



Australian Senate

**Senate Finance and
Public Administration
Legislation Committee**

Report on Budget Estimates 2002-2003

June 2002

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Members of the Committee

Senator Brett Mason (<i>Chair</i>)	LP, QLD
Senator George Brandis	LP, QLD
Senator the Hon John Faulkner	ALP, NSW
Senator Michael Forshaw	ALP, NSW
Senator Ross Lightfoot	LP, WA
Senator Andrew Murray (<i>Deputy Chair</i>)	AD, WA

Other Senators who attended the public hearings:

Senator Lyn Allison
Senator Andrew Bartlett
Senator Kim Carr
Senator Stephen Conroy
Senator Trish Crossin
Senator Alan Ferguson
Senator Brian Harradine
Senator Sue Mackay
Senator Jan McLucas
Senator Shayne Murphy
Senator the Hon Robert Ray
Senator the Hon Nick Sherry

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BUDGET ESTIMATES 2002-2003

INTRODUCTION

1.1 On 14 May 2002 the Senate referred the following documents to the Committee for examination and report:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2003.
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2003.
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2003.

1.2 The Finance and Public Administration Legislation Committee has responsibility for the following portfolios, departments and agencies:

- Parliament;
- Prime Minister and Cabinet; and
- Finance and Administration.

1.3 The Committee received evidence from the President of the Senate, Senator the Hon Margaret Reid; Senator the Hon Robert Hill, Minister for Defence representing the Prime Minister; and Senator the Hon Eric Abetz, Special Minister of State responsible for Outcome 3 of the Department of Finance and Administration and for the Australian Electoral Commission, and also representing the Prime Minister and the Minister for Finance and Administration, together with officers of the departments and agencies concerned.

1.4 The Committee held public hearings on 27, 28, 29 and 30 May 2002. Copies of the *Hansard* transcripts of evidence are tabled for the information of the Senate. Further written explanations furnished by departments and agencies will be tabled, when received, in volumes entitled Additional Information.

1.5 In this report, the Committee presents a number of the specific matters raised during its examination of the estimates of the portfolios it oversees, along with a few general issues on which it wishes to comment.

1.6 The Committee is required to report to the Senate by 19 June 2002.

PARLIAMENTARY DEPARTMENTS

Department of the Senate

1.7 In its Portfolio Budget Statement (PBS) 2002-2003, the Department of the Senate outlined proposed total appropriations of \$45.790 million.

1.8 The outcome-output structure of the Department of the Senate is:

Outcome: Effective provision of services to support the functioning of the Senate as a House of the Commonwealth Parliament.

Output 1: Senate support.

Output 2: Committee support.

Output 3: Senators' services.

Output 4: Public education and awareness.

1.9 Issues raised by members of the Committee and other Senators in attendance included:

- the current review of certain aspects of the administration of the Parliament by the Parliamentary Service Commissioner;
- the establishment of an interim security management board;
- the budget for Senate select committees;
- photography within Parliament House;
- precedents and procedures for the calling of ministers' staff, former ministers and Departmental Liaison Officers as witnesses before Senate committees;
- legal advice commissioned by the Clerk of the Senate from Mr Bret Walker QC;
- the standard of press clippings and whether *The Canberra Times* is covered as comprehensively as other newspapers;
- legal advice provided in part to the Committee by the prior Minister for Finance, Mr John Fahey, in relation to agencies' compliance with the Senate order for the tabling of lists of agency contracts, later provided in full by the current Minister, Senator the Hon Nick Minchin; and
- trends in the costs of suppliers, Senators' support services, and net cash surpluses.

1.10 Following her opening statement on the matter, the Committee questioned the President of the Senate, Senator the Hon Margaret Reid, about the review of the administration of Parliament being undertaken by the Parliamentary Service Commissioner, Mr Andrew Podger. Senator Reid told the Committee that the review is focussing on security management, corporate functions and purchasing arrangements. The review is being conducted in stages with the final report due by the end of August this year.

1.11 Senator Faulkner questioned the Clerk of the Senate, Mr Harry Evans, as to whether former ministers have immunity from being called before Senate committees and the number

of ministers that have been summoned in the past. Two former ministers were summoned before a committee in 1994 and one appeared before being summoned.

1.12 Senator Brandis questioned the Clerk of the Senate regarding arrangements surrounding advice the Clerk sought from Mr Bret Walker QC concerning the summoning of former ministers in relation to the Senate Select Committee on a Certain Maritime Incident. This included cost and the instructions provided. Senator Ray noted that Mr Walker's advice had been sought by the Privileges Committee for a similar cost. In response to a question on notice the Clerk subsequently provided the letter he had prepared as a brief to Mr Walker.

Department of the Parliamentary Library

1.13 In its PBS 2002-2003, the Department of the Parliamentary Library (DPL) outlined a proposed appropriation of \$18.276 million.

1.14 The outcome-output structure of DPL is:

Outcome: To contribute to a more informed Parliament and, through it, to the Australian community.

Output 1: Provision of commissioned information services and policy advice and analysis to Senators, Members, parliamentary committees and parliamentary departments.

Output 2: Provision of self-help information services for Senators, Members, parliamentary committees and parliamentary departments.

