



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE

Consideration of Additional Estimates

TUESDAY, 19 FEBRUARY 2002

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

SENATE**FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE****Tuesday, 19 February 2002****Members:** Senator Brandis, Faulkner, Forshaw, Lightfoot, Mason and Murray**Senators in attendance:** Senators Allison, Brandis, Collins, Conroy, Evans, Faulkner, Ferguson, Forshaw, Lightfoot, Mason, Murphy and Murray**Committee met at 9.08 a.m.****PRIME MINISTER AND CABINET PORTFOLIO**

Consideration resumed from 18 February 2002

In Attendance

Senator the Hon Eric Abetz, Special Minister of State

Australian National Audit Office

Mr Pat Barrett, Auditor-General

Mr Ian McPhee, Deputy Auditor-General

Mr Russell Coleman, Executive Director, Corporate Management Branch

Mr David McKean, Executive Director, Assurance Audit Services

Office of the Inspector-General of Intelligence and Security

Bill Blick, Inspector-General

CHAIR—I declare open this public hearing of the Finance and Public Administration Legislation Committee. On 14 February 2002, the Senate referred to the committee for examination the following documents: particulars of proposed additional expenditure for the service for the year ending 30 June 2002, [Appropriation Bill \(No. 3\) 2001-2002](#); secondly, particulars of certain proposed additional expenditure in respect of the year ending 30 June 2002, [Appropriation Bill \(No. 4\) 2001-2002](#); thirdly, particulars of proposed additional expenditure in relation to the parliamentary departments in respect of the year ending 30 June 2002, [Appropriation \(Parliamentary Departments\) Bill \(No. 2\) 2001-2002](#); fourthly, the statement of savings expected in annual appropriations made by act No. 64 of 2001, act No. 65 of 2001 and act 66 of 2001; and, finally, the budget outcome 2000-2001.

The committee is required to consider these documents insofar as they refer to the portfolios allocated to the committee by the Senate on 13 February 2002 and to report to the Senate on or before 13 March 2002. The committee may also examine the annual reports of departments and agencies at this time even if no additional appropriations have been sought. Agencies which are not listed on the program may have written questions on notice directed to them. The committee has set Wednesday, 27 March 2002 as the date for the submission of written answers to questions taken on notice.

The hearing today will continue with examination of the Prime Minister and Cabinet Portfolio, commencing with the Australian National Audit Office and followed by the Office of the Inspector-General of Intelligence and Security. The committee will then examine the Finance and Administration Portfolio, commencing with the Department of Finance and Administration. I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order listed on the agenda.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate.

Could I mention just two quick issues. First of all, could people ensure mobile phones are turned off when they enter the committee room. Secondly, yesterday I saw a number of cassette recorders in the room. While I have no objection to the proceedings being taped—it can be taped anywhere off the television screen or indeed on the Internet—I am concerned should private conversations be taped as that would be out of order. So, if anyone has a cassette recorder, it should simply be to tape proceedings.

I welcome Senator Abetz, the Special Minister of State representing the Prime Minister and officers from the Prime Minister and Cabinet portfolio, the Audit Office in particular. Senator Abetz, do you wish to make an opening statement?

Senator ABETZ—I will spare you that but wish you all a happy day.

CHAIR—Thank you, Senator Abetz. Are there any general questions for the Audit Office? Anyone from the opposition?

Senator CHRIS EVANS—I thought they were here for Senator Brandis.

Senator CONROY—Centenary House.

Senator BRANDIS—Thank you, Senator Conroy. I thought I might revisit the Centenary House scandal, Minister and officers. May I make it clear, of course, that none of the questions which I ask are directed by way of personal criticism against any officer at the table. Does the Australian National Audit Office still conduct or hold its principal office in Centenary House?

Mr Barrett—Yes, Senator, we still do under that contract, which has another five years to run from next year.

Senator BRANDIS—That is a lease held from a company, the ultimate beneficial owner of which is the Australian Labor Party?

Mr Barrett—We understand that is correct.

Senator BRANDIS—That is for a lease with a 15-year term commencing in September 1993?

Mr Barrett—That is correct.

Senator BRANDIS—And with a nine per cent escalation or ratchet clause for the annual—

Senator Abetz—Mr Chairman, I draw your attention to the deliberate interference on this side. It is a tactic they use during question time as well when they do not like a topic. They run interference hoping the journalists and other people will not pick up that they are not embarrassed by it. But I do find this particular line of questioning interesting. I would at least like to hear the answers even if the Labor senators do not.

CHAIR—Senator Faulkner and Senator Forshaw, would you please keep the conversation to a dull roar.

Senator FAULKNER—I am sorry. This was just private committee business.

CHAIR—Thank you very much and thank you, Minister.

Senator FAULKNER—The mobile phone warning worked very well!

CHAIR—Thank you.

Senator FAULKNER—One word from you and everyone does as they like!

Senator BRANDIS—The lease is, as I understand it, for a net lettable area of 6,290 square metres; is that so?

Mr Barrett—That is correct.

Senator BRANDIS—It is now in its ninth year; the ninth anniversary of the commencement of the lease will fall in September this year?

Mr Barrett—That is correct.

Senator BRANDIS—At the moment, in this current year of the lease, the aggregate rent paid for Centenary House by the Audit Office on my calculations is \$4,756,669.50, is that right?

Mr Barrett—I will ask Mr Coleman if he has that figure.

Mr Coleman—Could you repeat that figure?

Senator BRANDIS—By my calculation, taking a nine per cent escalation of the rental figure that was given to the committee this time last year, the current annual rental would be \$4,756,669.50. You might have a slightly different figure, Mr Coleman. If you do, please let us know what it is.

Mr Coleman—I have a slightly different figure in my notes here: \$4,786,645.

Senator BRANDIS—I have divided the net lettable area by the figure I just gave you, which is the lower figure, which produces a rental per square metre per annum of \$755.39, though if we were to divide it by your slightly higher figure the rental per square metre per annum figure would be slightly above \$755.39; is that right?

Mr McPhee—We have got in our notes \$733.

Senator BRANDIS—I am not quite sure how you get to that, because 6,297 divided into the lower figure I quoted you produces a higher per square metre area. Perhaps there are offsets of some description.

Mr McPhee—If you like we can confirm the numbers out of session.

Senator BRANDIS—In any event, if we take the rough figure at \$733 per square metre per annum, that escalated by nine per cent would give us a figure in the next rental year, commencing in September of this year, of \$798.97, or approximately \$800, per square metre per annum; do you agree?

Mr McPhee—Correct.

Senator BRANDIS—Mr McPhee or any of the other officers may care to comment on this: are you aware of any commercial rental premises in Australia, including the most expensive prestige commercial tenancies in Sydney, which are more expensive than your premises?

Mr McPhee—We have not done any research to confirm that statement.

Senator BRANDIS—I have done, and can I put it to you that the rent that the taxpayer is paying the Labor Party's controlled entity for Centenary House is indeed more expensive than any commercial premises anywhere in this country including the most expensive commercial premises in the upper level of the A-grade premium commercial buildings in Sydney and Melbourne. Mr Barrett, do you want to comment on that?

Mr Barrett—As I have said many times, if the government were to take over the rental or the negotiation if possible with the owners of the building, I would be prepared to move the Australian National Audit Office out tomorrow. But the fact of the matter is, and we provided you with legal opinion, there would be no net benefit to the Commonwealth. Certainly from the approaches we have made we cannot do anything to vary the requirement. We have had legal advice from both the Australian Government Solicitor and a private sector firm on this issue. I think we have trodden this ground quite often and to the best of our ability. It is not the case that we are complacent, as you know. We deliberately took the decision to squeeze up the Australian National Audit Office so that we made one full floor available, which is at present occupied by the department of communications. We are in the process of negotiating the extended term of that lease with them.

Senator BRANDIS—This is the subtenant?

Mr Barrett—That is correct.

Senator BRANDIS—What rent is the subtenant paying to you, per square metre per annum?

Mr Barrett—I will have to ask Mr Coleman to give you the figure.

Mr Coleman—It is currently \$260 a square metre.

Senator BRANDIS—So you are currently paying \$733 per square metre per annum and your subtenant for the same space is paying you \$260 per square metre per annum.

Mr Coleman—That is correct.

Senator BRANDIS—When you negotiated the subtenancy, Mr Coleman, or whoever negotiated the subtenancy, you would have satisfied yourself that \$260 per square metre per annum was the current actual market value of that rental.

Mr Coleman—It is my understanding that that is correct, Senator.

Senator BRANDIS—So the Australian Labor Party, through its controlled entity, is at the moment receiving slightly more than three times market rent and by the time the ninth anniversary of the lease accrues in September this year it will be being paid something approaching four times market rent.

Mr Coleman—That is based on current market conditions.

Senator BRANDIS—I am only interested in the current market, Mr Coleman.

Mr Coleman—Based on current market conditions, that is correct.

Senator BRANDIS—Yes, or, to put it differently, a premium above the \$260 per square metre per annum of almost \$500 per square metre per annum at the minute and by September this year a premium of \$540 per square metre per annum. That is the arithmetical calculation. Do you accept that?

Mr Coleman—Yes.

Senator CONROY—In the current market.

Senator BRANDIS—Yes, Senator Conroy, I made the point that we are interested in current market prices.

Senator Abetz—Like the ALP did: fixing a constant nine per cent increase no matter what.

Senator BRANDIS—In fairness to the Australian Labor Party, it must be said that the lease was negotiated in September 1993 when an annualised inflation rate of nine per cent was perhaps closer to the mark. Mr Barrett, Mr McPhee and Mr Coleman, I appreciate that you have taken legal advice from both the AGS and a private firm of solicitors, and that advice you helpfully provided to this committee last year. As I read it, the effect of it is that those solicitors do not consider you have any legal grounds for avoidance of the lease. Nevertheless, I ask whether another attempt has been made to renegotiate, from a commercial point of view, this rental with your landlord.

Mr Barrett—I will have to ask Mr Coleman who is engaged in discussions, but the discussions that were coming up as to whether or not we were going to extend this lease would have provided an opportunity for another negotiation phase, in our opinion.

Senator BRANDIS—But it is a 15-year term, isn't it? It is not a 10-year term plus a five-year option.

Mr Barrett—I will get Mr Coleman to explain. In March 2003, we have another option.

Mr Coleman—We have not sought to enter into negotiations with the owners of the building. As you are aware, we did have discussions and communications with the owners last year. We have not sought to do anything further since that time.

Senator BRANDIS—And the owners basically told you to go jump in the lake, didn't they?

Mr Coleman—They indicated that they did not wish to enter into negotiations, that is correct.

Senator BRANDIS—I wonder whether, given that the owner of the building is in effect the opposition political party which come into the parliament and come to this estimates committee quite properly fulfilling their role as a critic of wasteful government expenditure, you might not be able to leverage their obvious embarrassment at this rip-off of the taxpayer into a negotiating position.

Mr Barrett—This point has been put a number of times in this forum and in other forums and the point has been put directly to the Labor Party representatives at the committee meetings. If anything, that would be far more persuasive than anything that we could do because we have a clear message from the owners that there is no basis for them to renegotiate—

Senator BRANDIS—No legal basis.

Mr Barrett—There is no basis for renegotiating the lease with us. The publicity and the comments that are being made are quite apparent. So they would be under no misapprehension as to the circumstances we may put to them. In that event, their knowledge being as complete as ours and their having no wish to negotiate, it is quite clear that there is no non-legal basis as well for that negotiation. However, I do say to you—Mr Coleman has not explained this—that we have an option for the extension of the contract and a renegotiation for the last five years might be possible in that context.

Senator BRANDIS—Without in any way prejudicing your own commercial position or issues of commercial confidentiality, would you please tell us about this renegotiation?

Mr Coleman—Five years prior to the cessation of the lease, which is in 2003, the lease does require us to advise the owners of our intentions in relation to exercising the five-year option.

Senator BRANDIS—That is a five-year option that accrues after the original 15 years?

Mr Coleman—That is correct. I guess that would be the first opportunity that might exist in the context of the terms of the lease to negotiate or renegotiate the terms of the lease for the remaining five years of the existing lease and then, obviously, the possibility of the five-year extension. It remains to be seen what the owners may be prepared to consider in that regard.

Senator BRANDIS—I suppose you or your negotiators will be emboldened in that negotiation by the knowledge that the landlord must be aware that, if there is not any concession or renegotiation downward of the rent by the time the 15th year of the current term expires, under the current ratchet clause, assuming constant prices, the ANAO—in other words, the taxpayer—would be paying to the Australian Labor Party something like eight times the market rent or a premium of about 700 per cent. That would embolden you in those negotiations, would it not, Mr Coleman?

Mr Coleman—That is correct.

Senator Conroy interjecting—

Senator BRANDIS—Thank you, Mr Coleman. We try to shame Senator Conroy, but it is a very difficult task to shame somebody who has no shame.

Senator Abetz—Touche!

Senator BRANDIS—I note in your report on parliamentarians' entitlements, that the figure of \$354 million is often quoted. Indeed, media reports also focused on this figure. Did the audit report relate to the full \$354 million worth of entitlements, or is it true that \$100 million of the \$354 million relates to staff costs, which were not audited in the report?

Mr Barrett—Those figures are broadly correct, but I will ask the officers to give you a more informed view. As we explained at the time and in subsequent committee meetings, that was the only figure available and the table was annotated clearly as to what the coverage was of that figure. I will ask my officers to respond.

Mr McPhee—Broadly, your statement is correct in reference to those figures. They were used in the introductory parts of the report in a contextual sense. As the Auditor-General has said, they were cross-referenced to public documents. You are correct to say that the figure included staff costs, which were not the central element of the report.

Senator BRANDIS—Did you do anything to try to correct the incorrect statements by the media that this report related to the full amount of \$354 million?

Mr Barrett—My understanding is that it was made quite clear in any media requests for information, and I am pretty sure debates in the parliament made the same point. The point became fairly apparent quite quickly that that figure was not comprehensive of the total coverage of the report.

Senator BRANDIS—I understand that that emerged quite soon in the debate, but the point I am putting to you is a slightly different one. The original \$354 million had the authority or the imprimatur of your office and it was contradicted by others. Did your office retract the

\$354 million figure so that the revised figure might also have the authority or imprimatur of your office?

Senator CONROY—You are not bound by the Tasmanian Liberal Party constitution, are you?

Mr Barrett—No.

Senator CONROY—Goodness knows what Senator Abetz tells you to say.

Senator Abetz—The Auditor-General is not into branch stacking, like you are.

Senator CONROY—Oh, come on, cut it out—

CHAIR—Order! Senator Conroy.

Senator CONROY—I have never offered anybody a six-pack to join my party.

CHAIR—A bit of decorum, please.

Mr Barrett—Thank you, Mr Chairman. There was no necessity for retracting the figure. It was made quite clear in the report what the figure covered. The figure was what it purported to be. As for the media interpretation that that figure was the total coverage of allowances, as I said, it was made quite clear quite quickly that that was not the case. So there was no need for any retraction in that sense, in my view.

Senator BRANDIS—Perhaps ‘retraction’ was not the best word I could have chosen. But perhaps I can put it to you that it would have been fairer—

Senator CONROY—‘Clarification’: is that the word you want?

Senator BRANDIS—to members of parliament, when the derivation of the \$354 million figure was misrepresented by the media and by certain Independent members of parliament, for the Audit Office to explain the derivation of that figure so as to net out the \$100 million of it which represented staff entitlements. Would you like to comment on that, Mr Barrett?

Mr Barrett—As I said to you, any clarification that was provided to the media direct on those figures would have, in fact, made that point clear.

Senator CONROY—I think we might have had the same last year.

Mr Barrett—Mr McPhee can respond about the problems we had in getting a figure that was shown to be the figure with authority, the figure that reflected the total allowances given to senators and members of parliament.

Senator CONROY—Tedious repetition.

Mr McPhee—Thank you, Auditor-General. The reason we chose the \$354 million figure was because it was directly tied to public documents. It was a firm starting point, I think it was a figure reflected in the portfolio budget statements. So it was a fairly natural point to start with. Some of the information systems, as the report indicated, were difficult to follow and, in some cases, we were not assured of the accuracy of some of the information, and so we did footnote the table to properly reference where it came from. But again, Senator Brandis, I do not walk away from the point that you are making: it had been picked up and interpreted in a different way from what the report said. That is not uncommon with audit reports, as you will appreciate. We cannot manage the media, nor can anyone else. It is often the case that our reports are used and misused. We would have a full-time job just trying to manage the media if we tried to tackle every headline that we thought did not fairly present the report findings.

