p. 13

3.69 Senator Stephens clarified with witnesses the way in which the NWC has been set up and proposes to operate, including its budget allocation, staffing, the appointment and role of commissioners and processes for engaging with stakeholders.⁷⁹

3.70 Witnesses explained the processes in place for assessing projects under the Water Smart Australia program. Ms Hart, General Manager, outlined the basic eligibility criteria and project assessment criteria.⁸⁰ She also clarified that while states need to be a signatory to the National Water Initiative in order to be eligible for funding, private enterprises and local governments within states that are not signatories are eligible to apply.⁸¹ Mr Matthews, Chief Executive Officer, explained the Commission's intention of using the expertise of its commissioners, as well as external expert and technical advice and drawing on a range of Commonwealth agencies to ensure informed project assessments are made.⁸²

3.71 The committee heard that the first funding round was in progress, with applications closing on 30 June 2005. Mr Matthews explained that future funding rounds may operate differently, for example, focusing on particular types of projects.⁸³

3.72 In response to further questions from Senator Stephens, officers for the NWC explained the processes they have in place for engagement with other levels and arms of government. These included coordination with Commonwealth agencies, visits and meetings with state and territory counterparts and meetings with the Australian Local Government Association.⁸⁴

79 *Committee Hansard*, 24 May 2005, F&PA 120-121

80 *Committee Hansard*, 24 May 2005, F&PA 122

81 *Committee Hansard*, 24 May 2005, F&PA 124

82 *Committee Hansard*, 24 May 2005, F&PA 124

83 *Committee Hansard*, 24 May 2005, F&PA 122

84 *Committee Hansard*, 24 May 2005, F&PA 127

Chapter 4

Finance and Administration Portfolio

4.1 The committee took evidence from the Department of Finance and Administration, the Commonwealth Grants Commission, Comsuper, CSS and PSS Boards on Wednesday, 25 May and the Department of Human Services, Centrelink, the Health Insurance Commission, Australian Hearing, the Department of Finance and Administration (in continuation), the Australian Electoral Commission and the Australian Government Information Management Office on Thursday, 26 May.

Department of Finance and Administration (DoFA)

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

- The appointment process for the new Australian Electoral Commissioner;
- The internal security review and unauthorised disclosure investigations;
- A significant rise in staff numbers—mostly due to machinery of government changes;
- The publication of a list of Australian government bodies;
- Transfer of management of the Commonwealth asbestos liability to DEWR;
- The budget contingency reserve;
- Special accounts;
- Unreported expenditure on advertising for the recruitment of senators' and members' staff;
- Monitoring of agencies' expenditure against programs and appropriations;
- The process for estimating the long-term costs of policy proposals;
- The pre-budget costing process;
- Updating and monitoring agency information in the accrual information management system (AIMS);
- The Medicare safety net program;
- Resources devoted to estimates preparation;
- The quality of the budget papers and the inclusion of a statement of risks;
- The tsunami aid package;
- Incorrect statements by ministers regarding the government's financial status;
- Departmental accommodation;
- The Telstra scoping study task force;

- The Future Fund;
- Cost of unfunded superannuation liabilities;
- Audit responsibilities for Indigenous programs;
- The process for compiling the pre-election economic and fiscal outlook (PEFO) report;
- Use of behavioural assumptions when costing budget proposals;
- The purpose of Appropriation Bills Nos 5 and 6—depreciation funding for some cultural and heritage assets, funding for ANZSOG and additional funding for some ATO programs;
- Evaluation of Australian Public Service (APS) travel procurement policy and expenditure;
- Net appropriations under section 31 of the *Financial Management and Accountability Act 1997*;
- Features and trusteeship of the forthcoming Public Sector Superannuation Scheme (PSS) accumulation plan;
- The time lag between agencies providing answers to questions on notice to ministers' offices and the answers being provided to the committee;
- A dispute between the Commonwealth Superannuation Scheme (CSS) and members regarding eligibility for payouts and progress of the subsequent review;
- Australian Workplace Agreements (AWAs) and certified agreements overriding general choice of fund arrangements;
- The introduction of transition to retirement legislation on 1 July 2005; and
- The investment earning rate for CSS and PSS for this financial year and the expense ratio for funds under management;
- Members of Parliament staffing numbers and allocations
- The Government Members' Secretariat
- Parliamentarians' newspaper entitlements
- Statements of private interests of MOP(S) staff
- Security clearances for MOP(S) staff
- Transfer of the Australian Government Information Management Office (AGIMO) from the Department of Communications, Information Technology and the Arts (DCITA);
- Government response to recommendations in the Joint Committee of Public Accounts and Audit report on the management and integrity of electronic information in the Commonwealth;
- AGIMO's role in electronic security measures; and

-
- IT outsourcing.

Unwillingness to provide information

4.3 The committee was disappointed with the increased tendency of DoFA witnesses to take questions on notice or refuse to provide information without sufficient explanation. One unacceptable ground cited for refusing to provide reports was that 'they are government documents'.¹ More commonly, witnesses declined to answer questions on the ground that the information constitutes advice to government. Withholding information on this basis, however, has not been accepted by the Senate in the past:

As with legal advice, the mere fact that information consists of advice to government is not a ground for refusing to disclose it. Again, some harm to the public interest must be established, such as prejudice to legal proceedings, disclosure of cabinet deliberations or prejudice to the Commonwealth's position in negotiations. Any general claim that advice should not be disclosed is defeated by the frequency with which governments disclose advice when they choose to do so.²

4.4 Several examples of insufficiently substantiated refusals to disclose information are discussed below, particularly in relation to DoFA's contribution to cabinet submissions, the assumptions underpinning policy proposal costings and the date advice was provided to the government. A further example is discussed in relation to AGIMO at the end of this chapter.

Australian Electoral Commissioner selection process

4.5 Committee members raised concerns about perceived executive influence on the process for selecting the new Australian Electoral Commissioner. The committee heard that Mr Paul McClintock, a former member of the Prime Minister's personal staff, was part of the selection panel tasked with recommending the appointment of an electoral commissioner. Discussion ensued about the importance of public perception of a tainted selection process, particularly given the electoral commissioner's role as an independent statutory officer of the parliament.³

4.6 DoFA Secretary Dr Ian Watt, chair of the selection panel, told the committee that he had selected Mr McClintock without suggestion or interference from any other person. He did, however, advise the Minister for Finance and Administration, Senator Minchin, of the people he proposed to appoint to the panel—the APS Commissioner, the Secretary of the Department of Human Services, and Mr McClintock. Senator Minchin informed the committee that he believed he had told Dr Watt that 'I thought

1 *Committee Hansard*, 26 May 2005, F&PA 129

2 Evans, H. Clerk of the Senate, *The Senate—Grounds for public interest immunity claims*, 19 May 2005, p 5

3 *Committee Hansard*, 25 May 2005, F&PA 4-5

that was a sensible decision by the secretary; it seemed a good committee'.⁴ Dr Watt also stated that the presence of three senior public servants on the selection panel ensured its independence.⁵

DoFA security review and leak investigations

4.7 The committee's interest in the current DoFA internal security review and unauthorised disclosure investigations continued from previous estimates hearings.⁶ Members heard that Mr Len Early, a former deputy secretary of the Department of Finance, is continuing a review of the business processes and corporate aspects of security in DoFA. Mr Early's daily contractual rate, which DoFA witnesses refused to disclose at the previous estimates hearings, was this time provided to the committee.⁷