1.15 Issues raised by members of the Committee and other Senators in attendance included:

- the amount and length of time spent on client requests;
- the limitations on the media's access to DPL;
- the means by which Senators' demands are anticipated;
- the quotation and attribution of advice produced by DPL researchers for committee secretariats;
- whether the use by a former Parliamentary Fellow of material developed while employed by the Parliamentary Library on a personal website was followed up; and
- trends in employee liability figures and staff leave arrangements.

1.16 Senator Faulkner questioned DPRS about figures contained in the PBS regarding trends in the figures relating to the amount and length of client requests. Mr John Templeton, Secretary, replied that because many of the simpler and more frequent requests are now resolved electronically, requests are more complex and consequently fewer and longer. Last year, this trend was compounded by lesser demand due to the election. However, in view of the new parliament he advised that a modest increase was expected during the coming year.

1.17 Senator Murray asked the library about the proprieties surrounding committee secretariats' use and attribution of advice prepared by DPL researchers. Mr Templeton replied that the general principle was that where material had been produced for the public domain then DPL would expect an attribution. However, when Senators, Members or parliamentary committees commissioned a particular item of work from DPL, then this was

considered advice that did not require explicit citation. However, Dr June Verrier, Assistant Secretary and Head of Information and Research Resources, stated that should the paper be a 'foundation' paper for a committee inquiry then it was a different matter. She added that discussion with the committee secretariat may be required to determine how the paper would best be attributed. Both Dr Verrier and Senator Murray concluded that this matter could be further clarified.

Department of the Parliamentary Reporting Staff

1.18 In its PBS 2002-2003, the Department of the Parliamentary Reporting Staff (DPRS) outlined a proposed appropriation of \$44.456 million.

1.19 The outcome-output structure of DPRS is:

Outcome: The Commonwealth Parliament to have international standard broadcasting, transcription and information technology services and the Australian community to be able to see, hear and read the work of the Parliament.

Output 1: Broadcasting and transcription services.

Output 2: Support and technology services.

1.20 Issues raised by members of the Committee and other Senators in attendance included:

- parliamentary network computer passwords;
- disruptions to DPRS services on Budget night;
- alleged irregularities in the delivery of Hansard 'pinks' and 'greens';
- the audit of internal overheads completed in late April;
- the employment of non-ongoing staff, contract staff and staff undergoing training, including the classification 'transcript editor';
- the possible use of new, direct voice recognition software in the Chamber, including the benchmarks for such services;
- the commissioning by DPRS of the St James Center for Ethics to conduct an exercise within the department regarding the *Parliamentary Service Act 1999*;
- the refurbishment of the Hansard front desk;
- electorate office computing support; and
- employee liabilities.

1.21 Senator Faulkner questioned departmental officers about disruptions to DPRS services on Budget night. Departmental officers told the Committee that there was a fault in the ground floor wired switch cupboard at approximately 9:00pm on Budget night that only affected the ground floor and largely inconvenienced DPRS staff.

1.22 Senator Faulkner also asked officers about allegations that Hansard 'pinks' and 'greens' were delivered by hand on the evening of the Budget. After making inquiries, the department subsequently stated unequivocally that the incident did not take place. The department told the Committee that the target for delivery of 'pinks' and 'greens' is within

two hours of a Senator having finished a speech, and that this occurs in 95 to 97 per cent of cases.

1.23 Senator Faulkner questioned Mr John Templeton, Secretary, concerning work commissioned by the DPRS from the St James Centre for Ethics, including cost, contractual obligations and the report provided. In response to suggestions that DPRS did not consider the Centre's work satisfactory because it criticised DPRS' arrangements concerning the payment of the Christmas bonus, Mr Templeton said that in the past DPRS had shown a willingness to accept criticism of management in commissioned reports. However, in the case of the Ethics Centre the report was not thought satisfactory because DPRS had been unable to contact the Centre when needed, it had been difficult to get the report delivered on time and the process was not that intended by DPRS.

1.24 Senator Forshaw raised the issue of the standard of computer help services provided to electorate offices. Mr Templeton pointed out that this service was administered by the Department of Finance and Administration and that it had been contracted to a private service provider. Mr Templeton agreed that, with increasing access to the parliamentary network in electorate offices and the use of laptops, there was a need for an integrated arrangement with the parliamentary network to overcome difficulties encountered.

Joint House Department

1.25 In its PBS 2002-2003, the Joint House Department (JHD) outlined proposed total appropriations of \$44.817 million.

1.26 The outcome-output structure of JHD is:

Outcome: An effectively functioning legislative building for the Parliament of Australia which preserves its value as a heritage complex and raises public awareness of the Australian Federal Parliamentary system and the Parliament House building.

Output 1: Total asset management services.

Output 2: Building occupant and visitor services.

1.27 Issues raised by members of the Committee and other Senators in attendance included:

- the renovation of the Hansard front desk, including cost and the disposal of the present bookcase;
- the future use of the Qantas office;
- the recent security incidents;
- the significant works being undertaken within and without the building, including the project to replace the external sealant; and
- the outcome of the survey about child care needs in parliament house.