Senator BRANDIS—Thank you, Mr McPhee.

Senator FORSHAW—The total revenue for the ANAO is around about \$50 million a year, isn't it?

Mr Barrett—Yes.

Senator FORSHAW—What is your total staffing?

Mr Coleman—It currently stands at just over 280.

Senator FORSHAW—Would you or could you as part of your responsibilities conduct an audit on, say, a royal commission?

Mr Barrett—My initial answer to that would be no, it is not the role that I see for the Audit Office. Our responsibility is to audit Commonwealth controlled agencies. If you are talking about the way in which moneys were being used by a royal commission, that would be a different matter.

Senator FORSHAW—That is what I am talking about. Let us take one that has not long started: the royal commission into the building industry. It is reported that that is going to cost at least \$60 million and it has staffing, all told, I think, of about 300 people. Could you—obviously after it has concluded—conduct an audit of such an inquiry?

Mr Barrett—We could conduct an audit of the manner in which the expenditures were made. But we would be very reluctant, as we are in a number of areas, to make judgments about whether or not that was appropriate or not. To give you an analogy, with the courts system clearly we are very careful that we are not in the business of trying to put a value on what is necessary from a legal requirement point of view.

Senator FORSHAW—Yes, but that is an ongoing expenditure, if you like.

Mr Barrett—Yes. I do not think we are at odds, Senator. We would look at the expenditures to assure the parliament that the moneys were spent for the purposes, but we would not be making any comment on the extent to which it was appropriate for the commission to examine particular aspects or not—just to make the point.

Senator FORSHAW—For what it is worth—and it is worth a lot—the government have allocated more to the conduct of the royal commission into the building industry than they do to your organisation to carry out your responsibilities.

Senator CONROY—You released a report just before Christmas about the government's finances and accounts, and I think you indicate—and I just want you to confirm—that the government breached accounting standard 31 in terms of its accounting for revenues and expenditures. I wonder whether you could confirm that that was the case?

Mr Barrett—That is the case. We have at the table David McKean, who is responsible for this particular audit.

Senator CONROY—It is an excellent report, Mr McKean.

Mr McKean—The report just issued before Christmas was on the consolidated financial statements of the Commonwealth. It was qualified in two respects: in terms of a recognition of taxation revenue; and in terms of the treatment of the GST taxation, which, in our view, was contrary to the requirements of the accounting standards.

Senator CONROY—Essentially, this was about recognition of the GST as Commonwealth revenue. Is that right?

Mr McKean—There were two quite distinct parts: one relating to general taxation revenue, and the other relating to the GST.

Senator CONROY—Have you done any calculations? Were you able to add the GST figures into the Commonwealth government's figures to get a true reflection of what the figures should be?

Mr McKean—Our report did quantify the impacts of both qualifications; perhaps I can just briefly read from that. In terms of the net result for 2000-01, it reported that the consolidated statements of the financial performance, which were reported at \$8.1 billion, were overstated by \$5.4 billion.

Senator CONROY—When you say 'overstated', that means that the figure should be less by \$5 billion or so?

Mr McKean—Correct.

Senator CONROY—Given that figure, it would take what was a cash surplus into a cash deficit?

Mr McKean—This is an accrual set of statements. On an accrual basis, it was our view that it was overstated by \$5.4 million.

Senator CONROY—What would be the size of the deficit on that accrual basis if the government were following accounting standards, just in terms of adding that figure to—

Mr McKean—The statements reported a surplus of \$8.1 billion. We thought that was overstated by \$5.4 billion, and so that leaves a \$2.7 billion surplus.

Senator CONROY—My recollection was that the accrual basis was in deficit: the original accrual figure was a deficit figure rather than a surplus figure. That is the government's accounts.

Senator MURRAY—It was an accrual deficit on the government's books.

Senator CONROY—Yes, that is what I thought. I thought the cash balance was just positive but the accrual balance was negative; that was my recollection.

Senator MURRAY—A cash balance of about half a billion dollars positive and an accrual balance of about \$1½ billion deficit.

Mr Barrett—We did not cross-reference to the budget deficit. You have the problem, Senator, of which you are no doubt well aware, that the budget is under the government financial statistics basis used for UN statistical purposes. We are talking here about accrual accounts based on Australian Accounting Standards. There is a reconciliation statement that reconciles the GFS to the accounting standards based figures. A subject of debate in most Western countries is the appropriate approach to take to this. At the moment, because there is not a coincidence between the two standards approaches, most areas do a reconciliation statement between the two sets of figures. It is not an easy answer just to simply say that we should base the Australian Accounting Standards on the government financial statistics recognitions, and I dare say that the reverse is not true because of the fact so many nations are tied up with the requirement under the UN to present their figures in that unified format. But it is something that is getting a lot of attention from treasury, finance departments and audit offices around the world to try and see what we can do, particularly moving to international harmonisation of standards.

Senator CONROY—Given the recent US experience with the new Enronitis—and in today's paper it says that overnight the market has been hit in the US again by concerns about shonky accounting practices by corporations—it is important to follow accounting standards and pay attention to audit reports.

Mr Barrett—That is correct. In fact, you have here a representative of the Australian auditing standards and assurance board—that is my deputy, Mr Ian McPhee. I think he would confirm that it usually is the case for standard setting bodies in Australia that we refer to international standards in the first instance and endeavour to be coincidental with them to the maximum possible extent. But there are differences, particularly in the private sector, and there are concerns about differences between Australian Accounting Standards and international standards. But I think there is a weight of opinion now that is heading us towards harmonisation and trying to overcome country differences, or at least a reflection of country differences, in subparagraphs of a standard, while reflecting the principal approach. If we can get international harmonisation on the principal approach, then I think we will come a long way.

Senator CONROY—But, in the Audit Office's view, the GST is a Commonwealth tax and should be incorporated in the Commonwealth's CFS?

Mr Barrett—We got legal opinion suggesting—and certainly accounting opinion would suggest—that that is the appropriate treatment. It was treated appropriately in the accounts of the agency concerned.

Senator Abetz—We will tell the Labor premiers that the GST is a Commonwealth tax for us to spend as we like, Senator Conroy. We will say that that suggestion came from you.

Senator CONROY—You support the shonky use and ignoring of accounting standards Enron-style. You and old Kenny boy and the Commonwealth government are in there just dodging up the accounts.

Senator Abetz—You learnt those lines off well this morning over your wheaties. Did you practise in front of the mirror as well with those lines? You know where the GST revenue goes, and it is to your Labor mates: Steve Bracks and other state premiers. But if you do not want it to go there, let us know.

Senator CONROY—I know that you are upset that there are eight state and territory Labor governments, Senator Abetz, but that is just the will of the people.

Senator Abetz—Let us know if you do not want it to go there.

Senator MURRAY—I raise a point of order. The minister is debating the issue with the senator and it would be better if he did not.

CHAIR—Quite right, Senator Murray.

Senator CONROY—Thank you, Senator Murray. Thank you for that ruling from the chair, Senator Mason. I appreciated your speedy intervention. I was just asking Mr Barrett whether, in the Audit Office's opinion, the GST should be accounted as per Australian Accounting Standards in the Commonwealth financial statements; and I was trying to elicit from the Audit Office whether they have done some calculation on what the figures would be when you added them back in. I appreciate that there are some difficulties, as you say, but it goes to the heart of the argument about the level of taxation in this country. It is a very important argument.

Mr Barrett—Clearly the government has a view about that and, as usual, we respect the government's view. But I have my responsibilities as a professional CPA to accord with Australian Accounting Standards, and there is no choice for me in that respect.

Senator MURRAY—Mr Barrett, the difficulty with reconciling Australian national accounts to the international DFSS kind of agreements, if you like, is made greater by the fact that Australia is one of the few countries on an accrual system. Isn't that so?

Mr Barrett—That is correct, except that the ABS has done an exceptionally fine job of moving our GFS to a greater accrual base. In fact, there is a coincidence of definitions pretty well across the board. We can give you some more on that if you would like it, but there is a coincidence of definitions. There are some sticking points, unfortunately. Basically—I do not want to simplify it but just would make a point—it comes about from differences of economic classifications and accounting classifications. That is what has to be reconciled.

Senator MURRAY—I have read the arguments, yes. Mr Barrett, the auditors-general of the Commonwealth and the states meet annually, don't they?

Mr Barrett—At least annually. Sometimes we meet twice a year; but yes, we do meet at least once a year.

Senator MURRAY—This particular issue of how revenue is to be recorded in national and state accounts is an important one. Is it likely that you will put that issue on the agenda so that all the auditors-general of Australia might, in fact, take a coordinated view on this? I raise that because obviously, if your view is as you have expressed, there needs to be on the other side of the balance sheet the same description occurring in the state and territory accounts.

Mr Barrett—Yes.

Senator MURRAY—Are you likely to put it on the agenda with them?

Mr Barrett—It has been discussed a number of times, and I am pretty sure that most of the states treat it as a Commonwealth tax.

Senator MURRAY—Forgive my ignorance: was there a joint statement by the auditors-general—

Mr Barrett—No. This is a cooperative consultative group. Each of us is independent, and that independence is jealously guarded—and for good reasons. We generally do not put out statements of intent. As you will recall, we did put out a set of principles on confidentiality. We would try to settle on basic principles and get agreement to that. There are—and this is well known—differences of view across a number of audit offices in approaches. We do try to exchange views and get a degree of consensus. But at the end of the day, when you have independent auditors-general, no-one can dictate by definition to them, not even other auditors-general. They have to be convinced. For the most part, I think that generally proves to be the case, but there are issues on which there are differences.

Senator MURRAY—For the record, Mr Barrett, would you be able to confirm that the auditors-general agree with the way in which you have categorised revenue?

Mr Barrett—We will come back to the committee with an indication from each of the states as to their treatment. I am pretty certain that they all treat it as a Commonwealth tax, but I would not want to say that without getting confirmation. It is a while since I have looked at it.

Senator MURRAY—You are as aware as I am that there is a political dimension to this, but my interest is far more that of the proper recording of these matters, because, in my mind,

the result of the disagreement as to how these revenue issues should be recorded between the government and the Auditor-General leads to an inability to properly assess the revenue figures of the whole country with respect to taxation. I assume you would recognise that as a difficulty.

Mr Barrett—I understand it, and I share your concern. As I said, I understand the government's viewpoint. We have discussed the issue with the immediate advisers. We made our position clear quite early in the preparation of the accounts. In fact, we did write to the then minister for finance to indicate the approach that the office was taking. I would not be naive enough to believe that that necessarily would have resulted in a different treatment. But, as I said, I do not really have a choice: once having got Legal and Standards expert opinion as to the treatment of a particular expenditure, as a professional of the professional body I do not have a choice but to state clearly what my view is in relation to meeting recognised standards.

CHAIR—As there are no further questions for the Audit Office, thank you very much, Mr Barrett and officers, for your assistance to the committee this morning.

[9.53 a.m.]

Office of the Inspector-General of Intelligence and Security

CHAIR—Welcome, Mr Blick. I call first for general questions to the inspector-general.

Senator FAULKNER—Mr Blick, could I ask you about an issue I saw referred to in the Department of the Prime Minister and Cabinet's annual report, which refers to:

... a working group that coordinated consideration of recommendations, made by the Inspector-General ... to improve security in the Australian intelligence community and wider government.

I wondered if you might elaborate on the very small amount of information that I read about this in the annual report.

Mr Blick—I cannot elaborate much because I am not a member of that working group. I presented one of several reports to the government on issues arising from the Wispelaere espionage case. That contained a number of recommendations. As I understand it, the government accepted, at least in principle, all of those recommendations, and a working group was set up relating to implementation of the recommendations. As I say, I was not a member of the working group, and I still am not. Occasionally, people come to me and ask me what I meant in some of my recommendations, and I try and explain that to the best of my ability. But apart from that I am more or less *functus officio*.

Senator FAULKNER—I see. This is a working group, but it is dealing with your recommendations.

Mr Blick—As I understand it. I have not read the annual report you are referring to.

Senator FAULKNER—On page 53 it says:

The division managed a working group that coordinated consideration of recommendations, made by the Inspector-General of Intelligence and Security, intended to improve security in the Australian intelligence community and wider government.

Mr Blick—I was not on that working group. I could guess at the membership of it, but I cannot tell you for sure.

Senator FAULKNER—I jumped to the conclusion that you might be part of it, because the inspector-general is mentioned. If you are not, fair enough. The interface between your

office and the working group is pretty well limited to the sort of informal advice you have mentioned. Is that the case?

Mr Blick—I am not even aware that the working group still exists as such. My adviser tells me that the working group has now completed its work.

Senator FAULKNER—I appreciate the point you make; the question would have been better directed to officers in the Department of the Prime Minister and Cabinet. I did not understand that you were not on the group.

Mr Blick—I was not personally, but we sent along an observer, Mr Bryan.

Senator FAULKNER—The office of the inspector-general has observer status on the working group. Is that right?

Mr Blick—When it was in existence. I think the role that we were intended to play at that time was really to clarify questions that might come up for the working group about interpreting our recommendations rather than participating in deciding what might happen next. I have checked that with my adviser, and that is right.

Senator FAULKNER—Mr Blick, are you saying that, effectively, there are no outcomes from the working group that affect in any way the operations of the Office of the Inspector-General of Intelligence and Security?

Mr Blick—Not significantly. The recommendations I made about improving security in the Australian intelligence community would obviously encompass my own operations. To the extent that there was anything that required changes to my operations then that would have in due course come about. Apart from that minor issue, I cannot think of anything.

Senator FAULKNER—Speaking of annual reports, your own annual report for 2000-01 has drawn some criticism, extraordinarily enough from you. That is fair, isn't it?

Mr Blick—One always tries to be self-critical.

Senator FAULKNER—There was an article in the *Canberra Times* of late January this year about your communications with the Department of Finance and Administration over your annual report. This article says:

According to Blick—

I would say Mr Blick—

'... the statements are incomprehensible to the lay reader, even with nearly a dozen pages of explanatory notes.' He argued that current reporting requirements for government agencies ensured that no-one could understand the reports except the accountants who produced them.

I think you would agree that that is a serious criticism. Could you provide some background to the committee as to why you said that? First of all, is it true that you have written to the Secretary of the Department of Finance and Administration? If you have, could you make that letter public or table it in the committee? While you consider that, you might outline the background to these concerns. Is the letter attached to the report?

Mr Blick—The letter was quoted in full in my annual report, as was the reply from Mr Brett Kaufmann, the Manager of the Accounting Centre of Excellence in the Department of Finance and Administration.

Senator FAULKNER—That is the letter that is being quoted from in the *Canberra Times*?

Mr Blick—Yes. To give you some background, what really triggered my attention to this was the impending estimates hearings that I was expecting to have to attend. I attempted to

make sense of the material in my own annual report so that if a bewildered senator asked me a question about it I could enlighten them. To be perfectly truthful, I found it very difficult to make head or tail of it. The second trigger was the landing on my desk of a copy of the Commonwealth Superannuation Scheme annual report, which, as I said in my letter to Dr Boxall—

Senator FAULKNER—If it is the same letter that is published, that is fine.

Mr Blick—The CSS annual report managed to get its statements on to one page, and were readily comprehensible. The budget of the CSS is some \$6 billion, which is approximately 9,000 times larger than my own budget but my financial statements ran to a total of 23 pages and could not be understood.

Senator FAULKNER—It was 23 pages out of 73, wasn't it?

Mr Blick—Yes.

Senator FAULKNER—You have written to the then Secretary of DOFA. Where has the issue gone since then?

Mr Blick—I recently wrote to his successor. I did this partly because I wanted to get an update but also because a professor of accounting at the ANU recently picked up on the *Canberra Times* report and wrote a fairly scathing article in the *Canberra Times* basically reinforcing and underlining some of the concerns I had. I wrote to Dr Watt two or three weeks ago saying that I would be interested to know whether any progress had been made in relation to Mr Kaufmann's undertaking to explore ways of introducing some real concise financial reporting.