4.8 Senator Faulkner suggested the many security reviews and investigations were creating a culture of intimidation in the department. He also raised the broader issue of a double standard between ministers' and senior public servants' opposition to leaks by public servants, and their apparent tolerance of unauthorised disclosures by members of the government or their staffers.⁸ This led to Dr Watt defending DoFA's approach to leaks:

When departmental information is disclosed to people outside the department you have to take that seriously, and I do. I take it seriously for two reasons: firstly...I think it is very sad and very hurtful for the officers of the department...Secondly, it is corrosive for relations with the government of the day if it sees its information, which it properly regards as being safeguarded when it is in the hands of the APS, revealed to people to whom it should not be.⁹

List of Australian government bodies

4.9 Members commended DoFA for its publication of a list of all Australian government bodies¹⁰ and suggested that future updates include analysis of the growth in the number of government bodies over time. Dr Watt told the committee that now there was a current baseline, DoFA could make useful comparisons from year to year

4 *Committee Hansard*, 25 May 2005, F&PA 6

5 *Committee Hansard*, 25 May 2005, F&PA 5-6

6 See Finance and Public Administration Legislation Committee, *Additional Estimates 2004-05 Report*, March 2005, pp 33-34

7 *Committee Hansard*, 25 May 2005, F&PA 6-9

8 *Committee Hansard*, 25 May 2005, F&PA 10-13

9 *Committee Hansard*, 25 May 2005, F&PA 11

10 Department of Finance and Administration, *List of Australian Government Bodies 2002-2003*, Financial Management Reference Material No. 1, 2004.

when updating the document. A revised list current to 1 January 2005 is due to be completed before the end of this financial year.¹¹

Budget contingency reserve

4.10 The committee asked about the purpose of the budget contingency reserve, and Mr Phil Bowen, General Manager of the Budget Group, gave the following explanation:

The contingency reserve is a mechanism in the budget to ensure that the budget bottom line is as accurate as possible...It has been longstanding practice to have the contingency reserve contain estimates of expenses that cannot be explicitly reported within portfolio estimates. The reasons for that include reasons of sensitivity, such as commercial-in-confidence data or national security information, and timing, such as late decisions and late changes to economic parameters.¹²

4.11 The committee heard that the largest component of the contingency reserve, the allowance for conservative bias, is not attributable to an individual program. Dr Watt described this component as 'an expenses-wide allowance to allow for the perceived tendency, with the best estimates in the world, for each year's budget estimates to drift upwards'.¹³

4.12 Committee members asked for the program identity of those contingency reserve funds not disclosed in the budget papers, but witnesses would only agree to take the question on notice. Senator Sherry queried the grounds for refusal when some programs had been disclosed as having a provision in the contingency reserve:

Mr Bowen, we have specifically identified that the private health insurance rebate is in the contingency reserve. That is a government program. I understand the reason why you will not identify the figures—they are commercial-in-confidence—and I accept that. But I do not accept why you cannot identify what other programs are in that contingency reserve. The private health insurance rebate is quite specifically identified.¹⁴

DoFA's monitoring role

4.13 The committee asked about DoFA's role in monitoring the expenditure and budget processes of other government agencies. Issues canvassed include DoFA's lack of involvement in Defence inventory remediation issues, achievement of the efficiency dividend, monitoring agencies' expenditure through AIMS, and DoFA's role in coordinating APS travel procurement policy and expenditure.¹⁵ The committee

11 *Committee Hansard*, 25 May 2005, F&PA 16-17

12 *Committee Hansard*, 25 May 2005, F&PA 18

13 *Committee Hansard*, 25 May 2005, F&PA 19

14 *Committee Hansard*, 25 May 2005, F&PA 20

15 See, for example, *Committee Hansard*, 25 May 2005, F&PA 13-15, 28-29, 35-36, 102-107

heard that DoFA monitors expenditure on an agreed list of programs (including the Medicare Safety Net).¹⁶ Most questions, however, were answered along the lines that DoFA provides advice when requested, but agencies have their own monitoring processes in place and 'are responsible for their own budgets and expenditure, which the chief executive would oversee'.¹⁷

The efficiency dividend

4.14 Continuing the monitoring theme, committee members asked whether DoFA had a role in checking and enforcing compliance with the efficiency dividend across portfolios. The committee heard that while the department's budget group assists agencies to adjust their forward estimates to meet the dividend, DoFA does not monitor whether the savings are subsequently achieved.¹⁸ Senator Sherry said that this lack of overall accountability was an important matter, because agencies have an 'escape clause'—they can receive allocations of additional funds.¹⁹

4.15 The committee expressed some reservations about agencies' ability to meet the efficiency dividend, which is to increase from 1 per cent to 1.25 per cent in the 2005-06 financial year. Dr Watt, however, claimed the efficiency dividend was reasonable, and outlined the methods DoFA would use to make the savings:

We will find better ways of doing things...For example, we have been going through a process of market testing our outsourced functions or our corporate functions—most of which are outsourced—and that sort of thing has yielded us significant savings. That is one way you meet an efficiency dividend. We have changed our outsourced IT provider, and we have gone to a process of selective insourcing and getting a new series of providers. That has also produced some significant savings for us. We find better ways of doing our basic core functions. We have stopped doing some things, as a way of achieving that. It is not unreasonable for managers of public sector entities to find ongoing efficiency dividends each year—and you can find them—and for them to be shared with the budget.²⁰

DoFA's role in costing budget policy proposals

4.16 The committee asked about the department's role in costing policy proposals to reach the budget. The committee was advised that DoFA costs the list of proposals agreed at the senior minister's review stage to go forward to the Expenditure Review Committee (ERC), a cabinet committee that makes the final decision about policies to include in the budget. However, witnesses refused to answer most questions about DoFA's role in relation to the ERC on the grounds that it was not for departmental

16 *Committee Hansard*, 25 May 2005, F&PA 35-36

17 *Committee Hansard*, 25 May 2005, F&PA 103

18 *Committee Hansard*, 25 May 2005, F&PA 23-24

19 *Committee Hansard*, 25 May 2005, F&PA 24

20 *Committee Hansard*, 25 May 2005, F&PA 23

officers to 'speculate about the proceedings of a cabinet committee'.²¹ In the past, the Senate has only accepted this ground as it relates to disclosure of cabinet *deliberations*.²² In providing this explanation, it appeared that departmental officers were attempting to blur the distinction between processes internal to the department or between it and other departments, and the processes of the cabinet.

4.17 For example, Senator Sherry tried to elicit information about the number of late policy proposals that were submitted to DoFA during the two weeks before the 2005/06 budget, but was again rebuffed:

Senator SHERRY—How many decisions were communicated to the department in the final two weeks before the budget?

Dr Watt—I do not think that I can comment on that.

Senator SHERRY—Why not? I am asking for a number.

Dr Watt—I do not think it is relevant for me to comment on that. You are talking about the processes of government decision making. I do not think I should comment on that.

Senator SHERRY—I think you can give a number. I think it would be wrong for me to ask for the details of any of those but I do not see that a number—its workload, its expenditure and so on—is a question that you should not answer.

Dr Watt—Suppose I take it on notice for you and see what we can find.

Senator SHERRY—Taking a question on notice is a dodge in some circumstances; you may or may not get the information.²³

4.18 The committee asked about DoFA's role in costing several policies announced in the budget, including the Medicare Safety Net, the Job Network funding changes, and aspects of the Welfare to Work package. The committee observed that in general, questions about the assumptions underpinning the costing were not answered. For example, Senator Wong's questions about DoFA's role in developing the Welfare to Work package were repeatedly referred to other departments such as Treasury and DEWR or not answered on the ground that they constituted 'advice to government'. At times, the avoidance of answering questions by departmental officers bordered on the absurd:

Senator WONG—I concede that it is not appropriate for me to ask you what the advice to government was; it is entirely appropriate for me to ask you timing questions. When were the costings finalised?