1.28 The Committee questioned officers about a recent security incident in the Treasurer's office in which a suspect item was unnecessarily moved about the building. Senator Faulkner asked whether staff training arrangements were adequate. Mr Mike Lucas, Security Controller, stated that occupants of the building have been repeatedly informed via email as to how handle suspect material. Due to their vulnerable location, staff in the

ministerial wing were also consulted and provided with an information session. All security staff are comprehensively trained in procedures for handling suspect material. Mr Bolton told the Committee that there had been an additional two security incidents, including one in Minister Ruddock's office and one at the loading dock.

PRIME MINISTER AND CABINET PORTFOLIO

Office of the Official Secretary to the Governor-General

1.29 In its PBS 2002-2003, the Office of the Official Secretary to the Governor-General (OOSGG) outlined proposed total appropriations of \$10.410 million.

1.30 The outcome-output structure of OOSGG is:

Outcome: The Governor-General is enabled to perform the constitutional, statutory, ceremonial and public duties associated with the appointment.

Output 1.1: Support of the Governor-General.

Output 1.2: Administration of the Australian Honours and Awards system.

1.31 Issues raised by members of the Committee and other Senators in attendance included:

- the contracting of Mr Mike Smith of Inside Public Relations to provide services as media adviser to the Governor-General;
- trends in, and future estimates of, figures relating to official activities undertaken and briefings provided;
- operation of the hotline for victims of sexual abuse;
- regulations governing who can receive Australian honours;
- the Governor-General's patronage; and
- the decision that the Governor-General would not attend the Queen Mother's funeral.

1.32 The Committee examined Mr Martin Bonsey, Secretary, concerning the circumstances surrounding the recruitment and role of Mr Mike Smith as media consultant to the Governor-General and his role in the preparation of the Governor-General's statement of 20 February 2002. Mr Bonsey informed the Committee that Mr Smith was hired on the recommendation of the Governor-General's daughter. Concerns were raised by Committee members over the lack of a contract, the nature of Mr Smith's prior employers, travel costs, and fees, in particular, the payment of a retainer fee.

1.33 Senator Murray questioned officers regarding the regulations governing whether an individual can receive an Australian honour. Ms Amanda O'Rourke, Manager Honours and Awards, replied that the regulations require recipients of an award to be an Australian citizen. Research is conducted by the secretariat into a person's contribution to the community and Australia in a particular field. Such research may or may not include whether individuals pay tax or reside in Australia.

Department of the Prime Minister and Cabinet

1.34 In its PBS 2002-2003, the Department of the Prime Minister and Cabinet (PM&C) outlined proposed total appropriations of \$70.93 million.

1.35 The outcome-output structure PM&C of is:

Outcome: Sound and well coordinated government policies, programs and decision making processes.

Output 1: Economic policy advice and coordination.

Output 2: Social policy advice and coordination.

Output 3: International policy advice and coordination.

Output 4: Support services for government operations.

1.36 Issues raised by members of the Committee and other Senators in attendance included:

- progress on the provision of documents relating to nuclear tests at Maralinga requested by the 20 March 2002 return to order;
- the availability of documents prepared for the Council of Australian Governments (COAG) discussion of issues surrounding human cloning, assisted reproductive technology and related matters;
- evidence provided to the Senate Select Committee on a Certain Maritime Incident, including PM&C's awareness of conflicting evidence, the circumstances surrounding the provision of evidence and the conduct of the internal inquiry into the incident;
- attendance of staff employed under the *Members of Parliament Staff Act 1984* (MOPS Act), Departmental Liaison Officers (DLOs) and former ministers at committee hearings;
- number, selection and costs of consultancy services used by PM&C during the 2000-2001 financial year;
- PM&C's arrangements with Telstra Enterprise Services as part of the group 5 contract for IT services, including the two contract compliance audits reported in the annual report,¹ estimates of savings made and cost of contract management;
- the reduction in staffing numbers in PM&C and calculation of relevant savings;
- investigations of unauthorised releases of information;
- the role of Parliamentary Secretaries and their attendance at Cabinet meetings;
- the advance from the Minister for Finance for the setting up of Reconciliation Australia, as reported on in the annual report;²

1 *Annual Report 2000-2001, The Department of the Prime Minister and Cabinet*, p. 98.

2 *Annual Report 2000-2001, The Department of the Prime Minister and Cabinet*, p. 16.

- the research report on welfare reform commissioned by PM&C, the Department of Employment and Workplace Relations and the Department of Family and Community Services from Colmar Brunton Social Research, including where research was conducted and the task force in charge of the project;
- projects within the Office of the Status of Women, including cost, priorities, program evaluation, consultancies, the Women's Budget statement and the development of the website portal and databases;
- circumstances surrounding the reprioritisation of aid to Papua New Guinea (PNG);
- Prime Ministerial travel, including his visit to New York in January and attendance at the Queen Mother's funeral;
- record keeping within ministerial offices and current guidance on former ministers' access to records;
- changes to guidelines for agencies regarding cabinet coordination, including the implications for agencies, when agencies were advised and the treatment of cabinet submissions;
- selection of the chair of the royal commission into the building industry and the establishment of the HHH Royal Commission;
- the imperial honours process;
- the distribution of the Centenary Medal;
- caretaker conventions, including inquiries by agencies about the conventions and whether breaches had occurred;
- the funding for, and management of, the National Australia Day Council;
- the Government Communications Unit, including expenditure on campaigns, and the cost, tendering process and reporting of research and marketing contracts;
- the Prime Minister's website, including the cost of the contract to maintain the website and the lack of currency of the website; and
- the arrangements for the purchasing of wine for cellaring.