Senator FAULKNER—Has any progress been made?

Mr Blick—I have not yet had a reply from Dr Watt, but I hasten to mention that it was not very long ago that I wrote to him, and he has probably been busy acquainting himself with his other new responsibilities.

Senator FAULKNER—Do you sit on the Management Advisory Committee?

Mr Blick—No. That is restricted to secretaries, and probably the head of the Public Service Commission.

Senator FAULKNER—I have heard that senior departments have put together a paper to bring these sorts of concerns about financial management to the attention of the Management Advisory Committee. Are you aware of any background there?

Mr Blick—No, that is news to me. If it has happened, I think it is a good development.

Senator FAULKNER—At this point, we await further developments, do we?

Mr Blick—I do, certainly.

Senator FAULKNER—Progress seems pretty slow.

Mr Blick—I cannot comment on what other priorities the department may have.

Senator FAULKNER—No, but you can comment on your own priorities, and I suspect that you would not have taken this course of action unless you thought it was a serious issue for the inspector-general to grapple with.

Mr Blick—I have said in a letter to Dr Watt that I do not think this is a frivolous issue. It is a serious issue of accountability and I think it is important that the situation be improved.

Senator FAULKNER—Given that your letter to the former secretary, Dr Boxall, is contained in the annual report, would you be able to table a copy of your follow-up communication to Dr Watt?

Mr Blick—I do not have it with me, but I could arrange to provide you with a copy.

Senator FAULKNER—Thank you for that. I would appreciate you following that up with Dr Watt. Is there any other action that you have taken on this matter or is it still a matter of a correspondence flow between DOFA and you?

Mr Blick—I have not taken any action because I am a very small agency and I think this is an issue that needs consideration in wider forums than just me pushing the department of finance. I have in mind, though, in my forthcoming annual report if I can manage it to provide some information about my finances which is separate from and additional to the existing type of reporting but which does actually summarise the thing in a way that is at least comprehensible to me.

Senator CHRIS EVANS—Although your own finances are very modest, from the look of the report.

Mr Blick—They are very modest, indeed.

Senator FAULKNER—So you would not be at all critical of any senators who have to wade through these things coming to the conclusion that this sort of financial reporting is largely gobbledygook?

Mr Blick—I would have every sympathy with that view.

Senator FAULKNER—I appreciate that you have talked to the responsible department, the department of finance. You have had formal communication with them. Have you talked to any other managers of agencies or others in similar positions—I appreciate there is probably no direct equivalent, but there are similar sized agencies in the Australian Public Service as well as other departments—about these sorts of issues, beyond your communication with the department of finance?

Mr Blick—I have had informal expressions of sympathy and support from other agencies—some, not many—but I have not tried to do this in any formal way. I think it is appropriate that I have raised the concerns with the department and the department can decide how it deals with them.

Senator FAULKNER—Having heard what you have said about how you might approach the next annual report, will this be in the broad? Will you be covering this issue also of progress in these communications with the department of finance? Are you going to perhaps make some general comments about this issue in the light of your decision to publish the previous correspondence and outline in the report your concerns?

Mr Blick—I have not started preparing my annual report yet, as you would appreciate. At this stage I would not have seen myself going beyond maybe quoting the further correspondence, as I did in last year's.

Senator FAULKNER—Anyway, we will have the benefit of having a look at that letter you have sent to Dr Watt. Thanks for that. On another issue, first of all can I thank you for the early availability of the terms of reference that was accessible to all via your web site on the reference to the recent DSD inquiry. Are you, as a general rule now, trying to ensure that these sorts of things are quickly available on the web site so they are broadly accessible?

Mr Blick—Absolutely, yes.

Senator FAULKNER—In relation to that particular report, is it still ongoing?

Mr Blick—I am not sure I understand the question.

Senator FAULKNER—Have you concluded the report yet?

Mr Blick—The inquiry?

Senator FAULKNER—Yes, the inquiry.

Mr Blick—The inquiry is still on hand, yes.

Senator FAULKNER—In relation to that inquiry, it is still ongoing?

Mr Blick—Yes, it is.

Senator FAULKNER—When would you expect that to be completed?

Mr Blick—My record of predicting the timing of my inquiries is probably superior to Malcolm Mackerras's in predicting results of elections, but it is still not very good and I would hesitate to put a date on it. I will say that I am moving as fast as I can and I would hope to have it quite quickly. But I would prefer not to be pinned down because one does not know, when one is engaging in these inquiries, what matters might come up that need extensive follow-up. I am not at the stage yet of being able to work it out.

Senator FAULKNER—What sort of priority is this investigation receiving in your office?

Mr Blick—It is the top priority inquiry that I have.

Senator FAULKNER—This report will be presented to whom after it is completed?

Mr Blick—Under the Inspector-General of Intelligence and Security Act I am required to, first of all, provide a draft report of an inquiry to the head of the agency concerned so that the head of the agency can comment on any matters that might be adverse to people in the agency.

Senator FAULKNER—In this case that means you, as you ordinarily would, will provide a draft to Mr Bonighton?

Mr Blick—That is correct. Following that process, the act requires that I provide a final report to the minister concerned, in this case the Minister for Defence, and to the head of the agency. If, as is the case on this occasion, there are complaints that relate to the inquiry and I have people to whom I have to provide results, I am required by the act to give them an indication of the outcome of the inquiry but the act also requires that I not include in any such report to them any matters that might be prejudicial to national security. So I have to go through a process of clearing with the agency concerned whatever letter I send to a complainant so that any matters that might if published be prejudicial to national security are not included. So potentially in a case like this there could be two sorts of report: there could be one that goes to the minister and the agency head which contains classified material and one that goes to a complainant or complainants which does not.

Senator CHRIS EVANS—As I understand it, this inquiry is one that you initiated under your powers under the act rather than one strictly related. I understand, just from what I read in the press or from people who have sent me their complaint, that you have had a number of complaints lodged and you also had the reference from the minister. I just want to be clear in my own mind that this is in fact an inquiry that you have initiated under your powers under the act; is that right?

Mr Blick—I would not say it is quite as clear-cut as that. The sequence of events, as you probably realise, was first of all that the minister indicated to me that he would like me to review some of these matters. Secondly, I received a complaint. Thirdly, I became aware of a proposed notice of motion in the Senate by Senator Stott Despoja which would have had the Senate calling upon me to conduct an inquiry. In the circumstance of those three events, I made the decision that it was necessary to conduct an inquiry.

Senator CHRIS EVANS—I am trying to understand it in terms of the complainants and the feedback to them, for instance. The inquiry is not necessarily limited to their complaint or brought about by their complaints. What is it the complainants will get from you given that your inquiry might be broader and, as you have described it, might not be solely driven by their complaint?

Mr Blick—That is a good point. I am not trying to be confusing here, but in a sense I will not know the answer to that until I have completed the inquiry and looked at the complainants' concerns again and decided what it is that I need to inform them about as distinct from what I need to inform the minister about. But my intention would be to provide them with as much information as I possibly could that might be relevant to the issues that they have concerns about. In one case, the concern does not relate to the individual person—the person is not going to be affected by the allegations. It is what is described to me as a public interest complaint.

Senator CHRIS EVANS—Have you had complaints from the Council of Civil Liberties in Queensland?

Mr Blick—I make a habit of not confirming the existence of individual complainants. If people self-identify, it is up to them.

Senator CHRIS EVANS—Yes. The Council of Civil Liberties in Queensland have obviously—

Mr Blick—I have seen a press release from Mr O'Gorman.

Senator CHRIS EVANS—I saw a copy of the letter they sent you. The MUA have also complained. Are you able to tell us how many complaints you have received?

Mr Blick—I have had three definite complaints and there has been at least one case where someone has sent an email message to us which I would not construe as a complaint unless they were more explicit about it, but it could, broadly speaking, come within the concept of complaints.

Senator CHRIS EVANS—But it is fair to say that, as a result of all that, you have decided to have an inquiry into a fairly broad ranging set of matters connected with the incident. Is that correct?

Mr Blick—Yes.

Senator FAULKNER—Limited only by your terms of reference, unless you decide at some point that there are other matters that would require further investigation?

Mr Blick—Yes. Terms of reference were, of course, my own decision and the last of those says 'any other matters that arise during the inquiry' which I think are important to investigate, or words to that effect. There is really no limitation other than commonsense, I suppose.

Senator FAULKNER—Any decision about the publication of your report or publication of your recommendations or, if any, publication of part of your report would be a matter for the minister, I assume.

Mr Blick—Yes, that is right. I present the report to the minister. One assumes that he then takes advice about whether there are matters in there that should not be revealed for national security reasons and what can be published.

Senator FAULKNER—Any decision that part of this report or a full report might go to the new intelligence committee of the joint committee of the parliament would also be a matter for Senator Hill, as the relevant minister?

Mr Blick—I believe so. I do not think it would be for me to decide, once I had reported to the government, that I could then release the report to the committee without the minister agreeing to it.

Senator FAULKNER—Would a committee request have any bearing on this?

Mr Blick—Do you mean a committee request to me?

Senator FAULKNER—Yes.

Mr Blick—If the committee asked me to release the report, I would have to consider what action I took in relation to that request. It had not occurred to me before but I think the answer would be that I would then say to the minister, ‘I’ve had this request. Do you have any objection to the report being released to the committee?’

Senator FAULKNER—At any stage in this inquiry, is it possible for you to consider recommendations as to public release of all or part of the report or release to a parliamentary committee of all or part of the report?

Mr Blick—There are no limitations in the legislation on what I may recommend. I am fairly sure I can recall predecessors of mine recommending that particular matters be made public. I would need to check that but I think that has happened in the past. I personally have not made any such recommendations but it is not obviously barred by the terms of the legislation.

Senator FAULKNER—Yes, but the point I am driving at is that this would be a matter about which you would make recommendations, as I understand it, as opposed to a matter on which you would not act without prior ministerial approval in relation to release.

Mr Blick—Yes.

Senator CHRIS EVANS—Mr Blick, I am new to intelligence matters, so I would appreciate it if you would bear with me for a couple of minutes as I try to understand your role, particularly in relation to DSD. I have read your annual report. Do I take it that the nature of your monitoring of DSD involves you visiting DSD, as the report says, every six or eight weeks? Perhaps you could describe for me how it is that you monitor what DSD does. Of course, I would then be interested in the breaches—not the content of the breaches, but the processes.

Mr Blick—I will stick, if I may, to the issue of DSD reporting on the communications of Australians because that is the issue that has been released in the newspapers. I need to say, too, as has been pointed out many times in the media, that the legal situation at the time of the alleged events was different from the legal situation now because there has since been the enactment of the Intelligence Services Act.

Senator CHRIS EVANS—I want to come to that. I want to have a general understanding of your role first.

Mr Blick—The reason for mentioning that caveat is that the impact of the Intelligence Services Act may be to slightly change the way we ‘do business’, if I can put it that way.

Senator CHRIS EVANS—I see.

Mr Blick—At the time of the alleged events, we had a system in place where, on the one hand, we would make these periodic visits to DSD. Under the rules that were in operation at the time relating to reporting on Australians, DSD was required to retain for our inspection records relating to such communications. They duly did this, and every few weeks we would attend DSD and examine the registers of these records. There is a number of these registers and I am afraid that I cannot, off the top of my head, give you a list of the sorts of material that was contained in them. Fundamentally, we would look at records of instances where Australians were named in DSD reporting, instances where Australians had been declared to be agents of a foreign power and therefore could be named in DSD reporting, instances of breaches of the rules that DSD had identified, if any, and the like.

Senator CHRIS EVANS—That is self-identified?

Mr Blick—As a kind of a backup to that, we also instituted a couple of years ago a process whereby we would look at DSD reports online. DSD publishes reports to various agencies, not only in hard copy but also online via a secure network. We have access to that network and, on a sampling basis, we would look at DSD reporting. I say on a sampling basis because the volume of such reporting means that it is not feasible to read every single report, but they obviously have headings.

Senator CHRIS EVANS—These are reports to other security organisations?

Mr Blick—And to various agencies within government. We would look at those, in effect, as a kind of crosscheck, so that we could assure ourselves—not 100 per cent but with a reasonable degree of assurance—that DSD was doing its job properly in picking up the records that it was supposed to for our own inspection. That was the basic system that was in place at that time and, with some variation arising from experience and from the way in which the new act has come into operation, that is the way we will continue to operate.

Senator CHRIS EVANS—You deliberately couched remarks in terms of reporting on Australians because that has been the public issue at stake. But is that, more generally, also how you conduct your relationship with DSD?

Mr Blick—I have under the act an inspection role, and there are quite a number of other areas in which I inspect the activities of DSD. The primary focus of virtually all of those activities is to ensure that the privacy of Australians is respected by DSD. There are other matters that DSD engages in, which I would prefer not to be asked to discuss here, that I do inspect. In the course of those inspections that is, as I say, the primary focus of my concern. If I can perhaps anticipate what you were now going to ask me, I do not regard myself as having the responsibility to second-guess the government’s foreign intelligence collection and priorities, which is what DSD operates under.

Senator CHRIS EVANS—No, that is not the area of my interest. I am just trying to ascertain what else you did. In terms of the privacy of Australians, in a number of the documents I have seen there seems to be a distinction made between Australians overseas and Australians resident in Australia, and there is discussion about communications between Australians, but it is never quite clear, from reading the documents, what distinctions are

made. Can you enlighten me on that, on whether there are different rules applying to Australians who are resident in Australia versus those overseas, or there are different rules applying to Australians who are communicating with a foreigner either here or overseas? What are the distinctions?

Mr Blick—Fundamentally, DSD has no power to intercept the domestic communications of Australians. That is a power that ASIO has, pursuant to the Telecommunications (Interception) Act, and that has to be done pursuant to warrant. So the legal situation is that DSD does not have the power to do that, and indeed does not do it. DSD's role relates to foreign communications. And in the course of collecting foreign communications, it can be the case that Australians become involved in those communications, because communications are often two-way events.

What DSD does with the foreign communications of Australians depends on the nature of the communications. I have already mentioned the issue about agents of a foreign power; and, if you like, I will set that aside because that is a special case. Assuming the Australian concerned is not regarded as an agent of a foreign power, then the question becomes: is the communication one in which Australia has a legitimate interest for security or other related reasons, or is it not? If it is not, then DSD is not empowered either to retain records of those communications or to report them. That I have to qualify by saying it has changed slightly with the enactment of the Intelligence Services Act, because the privacy rules under that act relate only to reporting, not to collection. The act itself governs the question of collection. And, under the act, collection is delimited by very strict rules involving ministers authorising the collection of communications of Australians.

Senator CHRIS EVANS—I want to come to this, because it seems to me there has been a change in the regime governing collection but I have had difficulty finding that out because, while the new rules apparently are unclassified, the old rules are classified. I have not been able to obtain a copy of the old rules to make a comparison. Is that a fair summation of where we are at?

Mr Blick—The old rules are classified, yes.

Senator CHRIS EVANS—So the old rules are classified but the new rules are not.

Mr Blick—The old rules covered both collection and reporting; the new privacy rules cover only reporting because the question of collection is dealt with in the legislation itself.

Senator CHRIS EVANS—So you say the collection issues are governed by the terms of the act?

Mr Blick—That is correct.

Senator CHRIS EVANS—By way of explanation, the only information I have on the old rules is a copy of a letter from, I think, your predecessor, Mr Martin Brady. Was he your predecessor?

Mr Blick—He was the head of DSD.

Senator CHRIS EVANS—The former Director of DSD, Mr Brady, wrote a letter dated 16 March 1999 to Mr Ross Coulthart of the *Sunday* program on the Nine Network which responded to a range of questions about the operations of the DSD. Are you familiar with that?

Mr Blick—Yes, I am.

Senator CHRIS EVANS—That is the only public explanation I have been able to find of what the old rules are. Is there somewhere else I could look to find an explanation of the old rules?

Senator Abetz—I am just inquiring, Senator Evans, whether you might want a private briefing in relation to the role, et cetera, rather than using estimates to find out what aspects of your shadow portfolio might relate to this and how it all works. Rather than taking up committee time, I suppose I am suggesting that a private chat or briefing might be less tedious for everyone.

Senator CHRIS EVANS—Quite the opposite. You might find it tedious, Minister, but I think there is a bit of interest in the role of DSD and the Inspector-General in the monitoring of their activities.