Dr Watt—I really do not think we can answer that.

21 *Committee Hansard*, 25 May 2005, F&PA 32

22 Evans, H. Clerk of the Senate, *The Senate—Grounds for public interest immunity claims*, 19 May 2005, p. 3

23 *Committee Hansard*, 25 May 2005, F&PA 33

Senator WONG—Perhaps you can find the person in the department who knows.

Dr Watt—I really do not think we can answer that. It is not an issue about knowledge. This goes to the advice of our interaction with government on policy issues.

Senator WONG—No, it does not.

Dr Watt—I am sorry, it does.

Senator WONG—It is perfectly normal in estimates hearings for senators to ask when advice—not what advice—went to government. I am asking: when were the costings finalised?²⁴

4.19 On a related matter, the Minister said he was not prepared to provide information about the breakdown of a net policy proposal costing to the committee, stating, 'We are just not going to set a precedent. We do not detail the formulation that goes into reaching a net figure'.²⁵

DoFA's role in relation to the Medicare Safety Net

4.20 The committee again spent time on the Medicare Safety Net issue, focusing on DoFA's involvement in the several rounds of costing of the program and the assumptions underpinning the costing. DoFA witnesses took many of the questions on notice, saying they did not have the information at hand.²⁶ The committee was concerned to note the witnesses' apparent lack of preparation for questions about this topical issue (which the committee discussed at length with PM&C the previous day):

Senator SHERRY—In that costing, was allowance made for the possibility that people would increase their expenditure? Was any allowance made for that?

Mr Weiss—I do not recall; I would have to take that on notice.

Senator SHERRY—Were you involved in the—

Mr Weiss—Yes, I was.

Senator SHERRY—It was a pretty important criterion, as it subsequently turned out. I am just surprised that you cannot recall that.

Mr Weiss—It was a while ago. I do not recall it at the moment.

Senator SHERRY—I know it is a while ago, but you were specifically involved and this has been a major matter of public contention.²⁷

24 *Committee Hansard*, 25 May 2005, F&PA 56

25 *Committee Hansard*, 25 May 2005, F&PA 54

26 *Committee Hansard*, 25 May 2005, F&PA 36-39

27 *Committee Hansard*, 25 May 2005, F&PA 37-38

4.21 Committee members asked when the department formally advised the Minister that the costs of the program had exceeded projections, and whether he had advised other ministers of this prior to the election.²⁸ Although it emerged that Senator Minchin was made aware before the election that the safety net costs were exceeding estimates, he refused to answer the committee's questions, stating 'I am not prepared to go into any detail about what, if any, communication occurs internally within the government on this or any other matter, I am sorry'.²⁹

Quality of budget documentation and inclusion of a statement of risks

4.22 Senator Murray praised the quality of the budget documentation as follows:

Our job as a committee is to critique budget papers and the thinking that lies behind them. However, when you read the papers and see the way in which they are put together and presented, I think every now and again we should remind ourselves what a professional outfit the department and the government as a whole is in terms of the presentation of material and the attempts to make sure that information is well presented. Despite the fact that I have some criticisms in areas, I think the quality of your work should not go unnoticed.³⁰

4.23 The committee also noted the inclusion of a statement of risks to the budget (Statement 11, Budget Paper No.1.). Risks include variations to economic and other parameters, fiscal risks and contingent liabilities. Although he made some suggestions for improvement of the risk statement, Senator Murray observed that it is a useful reminder that the apparent solidity of the Commonwealth and its finances cannot be taken for granted.³¹

Incorrect announcements about the government's financial position

4.24 Senator Murray commented on the credibility gap that arises when ministerial announcements about the government's financial status made before the budget are found to differ on budget day—for example, the Minister made the following statement two months before the Treasurer announced an \$8.9 billion budget surplus:

I would reject the story this week that we've got a \$10 billion surplus coming down the track. We have no evidence of that. We are sticking by the forecasts in our mid-year economic and fiscal outlook and we'll update that in the budget itself.³²

28 *Committee Hansard*, 25 May 2005, F&PA 58-65, 96-100

29 *Committee Hansard*, 25 May 2005, F&PA 62

30 *Committee Hansard*, 25 May 2005, F&PA 43

31 *Committee Hansard*, 25 May 2005, F&PA 43-44

32 *Meet the Press*, 13 March 2005

4.25 Senator Murray asked whether this reflected poorly on DoFA's forecasting and costing capabilities as the department responsible for providing the Minister with advice upon which he makes his remarks to the public.³³ The committee, however, was told that the standards for such statements were set by the government and that revenue estimates were the responsibility of Treasury. In explaining the respective roles of DoFA and Treasury, Dr Watt said:

...we brief the minister on the expense picture in the budget. That is our responsibility. We are not responsible for revenue estimates. They are the responsibility of the Department of the Treasury. Therefore we do not brief the minister on revenue expenses, nor do we try to predict for him where the bottom line is going to be over the forward estimates or whatever.³⁴

The Future Fund

4.26 The committee spent time examining the details of the forthcoming Future Fund, the Future Fund Management Agency (FFMA) and the Commonwealth's unfunded superannuation liabilities. The committee was told that the FFMA would come into existence during the 2005/06 financial year and would be a separate agency within the finance portfolio.³⁵ The committee heard that—despite some claims in the media—the Future Fund's investment mandate had not yet been determined, but it would be unlikely to invest directly in infrastructure.³⁶ The committee was also told that the implementation team was located within Treasury but included some DoFA staff.

4.27 Dr Watt told the committee of the estimated funds that would be transferred into the Future Fund in the 2005/06 financial year:

The government said that it will do two things...firstly, it will transfer part of this year's budget surplus into the future fund and, secondly, it will transfer part of its existing balance with the Reserve Bank into the future fund. I think the figure that was used in the budget papers...is \$16 billion.³⁷

4.28 Ms Doran, Division Manager, Superannuation and Governance Division, advised the committee that the unfunded superannuation scheme liabilities to be covered by the Future Fund would include the CSS and PSS, the two military schemes, and the Governor-General's scheme, judges' scheme and parliamentarian's scheme.³⁸

33 *Committee Hansard*, 25 May 2005, F&PA 47

34 *Committee Hansard*, 25 May 2005, F&PA 45

35 *Committee Hansard*, 25 May 2005, F&PA 65

36 *Committee Hansard*, 25 May 2005, F&PA 74-74

37 *Committee Hansard*, 25 May 2005, F&PA 66

38 *Committee Hansard*, 25 May 2005, F&PA 67

4.29 The committee questioned why the CSS/PSS Boards had not been given responsibility for the Future Fund, and why the Future Fund board would not include employee representation. The committee heard that the government had chosen to set up a separate, statutorily independent body because it would have a different investment mandate, be substantially larger than the other funds and would be managing a government asset rather than members' own funds. The Minister said this decision did not reflect on the excellent performance of the CSS and PSS Boards.³⁹

4.30 Senator Murray asked the broader question of whether the government had considered alternatives to using future surpluses or the proceeds of the possible sale of assets such as Telstra to meet unfunded public superannuation liabilities, such as using that money to generate productive growth through investment in infrastructure, training, research, innovation and universities.⁴⁰ In response, Senator Minchin said that the government was committed to meeting the liabilities, but remained mindful of the 'ongoing responsibility for appropriate investment through the budget—as we have in this budget—into roads, education and everything else'.⁴¹

Evaluation of Indigenous programs

4.31 A brief examination of the Office of Evaluation and Audit (OEA) provided information about the division of program audit and monitoring responsibilities between the OEA and the Office of Indigenous Policy Coordination. Mr Rod Alfredson, Director of the OEA, told the committee that the OEA had developed an interim evaluation program and a three year rolling program in conjunction with the eighteen Australian government agencies that run indigenous specific programs.⁴²

Staff employed under the Members of Parliament (Staff) Act 1984

4.32 As is now its usual practice, DoFA submitted tabulations of the numbers of personal staff employed under the *Members of Parliament (Staff) Act 1984* (the MOPS Act). The tables show that as at 1 May 2005, personal positions in ministers' and other government offices numbered 407.6, an increase of 16 or 4 percent from 1 May 2004. There were 86 Opposition personal staff positions, compared with 83 a year earlier, and 15 Australian Democrats personal staff, the same number as at 1 May 2004. Personal staff of independent members and senators numbered nine, one fewer than on 1 May 2004. The number of positions in the offices of former Prime Ministers remained at 12.