1.37 In response to concerns about progress on the provision of documents relating to nuclear tests at Maralinga, the Minister assured Senator Allison that PM&C would coordinate the preparation and release of the documents to comply with the return to order.

1.38 Senator Ray questioned Senator Hill as to whether a Cabinet decision or directive was made regarding the attendance of staff employed under the MOPS Act at committee hearings. Senator Hill said that he recalled a discussion to the effect that it was an inappropriate and undesirable practice that should be discouraged but he could not recall how this was recorded. Ms Belcher recalled cabinet minutes but no directive concerning this issue. The Committee requested a copy of an internal document developed by PM&C on the history of this matter.

1.39 Senator Murray asked Senator Hill who would be best to further or resolve the issue of developing a framework for increasing the accountability for MOPS staff as witnesses to Senate committees where appropriate. Senator Hill suggested that the best resolution would occur through a joint meeting of the Privileges Committee and a passing of a resolution in both houses. Senator Hill stated that the Minister has responsibility for MOPS staff and that the assumption that MOPS staff are playing an ever greater executive role may not be correct.

1.40 The Committee examined witnesses about circumstances surrounding the reprioritisation of aid to PNG. Concerns were raised about when the request was made by the PNG Prime Minister and what the exceptional circumstances were that allowed such a reprioritisation to be arranged so quickly, apparently within half an hour of the caretaker convention coming into effect. Witnesses were questioned as to the relationship between the reprioritisation and discussions with PNG concerning the accommodation of asylum seekers. The Committee also investigated whether the reprioritisation breached caretaker conventions and what advice was received from the Government Division of PM&C on this matter.

1.41 The Committee questioned witnesses regarding the board of the National Australia Day Council, including members of the secretariat, vacancies on the board, the Council's business plan, contracting out of activities and financial difficulties during the 1990s. The Committee was told that an audit by the firm KMPG had been performed on the Council at the request of the chair Ms Lisa Curry Kenny. The Committee requested a copy of the audit report with any commercially sensitive material removed. It was noted that the KMPG audit was not reported in the annual report of the Council.

1.42 Senator Forshaw raised concerns and asked questions about the excessive delay in the identification of recipients and the distribution of centenary medals. Officers from PM&C advised that the exercise is not yet complete, with letters sent to members asking them to identify centenarians in their electorate sent out in February 2002.

1.43 The Committee noted that questions surrounding evidence provided to the Senate Select Committee on a Certain Maritime Incident are going to be pursued in other fora.

Australian National Audit Office

1.44 In its PBS 2002-2003, the Australian National Audit Office (ANAO) outlined a proposed appropriation of \$53.34 million.

1.45 The outcome-output structure of ANAO is:

Outcome 1: Improvement in public administration—independent assessment of the performance of selected Commonwealth public sector activities including the scope for improving efficiency and administrative effectiveness.

Output 1: Performance audit services.

Output 2: Information support services (50 per cent).

Outcome 2: Assurance—independent assurance of Commonwealth public sector reporting, administration, control and accountability.

Output 2: Information support services (50 per cent).

Output 3: Assurance audit services.

1.46 Issues raised by members of the Committee and other Senators in attendance included:

- Audit report no. 41 2001-2002, *Transactional Banking Arrangements in Selected Agencies*;

- Audit report no. 45 2000-2001, *Commonwealth Foreign Exchange Risk Management Practices*, including the cash management incentive scheme, the impact of interest payments on the Budget, related additional appropriations, the appropriateness of relevant accounting practices and the criteria for evaluating tenders;
- ANAO lease on Centenary House;
- Audit report no. 31 1999-2000, *Administration of Tax Penalties*;
- impact on the Budget of the ANAO view that the Goods and Services Tax (GST) is a Commonwealth tax;
- the limitations on the ANAO conducting performance audits of Government Business Enterprises (GBEs) and that no such audits have been conducted to date;
- Audit report no. 48 2001-2002, *Regional Assistance Programme*, including grants for projects of national significance;
- Audit Report no. 5 2001-2002, *Parliamentarians' Entitlements: 1999-2000*;
- the increase in the appropriation for performance audits, which reflects changes to the outcome-output structure and increase in demand;
- ratio of estimated financial benefits to the total cost of performance audit outputs;
- employee liabilities and staff leave; and
- the capital usage charge.

Office of the Inspector-General of Intelligence and Security

1.47 In its PBS 2002-2003, the Office of the Inspector-General of Intelligence and Security (OIGIS) outlined a proposed appropriation of \$657 000.

1.48 The outcome-output structure of OIGIS is:

Outcome: An environment in which Australia's intelligence agencies act legally, ethically and with propriety.

Output 1: Monitor the activities of the intelligence agencies.

Output 2: Provide a complaint service.