Senator Abetz—I am talking about the general questions you have been asking—trying to find out the relationship and mucking up who was the former director of DSD as opposed to intelligence; things like that. I am not saying that to embarrass you. It is on the record that that has occurred. It just seems to me—

Senator CHRIS EVANS—Minister, you are just embarrassing yourself. Can we get on with this? What have you got to hide?

Senator Abetz—Nothing at all.

Senator CHRIS EVANS—Let's get on with it then.

Senator Abetz—It is very tedious, and I would have thought that it would be better for everybody if—

Senator CHRIS EVANS—Mr Chairman, is the minister's view of what is tedious a question that you are going to entertain or can we get on with interviewing the witness?

CHAIR—No, it is not, Senator Evans; you are quite entitled to carry on.

Senator CHRIS EVANS—Thank you.

Senator Abetz—It will be noted that the private briefing was rejected.

Senator CHRIS EVANS—Yes, because this is a matter of public interest, not private interest. I want it on the public record, thank you, Minister.

Senator Abetz—Not all these things.

Senator CHRIS EVANS—People do get concerned when you are so interested in hiding the information.

Senator Abetz—I doubt your questions this morning will make headlines.

Senator CHRIS EVANS—They will probably follow just behind the Audit Office run, but we will see how we go. Before the minister interrupted, I think we were talking about the difference between the rules. I referred you to that letter. For the public record, could you tell us, Mr Blick, whether there is any other public record of the rules relating to Australian persons?

Mr Blick—There have been a number of references to them in my own annual reports. I cannot recall the specific details in Mr Brady's letter, but they would be broadly similar to those. I recall that in the committee hearings on the *Intelligence Services Bill 2001* there was a lot of discussion of the rules, and the *Hansard* would doubtless reveal that there was similar information provided.

Senator CHRIS EVANS—But these were rules, as I understand, made in 1986. Is that right?

Mr Blick—I think that is correct.

Senator CHRIS EVANS—And they did not change between 1986 and the passage of the legislation?

Mr Blick—The most recent revision of the rules was in 1998.

Senator CHRIS EVANS—Was that published?

Mr Blick—No, they remained confidential.

Senator CHRIS EVANS—And was that a significant change from the 1986 version?

Mr Blick—I think they had been through several iterations. I only joined the office in 1998 so I cannot tell you much about the history previous to that but I believe there had been several iterations to the rules.

Senator CHRIS EVANS—You understand my difficulty in trying to reassure myself that we have been complying with the rules when I cannot get a copy of the rules. I know that is your function, but it does create quite a difficulty, doesn't it?

Mr Blick—My report, I hope, will deal with the question of the application of the rules in relation to the allegations that have been made and if, as the minister has undertaken, he chooses to make public the outcomes of my inquiry, I assume that will give you further information about these matters.

Senator CHRIS EVANS—There were amendments to the rules in 1998 which were not made publicly available—they remain classified?

Mr Blick—That is right, yes.

Senator CHRIS EVANS—Are you able to tell me what the import of those changes was? Were they major changes?

Mr Blick—I do not think they were major changes. The rules have remained broadly similar as time has gone, as I understand it, and most of the changes have related to clarification. As one implements rules of this kind, issues tend to come up that show that they are not as clear as they might be in relation to particular matters. We have had a process, certainly in the last few years, of collecting these issues for—if you like—the next revision of the rules. Indeed, that was something that was going on prior to the legislative changes that took place recently, and had there not been that legislation we would have been into yet another version of the rules, I suspect, around about now.

Senator CHRIS EVANS—Prior to the act, how did that process occur, given that they were not a public document, they were classified?

Mr Blick—As I have said to you, we would regularly inspect these records that DSD had kept for us, and we would discuss with DSD their interpretation of the rules and our interpretation of the rules. DSD would quite frequently consult with my office about particular issues when they believed they needed to interpret the rules in a particular way, and they would seek our guidance on whether it was appropriate to do that. Of course, as time went on, one would collect a list of matters where the rules might not be as clear as one, with the benefit of experience, thought they should be. But we are not talking here about fundamental issues of principle in relation to the rules; we are really talking about the application of the accepted principles and the way in which they might be clarified.

Senator CHRIS EVANS—In terms of the process, is that then a cabinet decision or a ministerial decision or what?

Mr Blick—The last lot of rules, before the enactment of the legislation, were endorsed, as I recall, by the Minister for Defence and my adviser, Mr Bryan, believes that they also went to the National Security Committee of cabinet for endorsement.

Senator CHRIS EVANS—The advice from the Director of DSD in 1999 implied that the cabinet National Security Committee had some responsibilities in this matter. I am just trying to get clear in my mind: were the changes to the rules made in 1998 a cabinet decision, a cabinet National Security Committee decision or a ministerial decision?

Mr Blick—I think it would be more accurate to characterise them as having been presented to the National Security Committee of cabinet for endorsement, as distinct from being what you might call a cabinet decision, as such.

Senator CHRIS EVANS—But it is under the signature of the defence minister to change the rules, isn't it?

Mr Blick—That is right.

Senator CHRIS EVANS—So it is not necessary for there to be a full cabinet decision to change the rules, under the old system?

Mr Blick—I think, in practice, the National Security Committee of cabinet would be involved in endorsing the rules, irrespective of the fact that it is the minister who signs off on the individual set

Senator CHRIS EVANS—So we had this change in 1998. Who was the minister at the time?

Mr Blick—Mr McLachlan.

Senator CHRIS EVANS—Then we had the legislation put through last year. I have a copy of what looks almost like a regulation but I gather it is not a regulation—it is a similar thing which sets out the rules, under the name of Peter Keaston Reith. They came into effect when, Mr Blick?

Mr Blick—The day they were made—I cannot recall it. There is a date on the end of them. They would have come into operation on the day they were made.

Senator CHRIS EVANS—I have an undated copy. That is why I was keen for you to tell me what day they were made.

Mr Blick—Subject to checking, I think it was the beginning of November last year.

Senator CHRIS EVANS—Early November 2001?

Mr Blick—Yes, which was roughly the date of coming into operation of the legislation.

Senator CHRIS EVANS—As I understood it, these rules effectively were promulgated—whatever the correct term is—as coming in on the same date as the new act became operational.

Mr Blick—That is my recollection.

Senator CHRIS EVANS—Can you take on notice to check the dates for me, please?

Mr Blick—Certainly. We will check the dates, but my advice is that it was 29 October.

Senator CHRIS EVANS—Were these rules substantially different from the previous rules?

Mr Blick—They were substantially different in the sense that, as I have explained, the previous rules dealt with collection and with reporting; these rules deal only with reporting, as required by the legislation.

Senator CHRIS EVANS—So the rules do not actually provide any guidance on the question of collection at all?

Mr Blick—No, that is codified in some detail in the legislation.

Senator CHRIS EVANS—Were there any other significant changes to the procedures, the rules, the way they would operate?

Mr Blick—Well, this was a significant change.

Senator CHRIS EVANS—I am sorry, in addition to the fact that the collection is codified now in the bill and the rules only now cover the question of communicating that information. Is that a fair description?

Mr Blick—Yes.

Senator CHRIS EVANS—What other changes in process occurred?

Mr Blick—I think it would be fair to say that, at the time of coming into operation of the legislation, the process that we had been engaging in before continued but that, as the operation of these new rules and the effect of the legislation began to impinge upon that, we have looked again, and continue to look, at the processes we undergo to see whether there need to be variations to that process to take account of the way in which these things work. That is a pretty circular way of coming at your question, I know, but I think that is really what is happening. There is an iterative process, if you like.

Senator CHRIS EVANS—I suppose my question is more to the fact: how did it impact on DSD and the way they operated? Were the rules different for them?

Mr Blick—Certainly the legislative constraints on DSD are different from the previous non-legislative regime. The previous rules in relation to collection did not require the involvement of ministers. The legislation now requires that if DSD wishes to engage in activity involving an Australian—I could quote you the words from the legislation if you wished—it must obtain authorisation from the minister.

Senator Abetz—But this is information available in an act of parliament, is what Mr Blick is telling us. We are using estimates to find out what is in an act of parliament. Just an observation, Mr Chairman. It just seems to me to be an inappropriate use of estimates.

CHAIR—Minister, you may be correct, but Senator Evans is entitled to ask whatever questions he sees fit.

Senator BRANDIS—Minister, if Senator Evans wants to use up his time with innocuous questions—

Senator Abetz—Exactly!

Senator CHRIS EVANS—Have the comedy duo finished?

CHAIR—Senator Evans, please go on.

Senator CHRIS EVANS—Thank you. The senators may not be interested in the protection of the privacy of Australians but the Australian public and I certainly are. Mr

Blick, you are saying that ministerial approval is required for the first time in terms of the collection activities of DSD?

Mr Blick—That is correct.

Senator CHRIS EVANS—Why is it, then, that in 1999 the director of DSD said in his letter that specific approval is required for all such collection and reporting? Was he not referring to ministerial approval in the previous regime?

Mr Blick—No, he was not.

Senator CHRIS EVANS—Who was the specific approval from, then?

Mr Blick—The approving authority was the director of DSD under the previous rules.

Senator CHRIS EVANS—I see. So when he talks about specific approval, it is actually his approval that was required?

Mr Blick—Yes, that is right.

Senator CHRIS EVANS—Can you describe the approval process for DSD to collect information? Do they have to make a submission to the minister?

Mr Blick—Yes, that is right. This is in regard to information in relation to Australians, not generally. The process is basically that DSD goes through an internal hierarchical approval process culminating in a request by the director to the minister for authorisation under section 9 of the Intelligence Services Act.

Senator CHRIS EVANS—Is that in a general sense? For instance, do they apply for permission to monitor calls emanating from Malaysia? Is it a specific or a general approval? Do they have to name the individual whose communications they wish to collect?

Mr Blick—The act says that before the minister gives an authorisation for an activity involving an Australian the minister must be satisfied that the Australian person mentioned is or is likely to be involved in certain activities. We are running into a difficult area for me in the sense that some of the things you are starting to ask may go to matters which I would need to check with DSD concerning their possible classified nature before I answer the question. I am not trying to be difficult.

Senator CHRIS EVANS—I understand. I am not trying to take you into the content. I am trying to understand the process of approvals for the collection of information on Australian citizens. Does DSD need to name that individual to collect information on them? Do they need general authority to check all the calls in a geographical region?

Senator Abetz—Acting Chair, shouldn't these questions be directed to DSD as opposed to asking Mr Blick to comment on how DSD operates under the act? DSD's chain of command and what information needs to be made available to get an approval is really in the province of DSD.

ACTING CHAIR (Senator Murray)—Minister, I think the questions are in line with the tenor of discussions earlier.

Senator Abetz—I agree.

ACTING CHAIR—I am sure that Senator Evans is aware that we have a full program today, and will make his questions as concise as possible. Mr Blick is a very experienced official; I am sure he will be able to guide Senator Evans as to when he will have to take a question on notice.

Senator CHRIS EVANS—Mr Acting Chair, one of the difficulties in this area is that Mr Blick is responsible for monitoring DSD, and DSD operations are obviously highly confidential. This is the parliamentary opportunity for us to check on DSD. If we do not use the opportunity, Mr Blick, then we do not get another opportunity, basically.

ACTING CHAIR—I accept that.

Senator CHRIS EVANS—Minister, I am sure that if you are in the chair on Thursday when I start asking DSD questions you will say that I should have asked them of Mr Blick because DSD are not allowed to comment. To be fair I think this is our opportunity to understand the process. I do not want to take Mr Blick into the specifics of a case but I do want to understand what process is required for the DSD to gain authority to collect information on Australian citizens resident in Australia.

Mr Blick—There are two things here. First of all there is the question of whether DSD would be required to name an Australian in every individual instance in which it sought authorisation. One would probably need to take legal advice on that. I am not trying to duck your question. It would be unusual, and I cannot think of an instance in which DSD would seek an authorisation that came within the terms of the current legislation that did not name an Australian. The legislation says:

... undertaking an activity, or a series of activities, for the specific purpose, or for purposes which include the specific purpose, of producing intelligence on an Australian person who is overseas ...

And secondly:

... undertaking ... an activity, or a series of activities, that will, or is likely to, have a direct effect on an Australian person who is overseas ...

In other words, ‘is overseas’ appears in both clauses. Given those clauses, I find it hard to imagine circumstances in which DSD could seek an authorisation that did not identify an Australian person. I hasten to add that this seems to me to be a matter of legal interpretation, and one could not rule out—at least I am not prepared to sit here and rule out—that possibility in front of a committee.

Senator CHRIS EVANS—Concentrating on the process, are you privy to all such DSD approvals?

Mr Blick—That is absolutely correct.

Senator CHRIS EVANS—And, as a matter of course, they are provided to you?

Mr Blick—Yes.

Senator CHRIS EVANS—So in your checking process you do not have to go looking for them?

Mr Blick—We have an arrangement with DSD whereby all ministerial authorisations are provided to us periodically.

Senator CHRIS EVANS—I assume you are not going to discuss them with me?

Mr Blick—I would prefer not to.

Senator CHRIS EVANS—You are aware of what the limits are, or what the authorisations are, for DSD because you then check that they have stayed within those boundaries? For instance, in your current inquiry you will have access to what ministerial approvals were given in relation to those incidents?

Mr Blick—I think one needs to emphasise that the current inquiry relates to events that preceded the legislation, and ministerial authorisation was not a requirement at the time. Therefore, the question of whether there was any ministerial involvement is not an issue to be dealt with in terms of the legislation.

Senator CHRIS EVANS—Good point. That takes me back to the previous regime. Was ministerial authorisation not required in terms of collection but was required in terms of conveying that information?

Mr Blick—No, it was not required under either circumstance.

Senator CHRIS EVANS—There were no limits on what DSD conveyed?

Mr Blick—There were strict limits on what DSD could convey. Those limits are pretty similar to the ones that are currently laid down in the privacy rules that you have there, and in the legislation in terms of collection.

Senator CHRIS EVANS—We are talking about the old regime. I do not know what the restrictions were.

Mr Blick—I have just said that they were very similar to the ones that now apply.

Senator CHRIS EVANS—Is it fair for me to say that what restrictions were on DSD are not known to me because I cannot access them because they are classified?

Mr Blick—That is correct.

Senator CHRIS EVANS—I am not able to ascertain whether there were many changes, or what the old regime was.

Mr Blick—I think you will find—I am relying on memory here—that during the course of the committee consideration of the Intelligence Services Bill one or both of the directors of DSD and ASIS were asked to comment on differences between the old rules and the way in which the legislation expressed the new regime. If my memory is correct, both Mr Bonighton and Mr Taylor came back into the committee and told them, in effect, that there were very few differences, if any, between the proposals in the then bill and the rules as they existed before that.

Senator CHRIS EVANS—Can I quote from a letter I referred to earlier from Mr Brady. He says:

The rules prohibit the deliberate interception of communications between Australians in Australia, the dissemination of information relating to Australian persons gained accidentally during the course of routine collection of foreign communications or the reporting or the recording of the names of Australian persons mentioned in foreign communications.

He then goes on in a second point which says:

The rules do provide mechanisms to permit DSD to monitor and report foreign communications involving Australians in some special carefully defined circumstances such as the commission of a serious criminal offence, a threat to the life or safety of an Australian or where an Australian is acting as the agent of a foreign power. Specific approval is required for all such collection and reporting.

You have clarified for me that that was specific approval of the DSD director, not of the minister. Have those terms under which DSD could monitor and report on foreign communications involving Australians been widened?

Mr Blick—The list he gave you was not an exhaustive list; they were examples—I think you said ‘for example’.

Senator CHRIS EVANS—He said ‘such as’. That is my difficulty. I do not have a copy of the old rules, so I do not know.

Mr Blick—Can I again draw your attention to the legislation because it lists in paragraph 9(1A)(a) seven criteria for authorisation of collection. The first is that the person be involved in activities that present a significant risk to a person’s safety; the second is that the person is acting for, or on behalf of, a foreign power; the third is activities that are, or are likely to be, a threat to security; then there are activities related to the proliferation of weapons of mass destruction; committing a serious crime by moving money, goods or people; committing a serious crime by using or transferring intellectual property; committing a serious crime by transmitting data or signals by means of guided and/or unguided electromagnetic energy; and the final one is a threat to security as defined in the ASIO Act.