4.33 Senator Carr asked a number of questions about increased numbers of personal staff positions in the Prime Minister's and Treasurer's offices and the reallocation of staff in other ministers' offices. The Minister, Senator Abetz,

39 *Committee Hansard*, 25 May 2005, F&PA 75-77

40 *Committee Hansard*, 25 May 2005, F&PA 87

41 *Committee Hansard*, 25 May 2005, F&PA 89

42 *Committee Hansard*, 25 May 2005, F&PA 90

responded that changes were made on the basis of need, that he did not know exactly the reasons why there had been a reallocation of some staff numbers, and that ultimately the Prime Minister decides the perceived needs.⁴³

4.34 Senator Carr was also interested in obtaining an explanation of the reasons for the establishment in 2004 of four new senior advisor classifications in the offices of the Prime Minister, the Deputy Prime Minister, the Treasurer and the cabinet policy unit. He also asked about reclassification of media advisers' positions, and received the following answer:

The classifications that appear in the tables are the staffing allocations that have been approved by the Prime Minister as suitable and applicable to the ministers concerned. The task of the department is to administer the decisions that have been taken.⁴⁴

4.35 The department was asked and took on notice a number of additional questions regarding changes in the classification of positions and the salaries paid to personal staff, including the total cost of the salaries of government personal staff.

Government Members Secretariat (GMS)

4.36 Questions were asked about individuals employed, or formerly employed, in the Government Members Secretariat and about their employment status during the 2004 federal elections and during recent State elections. The Minister took the questions on notice.

4.37 Senator Carr requested an updated figure for the cost of running the GMS and for the same costs over a period of years. He also asked the cost of purchases of equipment for the secretariat. Those questions also were taken on notice.

Parliamentarians' newspaper allowances

4.38 Senators discussed with the Minister and department the questions of whether Parliamentarians' newspaper allowances extended to purchasing subscriptions to online publications that might not qualify as newspapers or periodicals. Ms Mason, General Manager, Ministerial and Parliamentary Services (MaPS), responded that this was the first time that the matter had been raised. The Minister stated that the question would be taken on notice for a definitive answer.⁴⁵ In the ensuing discussion Ms Mason suggested that parliamentarians would need to be satisfied that the online publication was for parliamentary or electorate business, and Dr Watt stated:

43 *Committee Hansard*, 26 May 2005, F&PA 96

44 *Committee Hansard*, 26 May 2005, F&PA 98

45 *Committee Hansard*, 26 May 2005, F&PA 107

That is an important distinction: I think Ms Mason is saying that MaPS will not be the one doing the defining; it will be the senator or member.⁴⁶

Statements of private interests of MOP(S) staff

4.39 The Minister reported that 414 of 517 staff had advised MaPS that they had submitted statements of private interests to their employer. This contrasts with only 77 of 520 who had provided that advice as at 1 October 2004.

4.40 Ms Mason in response to a question from Senator Faulkner stated that following the last estimates hearings MaPS had followed up with ministers and parliamentary secretaries the committee's request that such statements should be made and notified to MaPS.⁴⁷ The Minister informed the committee that steps were being taken to follow up on those offices where the notifications had not been given to MaPS.⁴⁸

Security clearances for MOP(S) staff

4.41 Senator Faulkner asked about other information MOP(S) staff are required to give on commencement of their employment and in particular asked whether all ministerial offices require that personal staff obtain security clearances. Ms Mason stated that all offices require staff to be cleared and that MaPS keeps a record of compliance levels in relation to completed security clearances.⁴⁹

4.42 MaPS took on notice a question from Senator Faulkner which asked for the compliance rate, the longest period of non-compliance and the longest acceptable period for compliance.⁵⁰

Other issues

4.43 A final matter pursued by senators related to a particular case raised privately by Senator Faulkner at the hearings on the additional estimates 2004-05. The Senator thanked MaPS for its resolution of the case, which apparently involved salary for superannuation purposes. The Minister and officers informed the committee that, as a result of investigating that case, four other similar cases were identified and were receiving attention.⁵¹

46 *Committee Hansard*, 26 May 2005, F&PA 108

47 *Committee Hansard*, 26 May 2005, F&PA 108

48 *Committee Hansard*, 26 May 2005, F&PA 108

49 *Committee Hansard*, 26 May 2005, F&PA 110

50 *Committee Hansard*, 26 May 2005, F&PA 110

51 *Committee Hansard*, 26 May 2005, F&PA 110-111

Commonwealth Grants Commission (CGC)

4.44 Senators Brandis and Sherry asked several questions about the Commission's methodology for making recommendations on the allocation of moneys, and in particular GST moneys, to the states and territories. Mr Nicholas, the Commission's Assistant Secretary, provided information on the methods and information used and also made an interesting observation that the CGC 'may be getting to the stage where its assessments may be pushing the reliability and the tolerances of that information'.⁵²

4.45 In response to further questions Mr Nicholas informed the committee that the Commission's methods are reviewed on a five year cycle and that these reviews are done in an open and consultative fashion involving submissions and feedback from the states.⁵³

Australian Electoral Commission (AEC)

4.46 Issues raised by members of the committee and other senators in attendance included:

- AEC investigations into funding and disclosure matters;
- The government's proposal to increase the threshold for non-disclosure of political donations;
- A complaint received by the Reserve Bank of Australia (RBA) and subsequently forwarded to the AEC; and
- Consultancies: engagement of Minter Ellison to investigate issues in relation to postal voting at the past federal election.

Funding and disclosure inquiries

4.47 Following the custom of past hearings, the AEC briefed the committee on its progress with investigations into non-disclosure of political donations. Ms Mitchell, Director, Funding and Disclosure, told the committee that the following matters have been finalised and that the AEC's advice and conclusions are available on its web site:

- whether Australians for Honest Politics was an associated entity;
- whether certain organisations that gave money to The Nationals were associated entities; and
- whether the Fair Go Alliance is an associated entity.

In all three cases, Ms Mitchell stated that its investigations showed that 'the answer was no'.⁵⁴

52 *Committee Hansard*, 25 May 2005, F&PA 94

53 *Committee Hansard*, 25 May 2005, F&PA 95

54 *Committee Hansard*, 26 May 2005, F&PA 113

4.48 In addition, Ms Mitchell said that the AEC had finalised its advice in relation to investigations into the Liberal Party's federal electorate councils (FECs) in Ryan and Bowman and that these advices are available on the AEC's web site. However, the committee heard that some peripheral issues had to be resolved before these two investigations were finalised and that two other investigations had yet to be completed. Ms Mitchell stated that:

In both cases the updated disclosure returns have been received and have been placed on the returns part of the web site as well. In relation to the matters that in short hand I will describe as Minister Ruddock and donations to the Liberal Party and Senator Bolkus and donations to the South Australian ALP, in both cases we still have some outstanding issues to resolve. I will reiterate advice from the last Senate estimates that at this stage in time none of those matters that are outstanding directly involve either the minister or the senator. The Liberal Party Ryan FEC matter in relation to the dinner and Mr Ricky Ponting is being looked at in terms of our standard compliance review process. But at this stage all funds appear to have been disclosed in the relevant annual return.⁵⁵

Ms Mitchell informed the committee that the AEC anticipated that all these matters would be concluded by the end of July 2005.