1.49 Issues raised by members of the Committee and other Senators in attendance included:

- the timing of the provision of the OIGIS report into Defence Signals Directory monitoring and the MV Tampa to the Minister and agency head;³
- the effectiveness of OIGIS in reviewing intelligence agencies;
- the OIGIS inquiry into Australian Security Intelligence Organisation (ASIO) as reported in the *Australian* on 23 January 2002;
- changes to the *Inspector-General of Intelligence and Security Act 2001*, including the lack of a requirement to obtain authorisation when monitoring Australians within

3 The MV Tampa is a Norwegian freight vessel that picked up survivors from a sinking vessel, believed to be a suspected illegal entry vessel, in September 2001.

Australia, the issuing of a directive requiring authorisation to be obtained and whether this directive is a public document; and

- how information that has formed the basis for a series of newspaper articles in the *Australian* came to be in the public domain.

1.50 Senator Faulkner examined the Inspector-General, Mr Bill Blick, concerning his inquiry into Defence Signals Directory monitoring and the MV Tampa. Items discussed included the legislative requirement to provide the Minister with a copy of the draft report and the number of officers involved in possible breaches. Senator Faulkner asked whether the inquiry was instigated by an article in *The Daily Telegraph*. The Inspector-General said that the article, along with other newspaper articles containing similar reports, did prompt the inquiry. He pointed out that the article allegations were not accurate, though other improprieties emerged in the course of the inquiry.

Office of the Commonwealth Ombudsman (incorporating the Defence Force Ombudsman)

1.51 In its PBS 2002-2003, the Office of the Commonwealth Ombudsman (incorporating the Defence Force Ombudsman) outlined a proposed appropriation of \$8.450 million.

1.52 The outcome of the Office of the Commonwealth Ombudsman (incorporating the Defence Force Ombudsman) is:

Outcome: To achieve equitable outcomes for complaints from the public and foster improved and fair administration by Commonwealth agencies.

Output 1: Provision of a complaint management service for government.

Output 2: Provision of advice to government to improve public administration.

1.53 Issues raised by members of the Committee and other Senators in attendance included:

- the impact of the provisions of the proposed Australian Security Intelligence Organisation Legislation Amendment (Terrorism) Bill 2002 on the Office of the Commonwealth Ombudsman; and
- the operation of the Office of the Commonwealth Ombudsman's watching brief on the Australian Taxation Office's handling of compensation claims as reported in the Ombudsman's annual report.

Public Service and Merit Protection Commission

1.54 In its PBS 2002-2003, the Public Service and Merit Protection Commission (PSMPC) outlined a proposed appropriation of \$15.388 million.

1.55 The outcome-output structure of PSMPC is:

Outcome: encourage the development of an Australian Public Service in which agencies: maximise Australia's position in a global environment by ensuring that they are future focused and actively seek the changes that will guarantee our national future; provide innovative, professional and impartial public interest policy advice to Government; provide

the best service to Australians taking into account quality, accessibility and cost; and achieve a culture based on the Australian Public Service (APS) values.

Output 1: APS policy, legislation and information.

Output 2: Leadership, performance and development in the APS.

Output 3: Employment-related services and functions.

1.56 Issues raised by members of the Committee and other Senators in attendance included:

- trends in the use of non-ongoing employees in the APS;
- staff engaged at the Defence Integrated Distribution System (DIDS);
- re-employment of retired public servants;
- the practice of charging fees to APS applicants seeking advice on the success or failure of their applications;
- outsourcing of recruitment and selection process, including the information sought by the next *State of the Service Report* on this matter; and
- allegations that foreign born migrants who are Australian citizens are not able to obtain security clearances because they were born abroad.

Office of National Assessments

1.57 In its PBS 2002-2003, the Office of National Assessments (ONA) outlined a proposed appropriation of \$7.6 million.

1.58 The outcome-output structure of ONA is:

Outcome 1: Enhanced government awareness of international political and leadership developments, international strategic developments, including military capabilities, and international economic developments.

Output 1.1: Product.

Output 1.2: Briefing.

Output 1.3: Coordination.

Outcome 2: Enhanced intelligence support for Defence planning and deployments, in peacetime and conflict, to maximise prospects for military success and to minimise loss of Australian lives.

Output 2.1: Product.

Output 2.2: Briefing.

Output 2.3: Coordination.

1.59 Witnesses from the Office of National Assessments were not called to give evidence on this occasion. Two questions on notice were subsequently provided.

FINANCE AND ADMINISTRATION PORTFOLIO

Department of Finance and Administration

1.60 In its PBS 2002-2003, the Department of Finance and Administration (DOFA) outlined proposed total appropriations of \$5 691.4 million.

1.61 The outcome-output structure of DOFA is:

Outcome 1: Sustainable government finances.

Output 1.1: Budget.

Outcome 2: Improved and more efficient government operations.

Output 2.1: Asset Management.

Output 2.2: Financial Framework.

Output 2.3: Business Services.

Outcome 3: Efficiently functioning Parliament.

Output 3.1: Ministerial and Parliamentary Services.