Senator Abetz—Chair, we have just had a large slab of an act of parliament read into the *Hansard* yet again. I really do question whether this is the appropriate use of estimates.

CHAIR—Minister, as I said before, Senator Evans is entitled to ask whatever questions he wishes, so long as they are relevant. They are certainly relevant and I really cannot add to that. You may be frustrated, but that is—

Senator CHRIS EVANS—The point Mr Blick makes is that this is the current act. I am trying to establish what changes occurred between the old regime and the new regime. My difficulty is that the old regime is not allowed to be made public; it is a classified document. Mr Blick, thank you for alerting me to that. I was not aware what is in the current act. Can you tell me whether or not those are the same conditions as applied under the old regime?

Mr Blick—As you would appreciate from the extract you read from Mr Brady’s letter, in relation to crime they are narrower. The extract you read referred to serious crime—something along those lines. This defines serious crime in a fairly limited way. Apart from that—and I do not have the old rules in front of me—I do not think there is any significant difference.

Senator CHRIS EVANS—Could you take that on notice for me, Mr Blick?

Mr Blick—I could, but whether I can answer it in the detail you seek is something I will have to take advice on because the old rules are classified and they remain classified.

Senator CHRIS EVANS—Minister, I have a question for you then. Would you mind taking on notice and asking the Minister for Defence whether or not he would be prepared to release, publicly, the 1998 rules?

Senator Abetz—Yes.

Senator CHRIS EVANS—I will leave it at that.

CHAIR—Are there any further questions for the Inspector-General? There being no further questions, Mr Blick, thank you for your assistance. That completes the examination of the Prime Minister’s portfolio. I remind you that the committee has set 27 March 2002 as the date for the submission of written answers to questions taken on notice. I thank the minister and officers for their attendance. Following the break, we will commence with the Finance Administration Portfolio, in particular, the Department of Finance.

Proceedings suspended from 11.01 a.m. to 11.25 a.m.
FINANCE AND ADMINISTRATION PORTFOLIO

FINANCE AND PUBLIC ADMINISTRATION

In Attendance

Senator the Hon Nick Minchin, Minister for Finance and Administration

Department of Finance and Administration

Dr Ian Watt, Secretary

General (Corporate; Financial and e-Solutions Group)

Lembit Suur, General Manager, Corporate

Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Clive Hawkins, Branch Manager, Knowledge Management and Information Services

Judy Costello, Branch Manager, Strategic Partnerships

Tracy Muddle, Director, HR Partnership

Andrew Kefford, Senior Adviser, Portfolio Coordination Unit

Financial and e-Solutions Group

Dominic Staun, General Manager, Financial and e-Solutions Group

Outcome 1 Sustainable Government Finances (Budget Group)

Phil Bowen, General Manager, Budget Group

Phillip Prior, Group Manager, Agency Advice

Kathryn Campbell, Group Manager, Agency Advice

Jim Kerwin, Manager, Financial Reporting

Stephen Welch, Manager, Private Financing

Matthew Flavel, Manager, Budget Coordination Unit

Brett Kaufman, Manager, Accounting Centre of Excellence

Simon Lewis, Branch Manager, Agency Advice

Outcome 2, Improved and More Efficient Government Operations (Business Services Group)

Jonathan Hutson, General Manager, Business Services Group

Shane Bennett, Branch Manager, Finance and Banking

Mike Cramsie, Branch Manager, Grants

Barry Jackson, Branch Manager, Property

Ron Freestone, Branch Manager, Comcover

Marc Mowbray d'Arbela, Branch Manager, Legislative Review

Sandra Wilson, Branch Manager, Superannuation

Geoff Painton, Team Leader Financial Management, Superannuation Branch

(Asset Management Group)

Alastair Hodgson, General Manager, Asset Management

Michael Pahlow, Branch Manager, Commercial and Projects

David Yarra, Branch Manager, Asset Sales

Robin Renwick, Branch Manager, Asset Sales

Mark Heazlett, Branch Manager, Asset Sales

Rod Withear, Branch Manager, Asset Sales

Marianne King, Branch Manager, Asset Sales

Anthony Eaton, Branch Manager, Asset Sales

Neil Williams, Branch Manager, Asset Sales

John Bridge, Branch Manager, Asset Sales

Peter Diddams, Branch Manager, Commonwealth Shareholder Advisory Unit

Outcome 3 Efficiently functioning Parliament (Ministerial and Parliamentary Services)

Jan Mason, General Manager, Ministerial & Parliamentary Services

John Gavin, Special Adviser

Kim Clarke, Branch Manager, Entitlements Policy

Rob Barnes, Branch Manager, Service Centre

Ken Sweeney, National Manager, Comcar

John Edge, Branch Manager, Account Management

Carolyn Hughes, Manager, Tabling & Reporting

Sue Whisker, Account Manager

Australian Electoral Commission

Andy Becker, Electoral Commissioner

Paul Dacey, Deputy Electoral Commissioner

Tim Pickering, First Assistant Commissioner, Electoral Operations

Barbara Davis, First Assistant Commissioner, Business Support

Doug Orr, Assistant Commissioner Elections

Brien Hallett, Assistant Commissioner Information and Research

Kathy Mitchell, Director Funding and Disclosure

CHAIR—I welcome Senator Minchin, the Minister for Finance and Administration, and officers of the department.

Senator FAULKNER—Good luck!

CHAIR—Senator Minchin, do you wish to make an opening statement?

Senator Minchin—No, I do not.

CHAIR—Before Senator Conroy commences, I want to have a quick discussion of the batting order. As I understand it, Senator Conroy will commence the questions then we will go on through outcome 1 and outcome 2. We may then go on to outcome 3, which is ministerial and parliamentary services, followed by the Australian Electoral Commission, but that will depend on the engagements of other committee members, so we will have to be flexible to that degree. Dr Watt, we are trying to find out at the moment whether the committee will have any questions regarding ComSuper and the Commonwealth Grants Commission. I think I can say the committee has no questions on ComSuper and it may have none on the Commonwealth Grants Commission. I will confirm that in a minute about the Commonwealth Grants Commission. We will commence with general questions to the department.

Senator Minchin—Could someone alert Senator Abetz that we may come to outcome 3, MAPS, in that order.

CHAIR—Yes.

Senator Minchin—He might be assuming that it will be done with the Electoral Commission. So would someone just alert him that you may need to come to that before the Electoral Commission.

CHAIR—Thanks, Minister. We will keep Senator Abetz informed.

Senator Minchin—Thanks.

Senator CONROY—Who is responsible for issuing the monthly financial statements? Is it the minister's office or the department?

Dr Watt—This monthly financial statement is signed off jointly by the minister and by the secretary of the department. That is the responsibility. As to who actually puts the publication out, I assume we do. I will ask Phil Bowen to come up.

Senator CONROY—I have just had some indications that Senator Sherry may have some questions on ComSuper, so can we just double-check?

CHAIR—Yes, we will. I apologise to the committee and to you, Minister.

Senator CONROY—I had checked with his office.

CHAIR—I had been informed that the committee had no questions on ComSuper, but we may have. So, if there are officers here from ComSuper, could they remain.

Senator CONROY—Yes, hang around for hopefully five or 10 minutes and we can just double-check.

CHAIR—I apologise.

Senator CONROY—The monthly financial statements for December were issued last Friday; is that right?

Mr Bowen—I believe they were.

Senator CONROY—A few months behind. What time did the minister release those statements?

Mr Bowen—We are told that two o'clock in the afternoon is the normal time, but I cannot confirm accurately for December.

Senator CONROY—What was the form of that release? Is it put up on the department's web site? Is it on the minister's web site? What is the form of the release?

Mr Kerwin—I think the sequence of events is something like this. The statements are boxed in the house. Later or around the same time, but normally later on, I would think they are then put on the web for people to have a look at.

Senator CONROY—When you say 'boxed', that is delivered to the Table Office or boxed in the gallery?

Mr Kerwin—No, press released. Boxed in the gallery.

Senator CONROY—The monthly financial statements for the previous month, November: what day were they released.

Mr Kerwin—I do not have that information.

Dr Watt—We can get that. We will send it.

Senator CONROY—I think it was Friday, 25 January. That was the Friday before the Australia Day long weekend. Do you know what time the minister released those statements?

Mr Kerwin—The same sequence and the same time, as far as we know.

Senator CONROY—Can we just check that?

Mr Kerwin—Yes.

Senator CONROY—The monthly financial statements for September and October I think were released together; is that right?

Mr Kerwin—That is correct.

Senator CONROY—Can we just check what date they were released on.

Mr Kerwin—Yes, we can do that as well.

Senator CONROY—Possibly Monday, 17 December. Does that ring a bell with anybody?

Mr Bowen—We will check that.

Senator CONROY—I just want to confirm that. That was the last working week before Christmas. Can we just check what time the minister released those statements. The consolidated financial statements were also issued around then. Do you know what date?

Mr Kerwin—They were tabled on 20 December.

Senator CONROY—Tabled? On the 20th? I thought perhaps it was Friday, 23 December. That was the indication I had.

Mr Kerwin—It was the 20th as far as I know.

Senator CONROY—I presume they were released at the same time, as in the same sequence—two o'clock?

Mr Kerwin—I am not sure what time.

Senator CONROY—Can you just check that.

Mr Kerwin—We will check that.

Senator CONROY—Based on all of that, can we expect to get the next monthly financial report, for January, the Thursday night before Easter? Is that the likely release date, with some Easter eggs maybe?

Senator Minchin—Would that suit you, Senator Conroy?

Senator CONROY—We just want your assistance. Is there any indication when you are likely to release those?

Mr Kerwin—The normal date would be towards the end of the month.

Senator CONROY—You have some flexibility about the exact day?

Mr Kerwin—What we endeavour to do is: if it is for a period ending a particular month, prior to the end of the next month—as I understand it—we endeavour to get the statements out.

Senator CONROY—And Friday afternoon, is that a favourite day? Or the day before a long weekend?

Mr Kerwin—I do not think it is necessarily a selected date.

Dr Watt—It may be that the reason they are released in the afternoon is that there is an element of financial market sensitivity to these statements. They are used by financial market analysts to try and track Commonwealth borrowing figures within months. For that reason it may be that they have traditionally been put out in the afternoon.

Senator CONROY—Would you put them out before the market opens so that everyone can have a crack, or after the market closes at four?

Dr Watt—Before the market is often a problem, because you would have to put them out very early in the morning, the way they work these days. That may explain the afternoon release time. This is a hypothesis, which we are happy to test for you.

Senator CONROY—Okay. Can I go back to the monthly statements. Can I just check that the benefits of the new accrual budget system which was introduced in 1999 were to allow

better performance measurement, better accountability and better transparency? Those were, I think, the stated aims to try and support accrual. Could we include timeliness in that?

Mr Bowen—I am not sure what was published there. We can go back to the published documents.

Senator CONROY—Okay.

Dr Watt—One thing I perhaps should say at this point: we are not trying to obfuscate. We have a rather new team with us.

Senator CONROY—Sure.

Dr Watt—I have been here for five weeks. Mr Bowen moved from Property Group late last year. Two of our other GMs have had substantial changes in responsibilities as a result of a restructure that came about after the AAO changes which of course saw a number of things, apart from Finance, go elsewhere in government, and the changes in relation to the office of asset sales, which was abolished and the asset sale function moved in. The previous secretary did a substantial rearrangement within Finance following those AAO changes and it has left a number of new people in jobs. My newness has compounded that, I am afraid, so if we do seem a little bit out of pace we apologise.

Senator CONROY—That is quite all right.

Senator Minchin—Senator Conroy, your line of questioning presumably seeks to establish some elaborate plan to ensure that monthly financial statements are released at a time when they will attract least attention. If only I were that clever.

Senator CONROY—I was just about to seek your reassurance and commitment about transparency into the future.

Senator Minchin—I really do want to seek to assure you that there is no method of that kind applied to the timing of the releases. A brief comes to me from the department. Here ministers sign them off and vouch that they are true and accurate records of the government's financial position for that month. I sign and my office is then responsible for their release. Honestly, that is done as soon as possible after my signature, but in accordance with normal protocols in terms of markets and things. I strongly resist any suggestion that there is some attempt on our part to have them released in such a way as to minimise the attention they would otherwise get.

Senator CONROY—So you can promise me Easter Thursday will not be the next—

Senator Minchin—Unless you would particularly like them then—because Easter is a good time to read—I will do my utmost to ensure that that is not the release date.

CHAIR—I need to interrupt on an administrative matter. I have just had it confirmed that there will be no questions from the committee for the Commonwealth Grants Commission. With respect to ComSuper, there will be no questions from the committee directly, except for questions on notice. So officers from the Commonwealth Grants Commission and ComSuper no longer need to stay.

Senator Minchin—So the natural sequence will be to go from Ministerial and Parliamentary Services straight to the Electoral Commission?

CHAIR—Yes, it will. I thank Senator Sherry for that information.

Senator CONROY—Can you confirm that the IMF Special Data Dissemination Standards, or SDDS, require central governments to publish financial statements on a monthly

basis within one month of the period close and on a basis consistent with that reported in the annual budget?

Mr Kerwin—That is the standard that is worked to.

Dr Watt—Like all IMF standards, I do not think there is anything mandatory about them.

Senator CONROY—Does the government subscribe to the IMF SDDS? It does according to your web site. I see monthly financial reporting and MFR timetables.

Dr Watt—I think governments always subscribe to broad IMF principles. Whether it is signed on for every jot and comma, I do not know.

Senator CONROY—At the moment, are the monthly statements being released within one month, as prescribed in these standards?

Mr Kerwin—I have some information on the release of the statements and the times. That might answer your question. With regard to September-October, they were released on 17 December. They were boxed at 2 p.m. and on the web site the following day. For the November monthly report, they were released on 25 January at 2 to 2.30 in the afternoon. For December, they were released on 15 February at 2.30 to 3 o'clock in the afternoon. So, at the moment, from that, it is in the order of six weeks.

Senator CONROY—There are two questions that flow from that. You indicated that they get released to the press gallery. Unfortunately, I am not in the press gallery most of the time—some of the time. I am just wondering whether it is possible to get the same release on your web site, which I am able to monitor. You indicated that it gets up the next day. Is there a technical reason it goes up the next day, or is it possible to press a button and have it released at the same time on the web site?

Dr Watt—We cannot see any reason why it should not be put up on the web site at the same time as they release it. That seems to make sense. You will give us a few minutes leeway either way. We are happy to undertake to see that is done, if it is not being already.

Senator CONROY—Great. Can I just check those dates: do they confirm with the 30 days release time? Are they within the prescribed period, or the subscribed period—I accept the point that Dr Watt made, that it is only an IMF guideline.

Mr Kerwin—With regard to the IMF guideline, they are outside of the 30 days. I might comment that Australia is probably one of the very few countries that in fact produce statements of this type. So what other countries may produce within their 30 days would be of a different nature and probably reflects more of a cash view of the world perhaps, rather than what we endeavour to do.

Senator CONROY—Sure. And I think it is great that we do—I am a supporter of it. If I can just go back to look at the data in the monthly financial statements, each statement cautions that:

Care needs to be taken when comparing monthly or cumulative data across years, and to full year estimates, since factors such as the introduction of *The New Tax System* and the accrual framework, and the timing of payments and policy decisions can have a large impact on fiscal aggregates from one year to the next and on year to date outcomes.

However, later in the commentary on the December statements, it says:

- Historical trends suggest that taxation receipts (net of refunds) will trend upwards in the latter months of the year.

Are there any patterns or trends that can be inferred from the monthly statements or any aggregates in the statements?

Mr Kerwin—What we try to do in the monthly statements is to put information in there that will reflect, in the first instance, what the balances are at a particular time and, to the extent that we can at this point in time, compare that with where a person might expect them to be. So the first caution is really saying that most of the comparisons are done on what is called a pro rata basis, which is just with the movement of time. In the event that we do have something like a reasonably established pattern, which is the tax information, we would endeavour to put that sort of information into the statements.

Senator CONROY—The point of producing the reports is so you can make some inference from them, I presume. That is why they are published.

Mr Kerwin—Yes.

Senator CONROY—So it is reasonable to try and draw some conclusions from them.

Mr Kerwin—Yes, it is.