4.49 The committee was also informed that there were no new inquiries as of May 2005.

Government proposal to increase the threshold for non-disclosure of political donations

4.50 The committee asked the AEC for its view on the Government's proposal to increase the non-disclosure threshold for individuals from \$1,500 to \$5,000. The AEC said that it had not undertaken any research on the proposed increase and explained that it would be difficult to provide a conclusive assessment given the limited information available to it. To this end, Ms Mitchell stated:

It is a bit difficult to do [an assessment], because at this stage in time some of the information we do not know. We do not know the number of people who already are not disclosing because they do not have a requirement to disclose. Some of the research that we could do would be of limited use. At this stage in time we can certainly look at some statistics, but obviously parties are not required to disclose amounts under \$1,500, and from the donor returns you will only get amounts under \$1,500 where they gave a sufficient number of donations [to a single branch or division of a party] under \$1,500 to reach a \$1,500 threshold in a financial year.⁵⁶

4.51 In a 1996 submission to the Joint Standing Committee on Electoral Matters the AEC's view was that the \$1,500 threshold should stand unchanged. Asked whether

55 *Committee Hansard*, 26 May 2005, F&PA 113

56 *Committee Hansard*, 26 May 2005, F&PA 115

the AEC's view had changed since then, Mr Becker, Electoral Commissioner, said that it had not. Mr Becker said that he thought that the issue 'was now about what is a reasonable level to set', noting that consideration needs to be given to the impact a higher threshold would have on the AEC's workload. He also suggested that there is an ethical issue to consider, suggesting that by 'raising it too much you get to [a] point where you are providing a mechanism to avoid disclosure'.⁵⁷

4.52 When pressed to place his personal view of the matter before the committee, Mr Becker said that he thought the current threshold should remain but noted that he was unsure if this remained the view of the 'full commission', given that it had not been discussed within AEC lately. Mr Becker added that he was not planning to consider this issue formally in his final weeks before retiring as Commissioner.

Consultancies

4.53 The committee discussed the engagement of Minter Ellison to investigate issues in relation to postal voting at the past federal election. Since the substantive issues around this matter are currently before the Joint Committee on Electoral Matters (JCEM), the estimates committee sought only information relating to the cost of, and process leading to, the engagement of Minter Ellison.

4.54 Mr Orr, Assistant Commissioner, Elections, told the committee that Minter Ellison had been tasked for a cost of \$83,791.93.⁵⁸ He also stated that the contract had not gone to open tender but that Minter Ellison had been selected from an AEC panel of consultants, which had been established through open tender.

4.55 Senators Brandis and Faulkner queried the need to engage lawyers as it appeared that auditors may have been more appropriate for the task. Mr Becker and Mr Dacey, Deputy Electoral Commissioner, said that one reason for selecting Minter Ellison was because one of its employees 'had had many years of experience with electoral matters and electoral law' and had 'the skills necessary to conduct this review'.⁵⁹

4.56 Mr Dacey informed the committee that the AEC had initially approached the ANAO to perform the review but the ANAO declined on the basis that there might be a potential for a conflict of interest if the government or the parliament later asked it to review the matter.⁶⁰ Further questions from Senator Murray also revealed that since urgency was an important factor, the panel system provided a quicker turn-around

57 *Committee Hansard*, 26 May 2005, F&PA 115

58 *Committee Hansard*, 26 May 2005, F&PA 117

59 *Committee Hansard*, 26 May 2005, F&PA 118

60 *Committee Hansard*, 26 May 2005, F&PA 119

than would otherwise have been the case if a traditional tender process had been followed.⁶¹

4.57 Senator Faulkner also asked about the AEC's request to the JCEM that the Minter Ellison report remain confidential. Mr Dacey told the committee that 'there is certain commercial-in-confidence material concerning contracts in the report' and that the request for confidentiality was not related to the 'nature of the findings'.⁶² Mr Dacey noted that an executive summary containing the findings and recommendations is publicly available on the AEC's web site.

Australian Government Information Management Office (AGIMO)

AGIMO's move to DoFA

4.58 The committee heard that the announcement to incorporate AGIMO within DoFA was made by the Prime Minister on 22 October 2004; on 29 October AGIMO was made formally a part of DoFA; and on 4 November AGIMO was abolished as a stand-alone executive agency.

4.59 The committee also heard that although there were no initial plans to relocate, AGIMO subsequently moved from the Burns Centre to the Minter Ellison Building, both located in Barton and only a small distance away from one another. Mr Grant, Acting General Manager, explained that a number of coinciding factors, not least to 'co-locate with other parts of the department', influenced the decision to relocate. Mr Suur, General Manager, Corporate Group, added that:

...with the acquisition of AGIMO [DoFA] found itself spread across five buildings within the parliamentary precinct. We wanted to consolidate to as few buildings as possible. Minter Ellison is an A-grade building and it allowed AGIMO to be co-located with other finance staff, which meant that from the point of view of security and the point of view of synergy between different groups within the organisation we were able to achieve what we wanted.⁶³

4.60 Questions relating to the costs of the move were taken on notice as the witnesses did not have the information at hand.

Electronic security measures

4.61 Responding to questions about AGIMO's responsibilities for electronic security across the Commonwealth and suggestions that its role might have been downgraded, Mr Grant informed the committee that AGIMO's role had not changed. Mr Grant went on to say that security matters are, and always have been, the purview

61 *Committee Hansard*, 26 May 2005, F&PA 119

62 *Committee Hansard*, 26 May 2005, F&PA 119

63 *Committee Hansard*, 26 May 2005, F&PA 121

of security agencies, for example, the Defence Signals Directorate, and that AGIMO 'assist[s] those agencies' by providing expert advice on information technology matters.⁶⁴

4.62 Senator Lundy sought an update on the review of Gatekeeper (Australian Government online authentication system). Mr Grant told the committee that the review began in early 2005 and that it was expected to be completed in July. The committee heard that the review is primarily looking at the cost and effectiveness of Gatekeeper, but that it is also examining possible improvements. When asked whether the review findings would be made public, Mr Grant said that he expected they would, especially considering that 'Gatekeeper is a public strategy'.⁶⁵

IT outsourcing

4.63 Senator Lundy asked if there was a single figure that identified savings arising from the government's information technology procurement practices (for example outsourcing). Mr Bowen, General Manager, Budget Group, stated that there is no 'overarching figure' but that the details would be available through individual agencies.⁶⁶ Further questioning sought to clarify whether AGIMO or another area within DoFA monitors the ongoing information and communication technology (ICT) costs to the Commonwealth. Mr Bowen told the committee that in the devolved environment DoFA did not monitor all agencies' expenditure on IT. He added, however, that 'where a particular amount of new policy money might be provided for a large IT investment then it may well be monitored'.⁶⁷

4.64 The committee attempted to obtain information about the reports on information technology outsourcing projects monitored by DoFA. This was met with resistance that flouted long standing Senate procedures relating to the limited grounds on which information can be withheld from the Senate and its committees. Senator Lundy made repeated requests to departmental officers to both identify the major IT projects that DoFA monitors and undertake to provide reports it makes to government on these projects to the committee.