1.62 Issues raised by members of the Committee and other Senators in attendance included:

- costings of Government and Opposition policies during the caretaker period, including costing of the Coalition's Defence policy, and when and how requests for costing Opposition policies were received;
- the definition of the contingency reserve fund;
- advice provided concerning AusIndustry;
- timing of the release of monthly financial statements and Consolidated Financial Statements;
- Audit Report no. 52 2001-2002, *Internal Budgeting*;
- operation of public sector superannuation funds, including the proposed Superannuation Legislation (Commonwealth Employment) Repeal and Amendment Bill (2002);
- sale and management of Commonwealth property in the Australian Capital Territory and Sydney, including sale and lease back arrangements;
- occupancy of the R. G. Casey building;
- asset sales, including sale of Dasfleet, sale of airports, proposed sale of Telstra, scoping studies on the sale of Medibank Private, the Defence Housing Authority and Comland, and the use of proceeds;
- issues raised by Audit report no. 41 2001-2002, *Transactional Banking Practices in Selected Agencies*, including a notional payment made without an appropriation and the agency banking incentive scheme;

- inquiries into Comcar documentation, including freedom of information requests relating to Justice Kirby's use of Comcars;
- issues raised by Audit report no. 45 2000-2001, *Commonwealth Foreign Exchange Risk Management Practices*, including the impact on the Budget of movements in foreign exchange rates on financial transactions;
- the HHH Royal Commission, including the appointment of the Commissioner;
- arrangements surrounding staff employed under the MOPS Act;
- Members' and Senators' entitlements, including Comcar travel by gold pass holders and printing entitlements;
- flight arrangements for Members and Senators, including bookings and ownership of frequent flier points;
- training for Comcar drivers;
- electorate office computing support, including help desk support supplied by a provider contracted by the Department of Finance and Administration and the agreed need for an integrated arrangement with the parliamentary network; and
- Employment National (EN), including financial arrangements, the right of re-entry of EN staff into the APS and the terms of redundancy packages for other staff.

1.63 In exploring issues raised by Audit report no. 41 2001-2002, *Transactional Banking Practices in Selected Agencies*, Senator Conroy was concerned to discover that funds had been transferred from the public account to agency accounts without an appropriation approved by the Parliament. DOFA acknowledged that it had not implemented the scheme well and that it would not repeat this practice. DOFA further advised the Committee that neither the ANAO nor its own legal opinion suggested that there was any illegality or breach of the Constitution involved.

1.64 The Committee congratulated staff of the Ministerial and Parliamentary Services (MAPS) section on their thorough and prompt review of Comcar documentation subsequent to Senator Bill Heffernan's 12 March 2002 statement in the Senate concerning Justice Kirby.

1.65 The Committee examined witnesses with regard to staff employed under the MOPS Act, including the use of travel allowances during the election period, employment under Australian Workplace agreements (AWAs), staffing categories and disparate salary scales of Opposition and Government staff. Opposition Senators were concerned to ensure equity and consistency in the application of entitlements.

1.66 Clarification of a question on notice regarding staff travel entitlement claims during the election period, lodged in the Senate by Senator Faulkner on 8 April 2002, was provided.

1.67 The rules governing the use of mobile phones by staff in electorate offices was also discussed. DOFA indicated that it would issue guidelines on the use of mobile phones, though they may be limited by the *Parliamentary Entitlements Act 1990*.

1.68 Matters discussed concerning the use of Members' and Senators' entitlements included the legitimate use of printing and postage allowances and the protocol when an allegation of misuse by Members' and Senators' entitlements is received.

1.69 The Committee asked Senator Abetz about progress made on a discussion paper agreed to be produced at the Additional Estimates hearings in February on the matter of the

use of entitlements. Senator Abetz told the Committee that a draft discussion paper has been completed and that it should be out by the end of the financial year. The paper was drafted by DOFA in consultation with the Attorney-General's Department and the Department of the Prime Minister and Cabinet. Providing clear advice to Senators and Members about their entitlements was emphasised as a matter of priority by the Committee.

1.70 The Committee placed on notice a number of questions concerning the Government Members Secretariat and indicated that it would be pursuing these matters in future Estimates hearings.

ComSuper

1.71 ComSuper's sole source of income is from external sources and therefore there are no appropriations.

1.72 The outcome-output structure of the ComSuper is:

Outcome: Public Sector Superannuation Services which meet the expectations of Government, trustees, employers, members and beneficiaries.

Output Group 1.1: Superannuation administration services.

1.73 Issues raised by members of the Committee and other Senators in attendance included:

- administration of public sector employee superannuation funds, including fees and charges, the establishment of a ministerial media liaison group for the Defence fund and the impact of the Government's proposed reduction of the superannuation surcharge on administrative costs;
- fund returns, including comparison with the general superannuation industry; and
- the ANAO performance audit on the management of Commonwealth superannuation benefits to members expected to be completed in June 2002.

Australian Electoral Commission

1.74 In its PBS 2002-2003, the Australian Electoral Commission (AEC) outlined proposed total appropriations of \$108.6 million.

1.75 The outcome-output structure of AEC is:

Outcome 1: Australians have an electoral roll which ensures their voter entitlement and provides the basis for the planning of electoral events, and electoral redistributions.

Output 1.1: Electoral roll management.

Outcome 2: Stakeholders/customers have access to and advice on impartial and independent electoral services and participate in electoral events.