Senator CONROY—I have compared, albeit very roughly, the cumulative underlying cash balance for each year over the last three years. There seems to be a pattern where expenditure exceeds revenue in the first three months—that is, the cumulative underlying cash balance trends down and into deficit, after which time revenue seems to pick up, with, in the latter half of the year, revenue exceeding expenditure. Would that be a fair description, in your experience?

Mr Kerwin—I think it would be, yes, by and large.

Senator CONROY—Can you take us through why that would be the case?

Mr Kerwin—I can comment on it only in a fairly limited way, I would think, because Treasury and the ATO are much closer to the overall explanations of these things. In the early part of the financial year it is the tax season, and although the taxation revenues are coming in, there is quite a lot of refunds going out the door as well. In the latter half of the year, that pattern does not happen so much. There are some new trends developing because of the new tax system and it is very difficult to see how the cash is going to flow, from our perspective—again, Treasury and ATO would have a better perspective—

Senator CONROY—I thought the whole reason for BAS was to help us keep an eye on that cash.

Mr Kerwin—I suspect what is happening is that the business community are still responding to the new tax system, and the cash flows that that has implications for are still emerging as a pattern that you could probably rely on. In the past, I would think that around December you may have had some of the companies making their instalments, and those sorts of patterns. But, as I said, those patterns have been upset to the extent that there are new payment arrangements, and the full implications of getting a stable pattern probably have not emerged yet and probably will not emerge for at least a couple of years, I would think.

Senator MURRAY—I assume the change to that pattern has had a marked effect on the cash payment from companies.

Mr Kerwin—It certainly has, but personally I do not have the information. That is one of a number of things which has happened.

Senator CONROY—Can we just look at the results of the first six months of this year. The first four months of data on the cumulative underlying cash balance seem to follow the trend that I described earlier. Can you tell me what the cumulative underlying cash balance was in October 2001?

Mr Kerwin—No, I do not have that.

Dr Watt—We can easily get that for you, Senator. That is not a problem.

Senator CONROY—I just wanted to have a look at it compared to the balance in October 2000 as well.

Dr Watt—Copies of the statements are on the way.

Senator CONROY—Great, thanks. One of the questions I wanted to ask was about cumulative underlying balance in November 2001. I suppose we should wait for those documents to arrive. I will just move on and come back to some questions on that when we have got the documents handy—or have they just become handy. Excellent! So, I was asking about the cash balance for October 2001 and comparing it with October 2000.

Mr Kerwin—I am sorry, Senator, but at the moment I have October 2001 and I don't have October 2000. That is also on its way.

Senator CONROY—Okay, I will come back to that, hopefully. What was cumulative underlying balance in November 2001?

Mr Kerwin—The actual balance reported for the year to date was a \$4.38 billion deficit.

Senator CONROY—And was that roughly the same level as the previous year? I appreciate you may not have that figure handy.

Mr Kerwin—I do not have that here. But there is definitely a pattern in the way these appear as the year goes by.

Senator CONROY—Sure. I was wondering if you can explain the deterioration in the cumulative underlying cash balance between October 2001 and November 2001? It seems to have been heading south rather than north.

Mr Kerwin—I would have to refresh my memory in terms of what is here. The only explanation provided here in front of me is that the \$4.38 billion is consistent with historical trends. That would suggest—and bearing in mind the same comment is made in the October year to date monthly statements—that there are some underlying seasonal things at work here rather than a month-to-month deterioration going on.

Senator CONROY—I have got here a very rough graph. I was wondering I could get a copy for Mr Kerwin. I just wanted to have a chat with you—it is a graphic depiction, in a literal sense.

Senator MURRAY—You propose to table that, do you?

Senator CONROY—Yes, I will table it. I will just turn to Friday's release. What figure was announced for the cumulative underlying cash balance in December 2001?

Mr Kerwin—It was \$6.155 billion.

Senator CONROY—Again, appreciating that you do not have the previous year's figures, can you hazard a guess at whether that is above or below the balance as at the same time last year?

Mr Kerwin—The report suggests that it is consistent with historical trends.

Senator CONROY—But it is a further deterioration from the month previous.

Mr Kerwin—It is a movement from the previous month but, as the report says, it is consistent with what has happened in previous years for that period.

Senator CONROY—It seems to me not quite consistent with the historical trend of the last couple of years. As I said, the graph is very rough. I am trying to get an understanding of why you think it is consistent—last year, in particular. I appreciate there are some changes, as you have described.

Mr Bowen—To take it any further, I think we would really have to have a harder look and come back.

Dr Watt—Perhaps I can make a couple of general points.

Senator CONROY—Sure.

Dr Watt—Firstly, despite the fact that there are broad historical trends you can point to as guidance in these areas, we have had changes that have come with the new tax system in terms of the patterns which complicate the annual picture, as we discussed here without being particularly specific. Secondly, some of those historical trends obviously reflect the starting points in terms of a budget balance. As you can see, in the second half of the year the cumulative surplus grows extremely strongly to an ultimate balance point. Thirdly, you would never put too much precision on month-to-month numbers, as you would appreciate. We are happy to have a look at this in more depth, but we are probably not going to be able to give you a much better answer than that here and now.

Senator CONROY—I appreciate that. The document just says basically that it is on par with the historical trend. I wanted to discuss that issue, but I appreciate what Dr Watt says. Another two months going south and there is going to be a pretty big turnaround to get back up to some of the previous historical positions.

Dr Watt—It would depend very much on how strong those months going north at the end of the year are. I think that is the best way I can answer that.

CHAIR—Is it the wish of the committee that the document entitled *Cumulative underlying cash balance* be tabled? As there are no objections, it is so ordered.

Senator MURRAY—I would like to add to your questions, please, Senator Conroy, because I have a weakness for these sorts of things, as you know. Perhaps when the departmental officers are responding to those questions, they could indicate, if they are able to, what their forecast cash balances are?

Dr Watt—The government has not published an update on its budget forecast since the MYEFO. The next update would be published with the budget estimates in May. We would not be in a position to provide anything other than the MYEFO until May or the budget estimates from May on.

Senator MURRAY—My memory is that the government provided an annual figure—in other words, one pertaining as at the end of June—but I might be wrong.

Dr Watt—We do.

Senator MURRAY—If that is so, it would help to see where the target is on this particular graph.

Dr Watt—If you mean the 30 June figures for previous years, that is certainly easy to do.

Senator MURRAY—Doesn't MYEFO forecast for the coming June?

Dr Watt—It does. If it is a MYEFO number you are looking for, certainly that can be added in. In fact, that would be in our analysis.

Senator MURRAY—That is the government's latest target.

Dr Watt—That is right, and that would underpin our analysis. The question is whether you are asking for anything additional.

CHAIR—It would be convenient for me to invite Senator Murphy to ask some general questions.

Senator MURPHY—Thank you. They are probably insignificant in regard to what Senator Conroy is asking. As a matter of curiosity, they relate to the salary structures. What is the process for setting salary structures within the department?

Mr Suur—We employ people under one of two certified agreements that relate to the department or under Australian workplace agreements. The two certified agreements are one that relates to finance staff as a whole and one that relates to Comcar drivers. As at 11 February this year, 78 per cent of our staff were employed under Australian workplace agreements and the remaining 22 per cent were covered by certified agreements.

Senator MURPHY—Do the salary structures relate to the general APS wage or salary structures?

Mr Suur—Under the certified agreements, they were negotiated at the time. One of the factors that both parties take into account—employees and the employer—is benchmarks elsewhere in the Australian Public Service. In relation to persons employed under Australian workplace agreements, those are negotiated from time to time between the relevant manager and the staff member. We have in the department of finance a remuneration committee which examines every salary increase proposal and which, in a sense, endorses them. The remuneration committee takes into account general salary movements within the Australian Public Service, which we regard as the marketplace within which we work primarily, and information about salaries in the APS as published from time to time by the Department of Employment and Workplace Relations.

Senator MURPHY—I was curious to read some ads in the *Canberra Times* of 16 February. There was a range of ads for a range of departments. What interested me was an ad from the Department of Finance and Administration with a position at an APS 6 level which has a salary range of \$61,000 to \$93,000 per annum. I could not find another APS 6 level in any department that had that sort of salary range. In fact, I could not even find one with a starting range of \$61,000. It seems that most of them, which were consistent across the board, range from \$47,000 through to \$54,000.

Mr Suur—Senator, I think you will find that our approach to remuneration and the way in which we talk about and remunerate people is different from other departments. When we place advertisements, we talk about the total remuneration package that is available to a person. So in those figures that we would use you would have the salary figure, the employer's superannuation contribution figure, which, for the PSS, runs somewhere around 14.2 per cent. You would have provision for performance bonuses. Our salary structure consists of a number of components, one of which is the set salary—the money you bank from week to week—and the other major component in our salary is a variable or performance based component which is, in effect, an at-risk component of salary which is made available to people based on annual performance agreements to recognise the quality of their contributions and the achievement of agreed results.

That component of peoples' salary, by and large, for people under the certified agreement is around 15 per cent. For people on Australian workplace agreements, sometimes it is a little bit higher. But if you deconstruct the package we are offering, if you take out 14.2 per cent for superannuation and, say, 15 per cent for a variable salary component which they may or may not achieve, then you get down to the base salary that we are offering. I think you will find—certainly our data indicates—that, by and large, our base salaries are pitched at market mean within the Australian Public Service. For example, what level were those jobs advertised that you were—

Senator MURPHY—It says here: 'Finance Band C, APS6, \$61,000 to \$93,000'. If I go over to an APS6 in the Department of Defence, it says \$47,314 to \$54,350. And you also have an executive level 1, which you have the same band for. But if I go to the Department of Employment and Workplace Relations it ranges from \$62,000 to \$67,000. If I were to go to the department of environment, executive level 1 is \$60,000 to \$67,000. The University of Canberra is probably not a good example. ANSFA APS level 6 is \$46,000 to \$54,000. That seems consistent across most departments. I understand you are saying, 'We offer a total remuneration package with 14.2 per cent super and 15 per cent'—what was the 15 per cent, if you could just tell me again?

Mr Suur—Fifteen per cent variable pay or potential maximum performance bonus.

Senator MURPHY—That is a performance bonus?

Mr Suur—That is the potential maximum performance bonus.

Senator MURPHY—So one assumes that that is based on performance and you get that if you perform.

Mr Suur—Well, you get something short of that except in fairly good circumstances.

Senator MURPHY—You are telling me your ad that says 'behind every well-oiled machine there is a high performance team', and it seems to me that they are well-oiled as well—

Senator MURRAY—I thought well-oiled meant having a lot to drink, didn't it?

Senator MURPHY—You could buy a lot to drink with that. That \$61,000, to me, is like a base. So what is \$61,000? Do I take off 14.2 per cent and 15 per cent?

Mr Suur—We advertise in total remuneration terms. Some departments and agencies continue to advertise a salary figure alone, but we like to show the total potential reward that is available to the employee under our employment structure. You will find that a number of departments do that, particularly for more senior jobs. But there is an inconsistency in the approach of Commonwealth departments and agencies and how they advertise remuneration in their job ads, and the applicant or reader has to be a bit more astute nowadays than they were some years ago when they could compare like with like.

I have some figures here that might help you understand the benchmarking of where we sit in relation to other departments and agencies. You mentioned remuneration at the APS6 level. A remuneration comparison conducted by DEWR for the year 2001 showed that the market mean across the whole of the Australian Public Service for APS6 salary including incentives was \$53,670. The actual mean base salary that Finance paid in that year for people classified at the APS6 level was \$53,342—in other words, some \$328 less. But, when you take into account the actual performance pay that was paid for people at that level in 2002, the actual

average mean salary in the department of finance for an APS level 6 officer, consisting of salary plus actual performance pay, was \$58,987, which is some 9.91 per cent higher.

Senator MURPHY—The ad says ‘total remuneration packages are in the following ranges’. So, if you were a person applying for one of these jobs, you could expect that you could earn, on the minimum, \$61,000 and, potentially, on the maximum, \$93,000. That seems to be a little bit in conflict with what you have just said.

Mr Suur—No, because that figure of \$61,000—

Senator MURPHY—But it does not say that in the ad. This ad tells a number of things but it does not say with regard to the remuneration package that the \$61,000 includes or potentially includes up to 15 per cent in performance pay. I assume that \$61,000 does not include the 14.2 per cent superannuation?

Dr Watt—No, it does include that.

Senator MURPHY—It does include the 14.2 per cent. If we take off the 14.2 per cent, it still does not get us anywhere near the figures that we have just been discussing.

Mr Suur—That is because this is a mean, and what the advertisement shows is the range. In other words it would show the minimum that we would pay in total remuneration terms for jobs at that level within the department of finance and the maximum that somebody could earn in a reward sense in the department of finance. As I said, I think if you look at ads across various departments and agencies you will see the term ‘total package’ or ‘total potential reward’ or ‘total remuneration’ used, and it is understood that when those terms are used it is talking about the total value that the employer is making available to the employee, the major of which is salary, but the other components of which include the employer’s superannuation contribution to, in most cases, the PSS and, in our case, access to performance reward. We are not the only ones who pay variable performance pay in the APS. There are other departments as well.

CHAIR—Thanks for that. Senator Murphy, we have a very tight schedule.

Senator MURPHY—Just so I understand: is the performance pay limited to nothing or is it limited to 15 per cent?

Mr Suur—It can be anything from zero to 15 per cent.

Senator MURPHY—That is interesting because I am not sure how you get it up to \$93,000 with regard to the base pay which you have just described to me.

Mr Suur—That is because the relevant band that you are referring to, which is a Finance band C position, includes not only people at APS level 6 but also people at executive level 2. The average mean salary in the APS for people at executive level 1 in the year 2001 was \$66,890. So our bands are a bit broader than the APS classification, but into each band fit a number of APS classifications.

Senator Minchin—Senator Murphy, if you want a more detailed explanation I am happy to make an officer available later for a more detailed brief.

Senator MURPHY—Yes, I might take that up.

Senator Minchin—Okay.

CHAIR—Thanks, Senator Murphy. Senator Conroy.

Senator CONROY—Turning to the consolidated financial statements. Are they required to be prepared on an accrual basis in accordance with applicable Australian Accounting Standards?

Mr Bowen—As I understand it, there is no absolute requirement for them to be prepared on that basis.

Senator CONROY—Is there a non-absolute requirement?

Mr Bowen—The practice has been to prepare those statements broadly in accordance with the accounting standards as determined by the Accounting Standards Board, but the legislative basis for the statements, I think I am correct in saying, does not specify the standard.

Senator CONROY—Were this year's CFS prepared in accordance with the Australian Accounting Standards?

Mr Bowen—If you turn to page 25 of the consolidated financial statements, you will see a statement of compliance there, signed off by the minister, which says that these statements 'have been prepared in accordance with applicable Australian Accounting Standards' et cetera.

Senator CONROY—It is just that the Auditor-General did not seem to think that they complied. I appreciate the minister is an expert in accounting standards apparently now—

Senator Minchin—I am expert enough to act on advice, Senator Conroy. If the department advises me that they have been prepared accordingly, therefore I am prepared to sign off to that effect.

Senator CONROY—Mr Barrett was on earlier this morning, and I am not sure if any officers were here then and watching, but you would be aware of his Auditor-General's report.

Mr Bowen—Yes.

Senator CONROY—Mr Barrett seemed to strongly disagree that it complied with Australian Accounting Standards.

Mr Bowen—I think, to be accurate, the Auditor-General qualified the accounts on two grounds. He did not say that the statements as a whole were not in accordance with the standards, but he did qualify them on two counts.

Senator CONROY—I accept that. My next question raised the issue of the qualification. Minister, are you happy that your accounts are qualified by the Auditor-General?

Senator Minchin—As I think you know, there has been what I think is probably a long-running debate between the Audit Office and the relevant government departments as to the treatment of certain items. In terms of the two referred to, one is quite technical—and I am happy if officers explain that—about the treatment of taxation revenue. The other one, in relation to the treatment of GST, is one that—as you know and as we have discussed publicly before—just boils down to the fact that the government, as a matter of clear policy intent and in accordance with its agreement with the state governments, treats the GST as a state tax on the grounds that we act as agent for the collection of revenue which is distributed to the states. I listened to the Auditor-General this morning again say that he feels bound to regard it as Commonwealth revenue. We beg to differ. As far as the Commonwealth is concerned—

Senator CONROY—The government can just wave a wand and say, 'Our political policy position overrides an accounting standard'?