4.65 Mr Bowen indicated that he would provide on notice some examples of the projects that are monitored but refused (but for one exception) to identify at the hearing the names of those projects. Nor would he agree to take on notice to provide the reports to the committee, citing variously that the reports are 'internal to the management of government', 'government documents' or constituted 'advice to government'.⁶⁸ The following exchange took place:

64 *Committee Hansard*, 26 May 2005, F&PA 122

65 *Committee Hansard*, 26 May 2005, F&PA 124

66 *Committee Hansard*, 26 May 2005, F&PA 128

67 *Committee Hansard*, 26 May 2005, F&PA 128

68 *Committee Hansard*, 26 May 2005, F&PA 129

Senator LUNDY—...Mr Bowen has said that he will not take on notice providing the reports.

Mr Bowen—I did.

Senator LUNDY—I am asking you to give the grounds.

Mr Bowen—I cannot do that.

Senator LUNDY—Is it not just a report showing how effectively taxpayers' money is being spent? That is a lot to do with the budget, and it has a lot to do with accountability.

Mr Bowen—These reports have been requested by government and provided to government; they are not public reports.

Senator LUNDY—So they are cabinet documents?

Mr Bowen—They are government documents.

Senator LUNDY—I would like to formally place my request on the record and ask that you state in writing your grounds for refusing to provide that information to the committee.

Mr Bowen—It is your prerogative to put a question on the record.

Senator LUNDY—And it is your obligation to answer it, unless you provide an excuse that is within the bounds of parliamentary procedures

Mr Bowen—We are aware of our responsibilities.⁶⁹

4.66 The committee notes here—as it has had to do in other parts of this report—its grave concern that, contrary to Mr Bowen's assertion in this case, officers are *not* aware of their responsibilities in relation to providing answers to committees. None of the grounds that Mr Bowen cited is acceptable to the Senate for withholding information on the expenditure of public funds to the Senate and its committees. Claims that the requested reports in this instance are advice to government or government working documents are not satisfactory grounds in their own right for refusing to answer questions. At the very least, claims of this sort must also establish the harm to the public interest that might result from the information being disclosed. In this regard, the committee finds it highly unlikely that disclosure of the identity of the IT projects that DoFA monitors could in any way cause harm to the public interest.

4.67 Moreover, the committee also notes that claims to withhold information held by government must be made by *ministers*, not departmental officers. This principle has not only been articulated by the Senate but is also emphasised in the government's guidelines for public servants appearing before parliamentary committees. The committee expects that the procedural points made above, and elsewhere in the committee's report, will be heeded by departmental and agency executives, disseminated to officers appearing before estimates committees and result in a greater awareness and observation of the relevant procedural principles on the part of departmental witnesses at future estimates hearings.

69 *Committee Hansard*, 26 May 2005, F&PA 128-129

Chapter 5

Department of Human Services and Agencies

Department of Human Services (DHS)

5.1 Issues raised by members of the committee and other senators in attendance included:

- Staffing and resources;
- DHS's web site;
- The Welfare to Work taskforce;
- Centrelink scripts;
- Comprehensive work capacity assessments;
- Job Network providers;
- The Local Liaison Officer Program;
- Recruitment processes in the department;
- Absence management policy; and
- Child care arrangements for employees.

Staffing and resources

5.2 Following on from discussions at DHS's first appearance before the committee in February 2005, Senators were interested to hear how the transfer of functions to DHS was progressing and the department's level of staffing and resources. The committee heard that the transfer of functions was complete and that permanent staff numbers had risen from 19 to 29, with staff totalling 50. Ms Scott, Secretary, indicated that the proportion of permanent staff is expected to increase. Ms Scott also said that prior to the budget DHS was expecting a complement of 54 staff but as the department has acquired additional functions relating to the Welfare to Work program it was estimating a full complement of 62 staff.¹ Mr Leeper, Deputy Secretary, informed the committee that additional funding to support the new responsibilities was provided in the budget.

Welfare to Work taskforce

5.3 The committee was particularly interested to examine issues relating to the Government's Welfare to Work initiative announced in the budget. In doing so, the committee spent much of its time with DHS on this matter.

¹ *Committee Hansard*, 26 May 2005, F&PA 4

5.4 The committee heard that the Welfare to Work taskforce commenced 22 February 2005 and concluded 11 May 2005, the day after the federal budget.² DHS and Centrelink each had one officer on the taskforce, with the responsibility for the taskforce residing in PM&C.

5.5 Senators tried to ascertain what mechanism is in place to coordinate the various departments and agencies involved in the initiative, given the allocation of different responsibilities between policy and service delivery agencies. Ms Scott informed the committee that following the budget a steering committee and a strategic project management group were established to 'oversee the implementation and provide feedback to the government on progress with the reforms, resolve emerging issues, and provide an avenue for consultation'.³ Although DHS has representation on these bodies, both are chaired by the DEWR.

5.6 Questions from Senator Wong established the existence of documentation setting out the arrangements between agencies but when the committee asked for copies of the documentation Ms Scott declined on the grounds that the ownership of the documents resides with DEWR. This gave rise to Senator Evans expressing frustration at the inability or refusal of DHS officers to provide the information which might clarify the division of labour across different agencies. Senator Evans said:

I am having a bit of trouble working out what Human Services does these days. It seems that DEWR have taken over nearly everything that you or FaCS used to do. What we are trying to figure out is how this all works now. If you look at the budget documentation et cetera, it all seems to be in the DEWR portfolio. Senator Wong, Senator Moore and I are struggling to define the role of Human Services, and we are looking for help in how we identify that.⁴

5.7 In response, Ms Scott stated that:

...one of the reasons for the establishment of the department was to ensure better coordination and greater collaboration and greater input into policy process of service delivery. The fact we had two officers on the taskforce was an important step in ensuring that service delivery was considered in policy matters.⁵

5.8 To illustrate the department's role in 'value adding' to the delivery of services, Ms Scott informed the committee that:

You may recall from the last time we met, in February, that we had also been asked to increase the number of referrals of non-activity tested customers of Centrelink to the Job Network. Since the commencement of

2 *Committee Hansard*, 26 May 2005, F&PA 5

3 *Committee Hansard*, 26 May 2005, F&PA 8

4 *Committee Hansard*, 26 May 2005, F&PA 9

5 *Committee Hansard*, 26 May 2005, F&PA 9

that strategy in December, there has been a very substantial increase in the number of voluntary referrals from Centrelink to Job Network, whereas before the creation of the department there used to be about 4,000 referrals a month. The figure is now averaging around 10,000 a month, and we have had pretty positive feedback on that strategy. The increase well and truly exceeds 100 per cent, and I am pleased to say that similar trends appear to be emerging in the job placement numbers by Job Network.⁶

5.9 Further questions on the welfare to work reforms focused on whether any modelling or analysis had been undertaken on the impact of these reforms on Centrelink clients. The committee heard that neither DHS nor Centrelink had done any modelling but that they had provided the taskforce with data, presumably for the purposes of modelling. The committee also heard that neither the department nor the agency had conducted consultations with client groups on the proposed new measures or options for them.⁷

Comprehensive Work Capacity Assessments

5.10 The committee devoted substantial questioning to the comprehensive work capacity assessments project, coordinated by DEWR but implemented by DHS. The committee examined the aims of the project, coordination structure, pilot schemes currently being undertaken and the planned implementation approach.