Output 2.1: Elections, ballots and referendums.

Outcome 3: An Australian community which is well informed about electoral matters.

Output 3.1: Electoral education.

1.76 Issues raised by members of the Committee and other Senators in attendance included:

- progress in the implementation of the recommendations of Audit report no. 42 2001-2002, *Integrity of the Electoral Roll*;
- disclosure of party funding in annual returns, including payments for attendance at fundraising functions, disclosure of donations made through a third party and the inquiry being undertaken by the Joint Standing Committee on Electoral Matters; and
- use of expanded powers under the *Commonwealth Electoral Act 1918* to refuse enrolment to people using inappropriate names.

Commonwealth Grants Commission

1.77 In its PBS 2002-2003, the Commonwealth Grants Commission (CGC) outlined a proposed appropriation of \$5.887 million.

1.78 The outcome-output structure of the CGC is:

Outcome 1: Fiscal Equalisation between the States, the Australian Capital Territory and the Northern Territory, is achieved through the distribution, by Government, of Goods and Services Tax Revenue and Health Care Grants.

Output group 1.1: Report on State Sharing Relativities.

1.79 Witnesses from the Commonwealth Grants Commission were not called to give evidence on this occasion.

GENERAL ISSUES

Adequacy of the Portfolio Budget Statements (PBSs)

1.80 This section of the report examines some of the issues raised during the hearings concerning the quality and accessibility of information contained in the PBSs and other Budget documents, including:

- the impact of the changed 26 November 2001 Administrative Arrangements Order (AAO) on PBSs;
- the use of different accounting practices within PBSs;
- the accessibility of PBSs and other Budget documents to their target audiences;
- the way the GST is counted and presented;
- the need for agency outputs to be clearly measurable in terms of price; and
- the failure of the current aggregated format of the PBSs to provide a sufficient level of detail to allow disaggregation of individual line items.

1.81 The Committee noted that changes in the 26 November 2001 AAO caused difficulties when comparing figures in the current PBS with those of previous years. The Committee observes that the portfolio overview section of the Finance and Administration PBS lists the functions transferred as a result of the November AAO. To make this information useful to the reader, it is suggested that the relevant outputs affected by these transfers could also be listed at this point, as well as the impact of the changes pointed out in the later discussion of the relevant outputs.

1.82 The Committee notes that the Prime Minister and Cabinet PBS does not refer to the impact of the AAO in the portfolio overview section and suggests that changes in the portfolio should be reflected in the overview section. In the event that there is no change this should also be stated.

1.83 A number of references were made during the hearings to the accessibility of Budget papers subsequent to the introduction of accrual accounting and the confusion caused when both cash and accrual tables are included in the PBS and other Budget papers. While cash and accrual accounting are both equally important to evaluating the economy, ensuring that tables clearly identify whether they are based on a cash or accrual accounting method is essential to improving the useability of the papers.

1.84 During the examination of DOFA's agency statement the Committee encountered difficulties in interpreting the data provided. Government Finance Statistics (GFS) and AAS31 accounting standards were used in different sections of the PBS but there was insufficient explanation in the tables and accompanying footnotes regarding the different accounting practices used and why.

1.85 The Committee highlights DOFA's own advice that the PBS should provide sufficient information, explanation and justification to enable Parliament to understand the purpose of each item proposed.⁴

1.86 The Committee also draws attention to the different target groups that the Budget documents address and whether they do so adequately. It is expected that some of these issues will be addressed by the review being undertaken by the budget and resources subcommittee of the Management Advisory Committee. Senator Conroy suggested 'road-testing' of the Budget papers to ensure that they meet different demands.

1.87 Senator Murray raised the issue of whether GST revenue, and payments to the States from GST revenue, should be included in Government accounts.

1.88 During examination of the Office of the Official Secretary to the Governor-General, the Committee experienced difficulty reading the agency statement in relation to appropriation and expenditure for Outcome 1, Output group 1.1. The problem was compounded by the absence of the explanation that, since last year's PBS, outputs 1.1 and 1.2 had been amalgamated. This made it harder for the Committee to relate the performance information to the output cost. The Committee draws the attention of OOSGG to the recently released ANAO's *Performance Information in PBSs: Better Practice Guide* which highlights

4 www.dofa.gov.au/budgetgroup/other%5Fguidance%5Fnotes/portfolio%5Fbudget%5Fstatements%5F%5Fp.html

that agency outputs should be clearly measurable in terms of price and provides guidance on the presentation of such information.⁵

1.89 The Committee also found that the current aggregated format of the PBSs frequently does not provide a sufficient level of detail to allow disaggregation of individual line items. For example, there was inadequate disaggregation of figures relating to the spending of the Government Communications Unit in the PBS and annual report. As the *Performance Information in PBSs: Better Practice Guide* points out, there must be appropriate linking of outputs to organisational structures and activities. That is, outputs should exist for each significant area and/or activity within the agency to ensure that transparency of expenditure is not reduced. This suggests that the two aspects of Output 4.3, Government Communications Unit, should be separated out so that the public and Parliament can readily access information concerning the price and performance of each respective activity.

1.90 The Committee will comment further on the performance information provided by departments and agencies in its bi-annual reports on annual reports. In addition the Committee will comment in more detail on the adequacy of PBSs in its next report on PBSs.