Senator Minchin—That is not a political policy position. It is clear government policy in accord with the agreement we reached with the states. I think it is one of the greatest things this government has done. For all the great reform of the Keating years, they were not able to tackle this issue of federal-state financial relations. To have ensured the states a secure and growing source of revenue through the GST is a remarkable achievement. But it clearly is a revenue for the states; it replaces a number of state taxes. It is illogical, even if you wanted to, to regard it as a Commonwealth tax because it all goes to the states and, not only that, it replaces certain state taxes. So I think our position is absolutely and utterly defensible. But I appreciate that the Auditor-General feels bound by some technical ruling relating to the mechanics of the actual collection.

Senator CONROY—You have never worked for Enron with some of those technical rules?

Senator Minchin—I think it is rather facetious and idle to bring the collapse of that company into a debate about our quite transparent, open and accountable treatment of revenue which we collect and distribute entirely to the states as their principal source of revenue.

Mr Bowen—If I could just comment on that, Senator, if you turn to note 42, there is a very clear articulation there of the amount of GST that was collected in the period covered by this report. Under Australian Accounting Standard 31, according to the Auditor-General, it should have been included in the face of the statements. However, the minister has explained the government's position on that. But the disclosure is very transparent, it is very clear at note 42, and I do not think the Auditor-General has made any comment to suggest that there is no disclosure. It is a technical issue of where that disclosure has been made.

Senator CONROY—I will take your reference and I will match it with paragraph 13 of the Audit Report No. 29 where Mr Barrett canvasses strongly his perspective on this. I do not think in a climate where auditing standards are the biggest issue facing the world capital markets at the moment that being fast and loose with where you want to classify revenue—I cannot remember all the words you used a moment ago—is a relevant comparison. Australian accounting standards are based on the principle—although I accept it is not a legislative requirement—of ‘substance over form’. The substance of who collects the tax is that you do, as opposed to what you want to tell people, and Australian accounting standards are based on that.

Senator Minchin—Obviously, I reject the assertion of fast and loose. We made it clear from the outset when we released the policy in relation to a goods and services tax that it would be a state tax, a tax provided entirely to the states that would replace certain state taxes. I really do think in commonsense it is appropriate and right to treat it as revenue for the states and not Commonwealth revenue. We will have to beg to differ with the ANAO.

Dr Watt—There is one other point worth recording—that is, that this transaction is largely budget neutral. It is not as though it has a significant effect on the Commonwealth's underlying cash balance, for example.

Senator Minchin—Senator Conroy seeks to have it regarded as a Commonwealth tax so that the total Commonwealth taxation appears to be a higher amount of the GDP than it is in reality and therefore can go around arguing that we are the highest taxing government—an inappropriate and unsustainable proposition, but I appreciate where you are coming from, Senator Conroy.

Senator CONROY—Substance over form is the basis of the accounting standards.

Senator Minchin—Your form over substance is to falsely portray this government as a high-taxing government.

Senator CONROY—The Auditor-General's report states at paragraphs 52 and 53:

The taxation revenue reported in the CFS is recognised when tax payments are due and payable according to taxation law or upon assessment by the Australian Taxation Office. This accounting policy was also employed in the preparation of the CFS for the 1999-2000 financial year. The policy does not accord with Australian Accounting Standard AAS31, Financial Reporting by Governments, which requires that all of the government's assets, liabilities, revenues and expenses be recognised on an accrual basis in the reporting periods to which they relate, regardless of when cash is received or paid.

This is not some fine technical point that we are arguing; it is an accounting standard, it is an accounting principle and it is the government that is seeking to put form over substance in this particular argument, Minister.

Senator Minchin—I will allow Mr Bowen to respond to that.

Mr Bowen—This is a different issue from the first issue you raised and it is different in substance and form. Here there is a difference in interpretation of the standard. Accrual accounting concepts are being applied in these statements. We are accounting when we recognise the revenue, not when the cash is received. To that extent, I think the Auditor would agree that we are applying accrual accounting standards. The difference of opinion lies in at what point you recognise that revenue. This is quite a difficult issue. The Auditor-General takes what is a very pure position. I am not suggesting that you take an impure position, Senator.

Senator CONROY—As opposed to the minister's impure position.

Mr Bowen—Let me explain what I mean.

Senator CONROY—You are purer than pure.

Mr Bowen—The position taken by the Auditor-General would require revenue to be recognised and hence measured at the time of the economic transactions underlying the generation of the revenue. Our position is that that is a very difficult thing to do and that it is more realistic to recognise the revenue at the point in time when there is a legal obligation for tax to be paid or when the Australian Taxation Office makes an assessment of that revenue. In this case it is purely a difference of opinion about how you interpret the standard.

Senator CONROY—And if a private company tried that same argument out there, how would they get away with it in the markets?

Mr Bowen—That is an interesting point. My understanding is that a company would recognise revenue when it has raised an invoice and there is a debt payable.

Senator CONROY—That is the GST.

Mr Bowen—Which is akin to the position that we have adopted in these statements. I hope I am not contradicting what you are about to say.

Mr Kerwin—No. When a company comes to recognise its revenue it does so, as Mr Bowen was saying, on the basis of invoices which it has issued. When a taxing authority looks to do that there are no invoices. There are transactions occurring in the business community and those transactions are occurring in an environment where the taxation commissioner has to go and find them. So administrative arrangements are put in place. The Auditor-General's view is that we should endeavour to measure those transactions as they are occurring and prior to the commissioner identifying them, and book those as the revenue for

the period. This is opposed to what we are saying, which is that administrative arrangements are probably much more reliable in identifying the revenue. One of the consequences of following the auditor's view would be that year after year there are rather large adjustments that need to be made in the next reporting period because you will never get the assessment of the revenue correct.

Senator CONROY—That is what accrual accounting does.

Mr Kerwin—In this particular instance, the difference of view between us and the Auditor-General is in the order of a couple of billion dollars every year. We have taken a view that that is an amount, particularly in relation to a bottom line and the effect on a bottom line, that could quite likely mislead. Because of that, we are of the view that the more cautious approach, bearing in mind it is fully documented, would be to identify the revenue on the other basis.

Dr Watt—When governments have bottom line or budget balance objectives—and they always do—that kind of volatility through re-estimation of expected tax receipts would be something I do not think any government could live with.

Senator CONROY—I appreciate that this government certainly could not live with it. But the smoothing type arguments, and the massaging of bottom lines, are very live debates out there in the broader community. The point the Auditor-General is making is that there is a fair bit of massaging going on here that he thinks you should be copping. You should not be trying to massage it by removing those elements.

Dr Watt—I do not think that massaging is the way that you should look at it, or the way it should be looked at. If, for example, the government was moving backwards and forwards between standards, you might want to talk about that. But what the government has is a consistent standard. It is different from the Auditor-General's preferred model. We think the differences are reasonable, particularly when we say that the alternative would introduce a level of volatility that would be very difficult for anyone managing a budget to accept. I would reflect also on the timing of recognition. I am not an accounting expert on the timing of recognition of revenue, but if my memory serves me correctly, one thing companies have to be very careful of is not to recognise revenue too early.

Senator CONROY—That underlies a judgment that the Department of Finance and Administration has been involved in over recent years—another live debate.

Dr Watt—I am sorry?

Senator CONROY—Lease-backs—when you recognise revenue coming in and expenses going out. It is an outsourcing issue that there has been a debate about.

Dr Watt—I think that is quite a different issue in the sense that sale and lease-back transactions may make very good economic sense. They are about much more than just revenue recognition.

Senator CONROY—They are about when risk is transferred and things like that.

Dr Watt—The issue of risk transfer is one that the public sector as a whole has had an issue with. It is not necessarily the Commonwealth; it has affected all governments at all levels.

Senator CONROY—There was a recent case.

Dr Watt—It is a very vexed and complex issue.

Senator CONROY—It is. The Auditor-General's report does state that the policy adopted in the CFS differs from that adopted by the ATO in its annual report, where taxation revenue has been recognised on the accrual basis. How do you get around the inconsistency that the ATO seems to be able to recognise it and deal with it?

Dr Watt—That is an issue you would have to take up with the ATO.

Senator CONROY—You do not think there is a problem with having the ATO say, 'We can do it, we're fine, we can manage it,' yet your department say, 'No, it's all too hard for us.'

Dr Watt—I do not think we are saying it is too hard.

Senator CONROY—You are saying it is too politically unpalatable. That was the point you were trying to make.

Senator Minchin—I do not think that was the point, either. I think that is an unfair suggestion.

Senator CONROY—He said that no government of any persuasion could live with it.

Dr Watt—I think I said that governments generally find it hard to live with. I think there is a difference in objectives between the department responsible for the government's overall operating statements and accounts and the ATO. What we or others might see as important in terms of the overall accounting framework, the ATO might see differently. That is perhaps the best explanation I can offer. There are differing perspectives in this and people will say that different things are of different importance.

Senator CONROY—These are the people who collect the tax. They are able to do it.

Dr Watt—They are responsible for only part of the equation.

Senator CONROY—They are not in charge of massaging the bottom line, I suppose.

Senator Minchin—Again, that is another inference. We are on about responsible budgeting. The way in which we ensure responsible budgeting for the nation in a very open and transparent way determined the way in which we interpreted the standard to ensure responsible budgeting, which we have delivered.

Senator CONROY—Minister, have you had a chat with the ATO and explained to them the error of their ways?

Senator Minchin—That is not my responsibility, and they can choose their own way to operate.

Senator CONROY—Have you written to the minister responsible?

Senator Minchin—As the department responsible for sustainable government finances and responsible budgeting, we are satisfied with the way we have interpreted that accounting standard. We have been very open and transparent in the way we report how we treat it.

Senator CONROY—I want to refer back to Mr Watt's comment earlier. The Auditor-General also comments on the financial effects of employing your accounting policy. He states that the effect is that the result for the year is overstated by \$9.1 billion. You seemed to think that there was not much change in net terms. He seems to think there is a \$9.1 billion difference. I appreciate that there is a couple of elements involved. There are some fairly important implications for the budget position.

Dr Watt—I do not have the Auditor-General's material in front of me, but if you look at the Commonwealth financial statements you will see the difference on the underlying cash

measure in this financial year was a matter of a few million dollars. That is the one we draw to attention in our notes to the accounts.

Senator CONROY—So the Auditor-General is just wrong?

Dr Watt—No, he may be using a different measure. I do not have his report with me. There may also be a different interpretation. Without looking at the report we cannot say. But if we might perhaps come to where Mr Bowen started, I think the important thing is that the Commonwealth's accounts are fully disclosed and there is full transparency there. I think that is extremely important and I think that is something we are all agreed on.

Mr Bowen—There is transparency and consistency year by year. So if there is a variation one year—

Senator CONROY—I accept that the minister is consistently misrepresenting the level of taxation in this country. It is a consistent misrepresentation.

Proceedings suspended from 12.30 p.m. to 1.34 p.m.

CHAIR—I call on Senator Conroy to continue with general questions.

Senator CONROY—We were talking about the Australian Taxation Office and their willingness to recognise the revenues. I understand, according to the Auditor-General, that it is also the policy used in financial statements for the Department of the Treasury. Earlier, you were an advocate of consistency among government departments. Have you tried to coordinate any discussions with the ATO, Treasury and yourselves about common accounting standards and harmonisation across the three agencies and departments?

Dr Watt—I am not aware of any discussions, but I will look to my officers to see whether there have been any. No, they are looking back at me signalling no.

Senator CONROY—Are you are feeling out of step with the major agencies involved in this issue?

Dr Watt—I do not think I feel out of step. I think the difference in treatment acknowledges that there are differences in this area, that there are technical issues and that there is room for more than one interpretation.

Senator CONROY—So you do not believe harmony of standards in this area is helpful to the broader community to be able to gain an easier understanding, rather than flicking through three different technical definitions—sorry, your technical definition and the one that everybody else has to follow?

Dr Watt—I think harmonisation is certainly always helpful. It is not an issue that has come up. The difference in standards has not, to my knowledge, come up as far as we as a department are concerned. Again, I will look to my advisers.

Mr Kerwin—The situation we have here is the application of a common standard, which is the Australian accounting standards. However, as I think was mentioned before lunch, we have a different interpretation. The interpretation will be affected by the nature of the reporting entity. The Treasury and the ATO are very much aware of all the arguments around both ways of recognition of revenue and we are very much aware of their thinking on these matters.

In terms of coming back to ourselves from a whole of government point of view as the reporting entity, one of the things that necessarily drives us is a need to observe the nature of the balances that will come out and how stable they are, because there is an intention that, at

the end of the day, the consolidated financial statements are comparable with the final budget outcome, for instance. So there is an intention that bottom lines would not move around too much or unnecessarily, and it raises the expectation on what is a reliable measure, I would think. In accounting there is a term called 'reliability of measure'. In the application of this particular standard on revenue recognition, we believe that we are at a point where the level of reliability that we need requires this type of approach to recognition.

By way of example—because this ties back to just before we went to lunch when we were talking about the \$9.1 billion—with the \$9.1 billion, there are two sides to that comparison. There is the side that we report and there is the side that the Auditor-General views as being the revenue. When that comparison is done, the side that we pick is something which is much more stable and closer to the cash flows and it will not be adjusted next period. The value that the Auditor-General is using is an estimate of what those transactions are out in the broader community. The value that would be used from that perspective is one that has to be adjusted every year. Going back into the past, the tax office has, for instance, had to make adjustments in the order of \$2.6 billion, \$1.1 billion, \$2.7 billion and even more than that—even over \$4 billion. We believe that there is a level of unreliability there of itself and also when you go to bottom line aggregates, and that to report and recognise revenue that way would make things too difficult from a whole of government point of view.

Senator CONROY—So even though the tax office is able to cope with those fluctuations or lack of stability, you believe that their figures are too unreliable for the whole of government approach.

Mr Kerwin—I think so.

Dr Watt—It is also important to distinguish between the accounts of an agency, which are one thing, and the accounts of the Commonwealth as a whole, which is the perspective from which Mr Kerwin was talking. That is why we put more stress on the lack of variability in the estimates.

Senator CONROY—Are there any other revenue streams that you think are unstable and should be accounted for in this method?

Dr Watt—No, it is not a choice by revenue stream. We adopt this approach consistently across all sources of revenue. So it is not just that we say, 'We do not like this one or that one or we want to do something different here.' It is a consistency of approach across all revenue sources as far as I am aware. Am I right?

Mr Kerwin—Yes.

Senator CONROY—The tax office, Treasury, the Auditor-General: you are not feeling lonely?

Senator Minchin—Ask them.

Senator CONROY—Does anybody else account for this in the same way as you? Are you Robinson Crusoe out there?

Mr Kerwin—We were saying before that the private sector accounts for it in very much the same way as we are accounting for it here. They do not simply rely on the underlying economic transaction without something concrete such as an invoice, effectively an assessment of the amount of revenue earned. That is the closest comparison that I can give.

Dr Watt—To go back to your desert island comparison, Senator, we are talking about the Commonwealth's consolidated financial statements here, not the agency by agency state-

ments. So they are, by definition, unique because there is only one set of them rather than a multiplication of agency sets.

Mr Kerwin—The last I heard, the tax liability method, which is the method that we use for whole of government, is the method used, usually in some form very similar to that, in other countries. The economic event method is not used in other countries. So we are following an approach which is, on a global basis, widely used and in that context—

Senator CONROY—I thought we were trying to be cutting-edge, getting out there in front in transparency and making it easy for people to understand. One of the reasons that we could be pursuing this argument is that we are trying to be out there in front.

Mr Kerwin—The purpose of doing what we are doing is to get a reliable measure. I would suspect that these other countries would also believe that it is way too difficult to get reliability within the range that we would look for in trying to do estimates of economic events and the tax consequences of those events.

Senator CONROY—What is the range of reliability?

Mr Kerwin—From an audit point of view, the Auditor-General probably works on something around plus or minus five per cent. On \$170 billion, that is a very big figure.

Senator CONROY—And your range of reliability is?

Mr Kerwin—We do not come anywhere near that because we use a measure which is much closer to the cash, and it is very reliable.