5.11 The committee heard that there are 15 trial sites located in Victoria, Queensland and Western Australia with four different models or 'four major participants' involved.⁸ The pilots are expected to be completed by the end of June and the results evaluated in July 2005. Each of the four participants (Health Services Australia, CRS Australia, Centrelink and Advanced Personnel Management) will undertake 250 assessments, totalling 1,000 assessments.⁹

5.12 Following these assessments, DHS and DEWR will evaluate the results and then 'design the comprehensive work capacity assessments, drawing on the most effective model for particular groups of clients'.¹⁰

5.13 This project was another area where the committee was left with a confused picture of DHS's role in relation to other departments. Part of the problem lay in the limited answers to questions, as the following example shows.

Senator WONG—I am still a little confused, though, Ms Scott. Why was the decision made in March that DEWR would undertake the pilot, yet, in May, the decision was made that Human Services would implement the

6 *Committee Hansard*, 26 May 2005, F&PA 10

7 *Committee Hansard*, 26 May 2005, F&PA 21

8 *Committee Hansard*, 26 May 2005, F&PA 25

9 *Committee Hansard*, 26 May 2005, F&PA 25

10 *Committee Hansard*, 26 May 2005, F&PA 25

new system that is being road-tested by DEWR? Why is it not Human Services doing the pilot or, alternatively, why is it not DEWR doing the assessments?

Ms Scott—This was a decision taken by cabinet. I do not know what particular forces were at work, but this is the outcome of the government's decision ... I am sure that we will work very closely and collaboratively with our colleagues in DEWR and they are very keen to work with us on this exercise. I am sure it will go well. The referrals work we talked about earlier in the morning demonstrates that there is a very effective working relationship between the two departments.¹¹

5.14 DHS has been allocated \$2.5 million over four years—out of a total budget allocation of \$316 million—to support the department's administration of the scheme, which will provide approximately eight additional full-time equivalent staff. The committee heard that in effect, DHS will be 'administering other people to do the work'.¹² Asked whether this work will go out to tender Ms Scott replied that the government had not made a decision yet but also stated that:

We are waiting for the outcome of the trials, to assess the best way forward. The government has publicly stated that from July 2008 its intention is that this work be fully contracted out—but the arrangement from July 2006 to July 2008 is yet to be determined. It may be a mixture, depending on the results of the trial.¹³

5.15 Senators questioned the department about the guidelines and procedures to govern such contract arrangements. In particular, concerns were raised at the potential for conflict of interest, for example, in cases where a work capacity assessor may also be the provider for the recommended services. DHS witnesses indicated that guidelines and procedures have not yet been designed, reiterating that the 'arrangements are going to be informed by the results of the trials'.¹⁴

Child Support Agency (CSA)

5.16 Issues raised by members of the committee and other senators in attendance included:

- The appointment of Mr Matt Miller as the General Manager of CSA;
- The agency's financial statements;
- Ministerial taskforce and reference group on child support;
- An organisation called Family Advantage;

11 *Committee Hansard*, 26 May 2005, F&PA 26

12 *Committee Hansard*, 26 May 2005, F&PA 28

13 *Committee Hansard*, 26 May 2005, F&PA 28

14 *Committee Hansard*, 26 May 2005, F&PA 33

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- Human resource management policies;
 - Trends in private settlements; and
 - Absenteeism.

Financial statements

5.17 The committee asked several questions concerning the agency's financial statements, particularly as the statements for the 2004-05 financial year cover approximately only eight months of the financial year due to the changes in the Administrative Arrangements Orders and CSA's amalgamation with DHS. Ms Scott informed the committee that the 'full 2004-05 set of financial statements' will be in the first annual report of the Department of Human Services, due to be tabled around October of this year.

Ministerial taskforce and reference group on child support

5.18 Senator Moore questioned the agency about its involvement in and the support it provides to the ministerial taskforce and reference group on child support. Mr Leeper told the committee that the Department of Family and Community Services provide secretarial support to the taskforce. Mr Leeper went on to say that:

The Department of Human Services and the Child Support Agency from time to time provide assistance with the work of the taskforce and the secretariat. As you would appreciate, there are data matters and things with which they need assistance. There are factual issues relating to the operation of the current scheme, and that information is being provided as required.¹⁵

5.19 Ms Scott added:

In relation to the work of the taskforce and the separate but related work into family relationship centres, the Department of Human Services—that is, the core department—Centrelink and the Child Support Agency have cooperated in putting together certain advice on each of those. In relation to family breakdowns, often Centrelink gets involved at a very early stage anyway. We have taken the opportunity to try to provide a coordinated response.

...

We are contributing; I think that is the best way of putting it.¹⁶

5.20 Ms Bird, Assistant General Manager, also stated that CSA's 'role has been to provide information when requested by the taskforce' and clarified that the CSA does not have a person working directly on the taskforce secretariat.¹⁷

15 *Committee Hansard*, 26 May 2005, F&PA 50

16 *Committee Hansard*, 26 May 2005, F&PA 50

17 *Committee Hansard*, 26 May 2005, F&PA 50

Trends in private settlements for child support payments

5.21 The CSA was also asked about trends in private settlements between parents for child support payments, as distinct from arrangements which the CSA oversees. Ms Bird distinguished between two separate types of private arrangement. The first type involves parents who make an agreement between themselves about the level of support payable (which can be registered with the CSA). Ms Bird said that these arrangements are between six to eight per cent of all child support arrangements, a level which has remained static over time.

5.22 The second type of arrangement the CSA calls 'private collect'. It involves parents registering with the CSA which assesses and updates the level of support payments, but payments are made directly between the parents, not through the CSA. The committee heard that private collect arrangements have grown steadily to 64.9 per cent of support arrangements.¹⁸

Centrelink

5.23 Issues raised by members of the committee and other senators in attendance included:

- Human resource management policies:
 - family friendly workplace, and
 - absenteeism;
- Customer service officer scripts;
- Managing compliance – new suspension regime announced in the budget; and
- The Welfare to Work taskforce.

5.24 Senator Moore questioned the agency regarding the numbers of Indigenous people and people with disabilities that Centrelink employs. Mr Whalan, Chief Executive Officer, told the committee that Centrelink employs 24,907 staff, of which 914 are Indigenous (approximately four per cent) and 1,514 people with a disability (approximately six per cent). Mr Whalan added that Centrelink employs the 'largest proportion of people with disability of any agency in the Commonwealth'.¹⁹ Mr Whalan went on to say that 20 per cent of Centrelink's staff are part time.²⁰

5.25 Senator Mason noted that Centrelink's average staff absence rate appeared to have fallen from 15.47 days to 11.52 days, for the 2001-02 and 2003-04 financial years respectively.²¹ Mr Whalan explained, however, that the figures do not capture

18 *Committee Hansard*, 26 May 2005, F&PA 53

19 *Committee Hansard*, 26 May 2005, F&PA 54

20 *Committee Hansard*, 26 May 2005, F&PA 54

21 *Committee Hansard*, 26 May 2005, F&PA 55

the 'full story' as the 2003-04 figure is for 'people who are ill' and it does not represent the 'full unplanned leave figure', which is 15.78 days per employee, an increase from 2001-02 and above the APS average.²²

5.26 In discussing ways to manage staff absenteeism, Mr Whalan told the committee that in his view part of the problem was a cultural one where people believe sick leave is an entitlement which should not to be 'wasted', a view that leads to misuse of sick leave.²³ He went on to say that Centrelink is targeting the matter at the local level by publishing monthly figures by work group, 'showing whether people are above or below the APS average' and supervisors are required to raise leave concerns with staff.²⁴ Centrelink is also promoting healthy lifestyles as a longer term strategy. Mr Whalan also said that the agency's new draft certified agreement is tightening leave provisions, requiring a doctor's certificate or equivalent after five days of leave (other than recreation leave) have been taken.²⁵

5.27 The committee was surprised to hear that currently medical certificates are not required for sick leave²⁶ but notes the measures Centrelink is adopting to address the matter. The committee intends to pursue this matter at later estimates hearings.