Corrections and clarifications of evidence

1.91 During the hearings the following witnesses brought clarifications or corrections of evidence to the attention of the Committee when appearing before it:

- Mr Templeton, Secretary of the Department of the Parliamentary Reporting Services, regarding the network failure on Budget night and the allegation that ‘pinks’ and ‘greens’ were distributed by hand on 14 May 2002;
- Mr Michael Bolton, Secretary of the Joint House Department, regarding movement of a suspicious substance around the Ministerial wing;
- Mr Harry Evans, Clerk of the Senate, regarding former ministers who appeared before the Senate Select Committee on Foreign Ownership Decisions in the Print Media;
- Ms Susan Ball, Assistant Secretary, PM&C, regarding the cost of audits into services provided by Telstra Enterprise Services Pty Ltd; and

1.92 Mr Alan Henderson, Executive Coordinator, PM&C, provided two clarifications of evidence after the conclusion of the hearings on 3 June 2002 in relation to chairpersons of the National Australia Day Council and the timing of the decision to introduce new Cabinet arrangements.

1.93 The Committee reminds witnesses that pursuant to Parliamentary Privilege Resolution 6(12)(c) the giving of false or misleading evidence to the Committee may constitute a contempt of the Senate. The Committee therefore welcomes the timely correction of evidence by the above witnesses. The clarifications and corrections will be included in the Additional Information volume to be tabled in the Senate.

1.94 Correspondence was also received by the Committee from individuals who did not appear before the Committee but were named in the course of the hearings. This included correspondence from:

5 ANAO, *Performance Information in PBSs: Better Practice Guide*, May 2002, p. 12 and 21.

- Mr Mike Smith, regarding his prior employment before being contracted as a media consultant by the Governor-General; and
- Mr Lex Howard, Marshal, High Court of Australia, in regard to his association with 'the chronology document' tabled during the hearing.

1.95 These documents will also be included in the Additional Information volume to be tabled in the Senate.

Responses to questions on notice

1.96 PM&C has supplied all answers to questions on notice from last year's Budget Estimates with the exception of a question relating to the cost per unit of minting the sports medal.

1.97 However, the Committee observes that a number of questions on notice directed towards PM&C at the February Additional Estimates hearings remained outstanding at the beginning of the Budget hearings on 27 May 2002. Answers were due by 27 March 2002. The twelve unanswered questions related to:

- awareness of inaccuracies of children overboard reports, including chronology of events, contact between staff of PM&C, Defence and ministerial staff, the conveying of advice and access to material from the HMAS Adelaide;
- the Prime Minister's letter of 13 November generated by PM&C and whether there was other advice before Mr Moore-Wilton or the Prime Minister on 13 November 2001 in relation to the children overboard incident;
- the Powell and Bryant reports into the children overboard incident;
- the advertising campaign highlighting the Backing Australia's Ability program; and
- costs for Commonwealth Heads of Government Meeting (CHOGM).

1.98 DOFA has supplied all answers to questions on notice from last year's Budget Estimates with the exception of a question relating to staffing in the Prime Minister's office.

1.99 DOFA has supplied all answers to questions on notice from February's Additional Estimates hearings.

1.100 The Committee is concerned with the practice of submitting late answers, or not submitting answers at all. The Committee reminds agencies of Standing Order 26(9) that empowers Committee to set a date for the receipt of Questions on Notice. Failure to comply with a requirement of a Senate committee may constitute a contempt. Where there is an excessive delay in responding to a question on notice, as occurred in the case of the question on notice regarding the cost of CHOGM, the Committee considers it good practice to provide an interim reply advising the reason for the delay.

1.101 With a high staff turnover in both DOFA and PM&C, the loss of corporate memory proved to be an obstacle to the Committee in its quest for information during the hearings. In some cases, such as in DOFA's MAPS section, considerable delays were experienced while officers conferred and a large number of questions were taken on notice. While a degree of staff turnover is to be expected, the Committee reminds agencies that measures need to be in place to avoid staff turnover hindering the progress of questioning about the recent history of agency expenditure and outputs.

1.102 In addition to raising the issue during hearings, Senator Murray placed a number of questions on notice regarding departmental and agency approaches to the management of employee liabilities, in view of their contingent and discretionary nature.

Acknowledgments

1.103 The Committee expresses its appreciation of the service provided by the Department of the Parliamentary Reporting Staff in recording and broadcasting the Committee's hearings and transcribing them so promptly; and the service provided by Committee Room attendants in preparing the rooms and providing refreshments for witnesses during the hearings.

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

1.105 Prior to the Budget Estimates hearings, officers from all departments provided an informal briefing to the Committee on the contents and significance of their PBSs. The Committee found the briefing to be most useful, enabling the Committee to gain a greater understanding of the structure and content of the PBSs. The Committee appreciates the assistance provided by the officers of these departments.

Questions on Notice

1.106 The Committee has set 10 July 2002 as the date by which responses to Questions on Notice should be received.

Supplementary Hearings

1.107 The Senate has set Wednesday 20 November and, if required, Friday 22 November as the dates for supplementary hearings.

Senator Brett Mason

Chair

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