Customer compliance regime

5.28 Noting the budget allocation of \$198.2 million for Centrelink's compliance activities, Senator Evans sought an overview of compliance activities and an explanation of how the monies are to be spent. Mr Whalan informed the committee that the allocation was for the following five activities:

- Overseas income automation;
- The 10 per cent levy on the recovery of fees for debts;
- Debt recovery from tax refunds;
- The new suspension regime – extra work associated with eight-week non-payment periods; and
- The new suspension regime – case management of customs serving a non-payment period.²⁷

5.29 However, Centrelink was unable at the hearing to provide a breakdown of costs for each measure. In explaining the difficulties Centrelink staff were facing in

22 *Committee Hansard*, 26 May 2005, F&PA 55

23 *Committee Hansard*, 26 May 2005, F&PA 55

24 *Committee Hansard*, 26 May 2005, F&PA 56

25 *Committee Hansard*, 26 May 2005, F&PA 56-57

26 *Committee Hansard*, 26 May 2005, F&PA 57

27 *Committee Hansard*, 26 May 2005, F&PA 59-60

disaggregating the costs, Mr Whalan indicated that this information could probably be obtained more readily from the Department of Family and Community Services:

We are having trouble doing the splits. We are going to try and get it before the end of your session, but we are having trouble doing the splits ... One of our difficulties here is that, if you were asking FaCS the question, I am sure they would have the answer very much at hand.²⁸

5.30 This example is yet another instance of the ongoing frustration committee members experience with the break up of the policy and service delivery arms of the 'human services' agencies across two committees and how this arrangement hampers adequate parliamentary scrutiny of expenditure in this area.

5.31 The committee also examined the new suspension regime for job seekers. The committee heard that the policy had come out of the deliberations of the Welfare to Work taskforce. Centrelink had one officer on the taskforce but its involvement was minor. Officers also explained the differences between the existing 'breach' system and the proposed suspension model, arguing that field trials have shown that the suspension of payments (which replace the penalties currently imposed for a breach of agreements) act as a 'trigger' to get clients to reconnect with agency staff and leads to faster and better outcomes for clients. However, the committee was concerned to also hear that numerous aspects of the model are yet to be worked out before the new regime starts on 1 July 2006.

Health Insurance Commission (HIC)

5.32 Issues raised by members of the committee and other senators in attendance included:

- An update on the transfer of functions to the Finance and Administration portfolio; and
- The Medicare Benefits Scheme and the Medicare safety net payments;

Transition to the new portfolio arrangements

5.33 Ms Argall, Managing Director, briefed the committee on the HIC's transition to the new administrative arrangements. The committee heard that the 'physical and operational arrangements are much the same as they were previously'.²⁹ Ms Argall also informed the committee of some positive outcomes from the changes, stating that:

One of the most significant positives of the new arrangements has been a very much stronger relationship with some of the other operational organisations that exist under the umbrella of the Department of Human Services, particularly Centrelink. Good cooperation is happening there. One

28 *Committee Hansard*, 26 May 2005, F&PA 63

29 *Committee Hansard*, 26 May 2005, F&PA 76

of the major areas of cooperation has been around the Family Assistance Office services. As you know, Medicare officers have had responsibility for the delivery of FAO in a virtual service delivery arrangement. The reality has been that, because of some of the difficulties around access to systems, our role up to this point in time has been more about accepting applications and passing those on and providing information. We are now working in partnership with Centrelink so that we can over the next 12 months deliver full Family Assistance Office services out of Medicare offices. That is a very significant and notable positive coming out of the new relationships.

Cooperation also exists around some of the concessional data that we receive from Centrelink. We have been working in cooperation with Centrelink to enhance the quality of the data exchange around concessional status. For customers, that is very important to the work that we do in the Health Insurance Commission. Another positive, while probably not as significant in a major sense as those changes, is some of the cooperation between us and other agencies within DHS about contractual arrangements. We are working together in going out to the market for common services. Those positives will continue into the future.³⁰

Medicare Benefits Scheme

5.34 Senator McLucas questioned officials about the frequency of, and mechanism for, reporting Medicare benefits data to the Department of Health and Ageing (DoHA). Ms Argall said that the HIC was providing data to DoHA daily and with the introduction of Medicare safety net payments the HIC was now also reporting weekly. Ms O'Connell, General Manager, Business Implementation and Support Division, provided the committee with a breakdown of the information that the HIC passes to DoHA:

- Daily—Medicare transaction information, benefits paid, etc. (this information is deidentified); and
- Weekly—reports in relation to Medicare initiatives, data on safety net expenditure and total Medicare expenditure, including:
 - data on paid services,
 - the total benefits paid,
 - the total MedicarePlus safety net benefits,
 - the standard benefit payments,
 - the number the services provided, and
 - the amount of out-of-pocket expenses.³¹

30 *Committee Hansard*, 26 May 2005, F&PA 76

31 *Committee Hansard*, 26 May 2005, F&PA 77

5.35 Senator McLucas sought statistics regarding the total registrations for the safety net, for each month beginning March 2004 to date. The HIC stated that due to the volume of information being sought it would need to take the matter on notice.

5.36 Further attempts to examine the matter of the statistical data provided to DoHA and how it was used to formulate the safety net policy were met with the HIC stating that it is only responsible for service delivery, not policy formulation, and that any questions relating to policy should be directed to DoHA.

Australian Hearing

5.37 Issues raised by members of the committee and other senators in attendance included:

- 2005-06 budget;
- the Outreach Program;
- Staff bonus schemes; and
- Staffing separation rates.

5.38 The committee heard that Australian Hearing's budget has increased from the past financial year, \$34.6 million for 2005-06 compared with \$32.7 million in 2004-05.³² The committee was also informed that the budget for the Indigenous outreach program had also increased from \$2 million in the 2004-05 financial year to \$3.8 million in 2005-06.³³

5.39 Continuing discussions from previous hearings, Senator Crossin asked Australian Hearing for a progress report on its review of the staff bonus scheme. Ms Green, Managing Director, said that the review had been completed and informed the committee that:

In May we announced to the staff and our stakeholders that we are changing the bonus arrangements across the whole organisation. The majority of people in Australian Hearing will get bonuses based on team performances. In particular, the specialist audiologists who are working on CSO will get an additional allowance per year if they meet certain thresholds. If they are doing 70 per cent or more work in the CSO area they will get a special allowance to recognise their particular skills and expertise in that area. So they will get both the team bonus and the allowance loading.³⁴

5.40 Australian Hearing was also questioned on whether it was meeting targets for its outreach program. Despite some of the difficulties encountered in travelling to

32 *Committee Hansard*, 26 May 2005, F&PA 87

33 *Committee Hansard*, 26 May 2005, F&PA 87

34 *Committee Hansard*, 26 May 2005, F&PA 89

remote communities and with clients, especially children, failing to attend remote centres, Ms Green stated that the agency is 'on target at the moment for our outreach and Indigenous clients in terms of our target hours'.³⁵ Questions relating to centres not meeting their targets in servicing remote communities were taken on notice.

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Senator Brett Mason

Chair

35 *Committee Hansard*, 26 May 2005, F&PA 92

Appendix 1

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

Parliamentary departments

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

Prime Minister and Cabinet Portfolio

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

Finance and Administration Portfolio

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