Dr Watt—In this case we are talking about not the difference in the reliability of the particular estimating method—that does not mean that both of them will not change for other reasons—but this is just the reliability of the particular estimating method. That is why we believe we are closer to the final outcome with the cash numbers.

Senator CONROY—In terms of total government, you are saying taxes sometimes move things by \$1 billion. That is not a lot in terms of the overall size of what we are talking about, is it?

Mr Bowen—It was more like \$2 billion and up to \$4 billion.

Mr Kerwin—It has been up to \$4 billion, it has been \$2.7 billion, \$2.6 billion, \$1.1 billion.

Senator CONROY—What is that as a per cent? Where does that fall in the percentage category?

Mr Kerwin—It probably goes up to around three per cent.

Dr Watt—The question that you have to ask is: do you want to introduce an additional source of variability of that order of magnitude? We have some very large numbers on both sides of our accounts and they will vary for a variety of reasons—everything from changes in the underlying economy all the way through to the fact that some program specific parameters are important ones and can vary over time. What we would be saying is that this is an additional source of variability over and above everything else that is already there. That is why although in one sense it might not look big compared with the overall size of the accounts—because this is additional on top of everything else, because that will be reflected in similar variability in the bottom line—in the budget balance, which is the small thing after you take away both sides of those accounts, you would see a great deal of variability.

Senator CONROY—I want to move back to the consolidated financial statements. You previously confirmed that the CFS was tabled on 21 December 2001. Was that in time to comply with section 55 of the Financial Management Accountability Act?

Mr Kerwin—The compliance under section 55 is in relation to presenting statements to the Auditor-General. That was not complied with.

Senator CONROY—That was not, did you say?

Mr Kerwin—Yes, that is correct.

Senator CONROY—Section 55 requires that, if the finance minister has not given the statements to the Auditor-General within five months after the end of the financial year, the finance minister must table in parliament a statement of reasons. What was in that statement of reasons?

Mr Kerwin—The tabling of the explanation occurred on 4 October. In part it read:

... the election process significantly impacted the finalisation of the statements. As such, I have not had adequate opportunity to review the draft financial statements given to me by my department before providing the statements to the Auditor-General. The following dates were important in the process of providing these statements. There was the election on 10 November. Statements were presented to the Auditor-General on 10 December. The Auditor-General provided his opinion on the on 18 December and the minister signed the certificate on statements on the same day.

Senator CONROY—In relation to the tabling of other financial statements in parliament, the Auditor-General found in paragraph 42:

... most major Commonwealth entities preparing financial statements do not meet better practice standards. Nevertheless, there has been a slight improvement in the average time taken to prepare a financial statement over that achieved last year. However, the performance of individual entities in preparing the financial statements has been mixed, with some entities improving and others deteriorating.

Is the delay due to agencies taking longer to prepare accounts? Is that the major factor or is it ministers taking longer to table reports?

Mr Kerwin—With the last set of statements, we have a timetable that looks for a signed set of statements by 15 September—that is, all declared statements. All entities met that with the exception of one. In meeting timetables and in coming to terms with the requirements to produce accounts within accounting standards, all agencies have moved, over the last couple of years, down the track relatively well. They have put financial systems in which helped them to do that and have bedded down or are continuing to bed down those systems.

Senator CONROY—So they were prepared in time, but it seems the tabling date blew out a bit? I presume the only step in between those two is that the minister has involved his officers.

Mr Kerwin—What we had were circumstances where one of the departments—a significant department—still needed to present its statements for final audit clearance, and it took some period of time to do that.

Senator CONROY—Which department was that?

Mr Kerwin—The Department of Defence.

Senator CONROY—There are a million jokes, but I will move on. During the Senate estimates committee hearings in May 2001—and I appreciate there are probably not too many of you who survived the churn—Senator Sherry asked whether your department had done any

work on costings of opposition policies during the parliamentary term. Dr Boxall replied no. Does that ring any bells with anybody? Mr Bowen is nodding, I think.

Dr Watt—We are familiar with the issue.

Mr Bowen—Yes.

Senator CONROY—Dr Boxall indicated that under the Charter of Budget Honesty it only costs opposition policies if asked to do so. Is that correct?

Dr Watt—Yes, that is correct.

Senator CONROY—Has the department been asked to prepare costings of opposition policies since that time, since the estimates? I am looking to the period between that time and when the election was called, as opposed to the obvious work that has to be done under the Charter of Budget Honesty.

Mr Bowen—The answer is no.

Senator CONROY—So you were not asked to prepare any?

Mr Bowen—No.

Senator CONROY—Did you actually prepare any?

Mr Bowen—No.

Senator CONROY—I want to briefly flash back to our discussion on the advantages of accrual accounting. Can you explain the difference between the concepts of underlying cash balance and the fiscal balance or accruing operating deficit? I get a bit frustrated that the media sort of bounce them around; they do not seem to have any consistent reporting.

Mr Prior—If I try and explain it without getting into too much technical detail that might help?

Senator CONROY—Sure.

Mr Prior—Fiscal balance is an economic measure which attempts to emulate the savings and investment components of the national accounts or the contributions to the savings and investment components of the national accounts. The fiscal balance comprises, in essence, the result from recurrent activities, and, added to that, the result of activities associated with capital, so proceeds from sale of capital and acquisition of capital. Combining all those gives you a fiscal balance. And that is an accrual measure, so it is in terms of economic transactions as they occur, as opposed to when the cash is received. Underlying cash tracks cash in the same way, following the same theme.

Senator CONROY—Do you think it is more correct to refer to the fiscal balance than to the cash balance? Do you get frustrated that the journalists keep focusing purely on the cash balance when you have gone through all this trauma and tried to introduce this modern management and that sort of thing?

Dr Watt—I think there is a place for a number of measures. We would hope that they would be used consistently, and clearly identified, because it does not help anyone if people swap backwards and forwards using numbers without names, for example. As Mr Prior said, there is a place for the fiscal balance; there is a place for underlying cash—it measures something different. That, I suppose, is one of the points about the move from the accounting system we had pre-1999 to the one we have now. There is a lot more information in this system, and there are times when it makes sense to draw on the full panoply of that information. Having said that, people also sometimes find the additional information difficult to handle.

But for people who are analysts that should be a strong advantage. We would always hope they would be used with attribution, and sensibly.

Senator CONROY—That is what we think most of the time. What measure more correctly reflects the true financial position of the Commonwealth? I am defining that as the ability to sustain government expenses in light of taxation and other revenue, which is a slightly different way of saying what Mr Prior might have said.

Mr Prior—The question you ask is which is the—

Senator CONROY—Which more correctly reflects the true financial position? I am defining that, as I said, as the ability to sustain government expenses in light of taxation and other revenue.

Mr Prior—I would reiterate what the secretary just said: there is a number of measures, and as far as we are aware analysts utilise all those measures. There are balance sheet measures as well, net assets that analysts refer to—a range of measures. As far as I am aware, they are used at different times in different ways.

Senator CONROY—You must have gone through all this pain for a reason—because you felt there was a better measure.

Mr Prior—No. As the secretary said, it was to provide additional information.

Dr Watt—There is a better way of putting that. If we move to our simple private sector analogy, there is no one measure of the sustainability of the private sector firm. People look at the profit and loss statement and at the balance sheet, and people work their way through different ratios in the balance sheet or the profit and loss and say that this or that matters. My simple take on that is, when trying to answer a very complex question like sustainability, that you would probably look at both profit and loss and balance sheet measures, and you would probably look at more than one. Again, different things provide different input into that judgment. It is not a simple judgment, so you would never say, ‘This is the one thing; I will look at this.’ You would probably look at a range of things. I appreciate that is not a very satisfying answer in some ways, but I think it is the right one. There is no simple measure.

Senator CONROY—An article in the *Financial Review* recently said that ‘the cash balance would be more easily manipulated than the accrual results’. One of the examples they quoted was the sale and lease-back of property; we have already briefly touched on that. Do you think that is a true statement?

Senator Minchin—It was certainly true in your time in government, Senator Conroy, when the proceeds of asset sales were put straight to the bottom line. That is something we do not do, as you know.

Senator CONROY—Sorry, Dr Watt—now that the minister has finished?

Dr Watt—I honestly do not have an answer for you, Senator. It is not something I have reflected on. My officers might have something to add.

Senator Minchin—You are straying into asking opinions that are outside the remit of officials whose job it is to supply the parliament and people of Australia with information.

Senator CONROY—I thought the Department of Defence championed the introduction of accrual accounting. I am trying to find out whether this is one of the reasons.

Senator Minchin—On the basis, as has been said, of giving more information on which others can make opinions or come to conclusions. You are free to come to your own

conclusions based on the information now supplied, which is in much more detail than was supplied by the previous Labor government. You can reach your own opinions. I think that asking officials to be drawn on opinions is beyond their remit.

Senator CONROY—So you do not have any view on whether or not it is easier to massage, manipulate—choosing a word that was used in the article.

Senator Minchin—A neutral word!

Senator CONROY—I am looking for a neutral word. Thank you, Senator Minchin; any suggestions? Is there a thesaurus available?

Mr Bowen—Senator, the key thing is the increased transparency that you get by introducing these measures. If there are asset sales that are treated in a particular way, then it is quite transparent. But saying that it is easier to manipulate a cash measure than an accrual measure is not correct because there is far less judgment to be made about a cash measure than there is about accrual measures. In fact, accrual measures are highly judgmental in many cases—we were talking about some of the judgments earlier. They were judgments made in relation to accrual measures, not cash. The beauty of cash is its simplicity and its objectivity. It is completely objective.

Senator CONROY—Did you at any stage have a chat with Dr Boxall about these views before he sent us down this wild goose chase?

Mr Bowen—The disadvantage of cash is that it does not necessarily pick up issues that you do pick up in accruals relating particularly to emerging liabilities and the creation of assets. So you need both, and I do not think you can say that one is better than the other—they are complementary.

Senator CONROY—I understand that you provide guidance material to agencies and departments on outcomes and outputs? The ANAO produced a report last November identifying limitations with the performance information in all 10 of the agency 2000-01 portfolio budget statements reviewed. Are you aware of that report, Minister?

Mr Bowen—Was it a JCPAA report?

Senator CONROY—It is an ANAO report.

Mr Bowen—Yes, we are aware of that report.

Senator CONROY—The Auditor-General concluded in paragraph 25 that:

Because of the weaknesses in the agency outcomes and output performance information and targets, the ANAO found that it would be difficult for Parliament to determine the extent to which agencies had achieved their outcomes and outputs. It is also difficult to track performance over time towards expected outcomes.

What advice have you provided to agencies and departments on determining and describing their outcomes and outputs?

Mr Prior—It is my understanding that when agencies want to define their outcomes they liaise with our department, but we do not prescribe what those outcomes should be—we provide some advice.

Dr Watt—We provide guidance. The framing of outputs and outcomes is a matter for the agencies' chief executive in consultation with the minister. That is most important in relation to outcomes, which are, after all, if memory serves be correctly, the minister. So while we can

provide and have provided guidance, it is really a matter for the agency and the minister concerned.

Senator CONROY—Will you be reviewing your guidance material in light of the findings of the ANAO report?

Dr Watt—I am not aware of whether we would do so in light of this specific ANAO report, but we are looking at this issue as part of a paper that is being prepared by the management advisory committee looking into resources and budgeting issues. That will be one of the things that we will be looking at. But, again, that paper would only provide guidance and suggestion. It is a matter for the agencies and ministers concerned.

Senator CONROY—Could you fill me in on the management advisory committee? I don't remember seeing it in your flow chart.

Dr Watt—No, it is not something in the Department of Finance and Administration. If memory serves me correctly, the management advisory committee consists of the departmental secretaries and the heads of the four or five major agencies in the Commonwealth government. It produces reports from time to time. It did one recently on performance management, which came out in the middle of last year, and it has a number of others on the way.

Senator CONROY—I do not know whether you heard, but the Inspector-General made a few comments about this particular issue earlier.

Dr Watt—Yes.

Senator CONROY—He indicated that he had written to your predecessor—

Dr Watt—And the Inspector-General has written to me.

Senator CONROY—And yourself as well? I believe he was going to table that. I think 'gobbledegook' got into the conversation somehow. He said he would have every sympathy with senators who had to wade through this financial reporting gobbledegook.

Dr Watt—I did not see the Inspector-General's comments, so I cannot comment on whether or not that word is appropriate.

Senator Minchin—I think Senator Conroy used the word 'gobbledegook'.

Senator CONROY—Putting aside the 'gobbledegook', is that the sort of sentiment in the Inspector-General's letter?

Dr Watt—He certainly raised the issue of whether it was possible to do things in a simpler manner. This issue is longstanding. It pre-dates the overall move to the new budget framework in 1999. The annual report, which I think is what he is referring to, has been on an accrual basis for the order of a decade, so it is not a new issue. This is where we might find ourselves on different sides of the previous debate. What the Inspector-General is doing, as I understand, is no more than following the accounting standards and whatever he is producing is fully consistent with those accounting standards. In a sense, it is the accounting standards that drive him more than anything else.

Senator CONROY—I am not quite sure that that was the point he was trying to make. I got the impression that it was more having to come out with outputs and outcomes and then having to apply those accounting standards to what were new categories, if you like—that is a very simplistic way of describing it.

Dr Watt—Again, I did not have the benefit of his advice, but I have heard him talk previously about the length of the report he is required to prepare and that, as far as I understand, is not a reflection of the outcomes and outputs statements that he is required to do. After all, as a small agency, it would be possible for him to have an extraordinarily simple output and outcome statement. It would literally be one outcome and I would assume a very limited number of outputs feeding into that outcome. That, at least from this remove, may not be a problem but, having not looked at his agency report, I cannot be sure. Perhaps I ought to stand back and say again that it is sometimes argued that certain things should be done to help small agencies by way of a simplified accounting format. The question you are then asking is: should the agencies report in line with accounting standards, or not? That is the issue.

Senator CONROY—I trust you make them follow the accounting standards.

Dr Watt—We do not make them do anything, Senator.

Senator CONROY—I trust you advise them and guide them to comply with Australian accounting standards.

Dr Watt—To go back to the MAC report, we will be looking at ways of seeing whether we can simplify the accounting task for agencies. It is an issue that we have under notice and it is something that we will look to pursue in the future. Whether we will make big strides in that MAC report remains to be seen. This is not just the accounting standards per se but also various aspects which the Commonwealth's own internal accounting framework makes agencies do which may never appear in those accounts. As a general principle, I think you can say that finance is sympathetic not just to transparency and accountability but also to simplicity, but there are conflicting principles there.

Senator CONROY—I am intrigued by this management advisory committee.

Dr Watt—It has a long and distinguished history.

Senator CONROY—I am looking forward to learning all about it. It is new to me. Can you tell me who is on it?

Dr Watt—Every departmental secretary in the Commonwealth, plus heads of the large agencies—the CEO of the tax office, Customs, Centrelink, the ABS from memory, and I may have left someone else out. It is chaired by the Secretary to the Department of the Prime Minister and Cabinet. Over the years, it has done a lot of work in a number of areas, including the financial reporting framework of the Commonwealth. I first remember seeing its work done in the days when Mike Keating was the Secretary to the Department of the Prime Minister and Cabinet.

Senator CONROY—Have you been on it?

Dr Watt—I have been a member for the last 12 months, but not before that.

Senator CONROY—How does it function? Does it put out discussion papers, write reports?

Dr Watt—It discusses issues of common interest in relation to, for example, the financial performance framework under which we all operate as agency heads. It produces discussion papers from time to time. Some of the more seminal ones were the 'beyond bean counting' ones of the late 1990s. I see that it put out one late last year on how to use performance management as a management tool in the APS and what is done. It is quite a useful study both of benchmarking and options for managers. It has two or three others currently under

development, one of which deals with budgeting resources. As Secretary of the Department of Finance, I have just inherited that particular subcommittee.

Senator CONROY—How does it work? Do you take submissions? Do they have to be solicited?

Dr Watt—No, the—

Senator CONROY—Is the Inspector-General's a report or a letter?

Dr Watt—The Inspector-General's letter is certainly something that has been considered by that MAC subcommittee dealing with resources and accounting framework. We were aware of his issues. He also, as you said, wrote to my predecessor, and he had some material in his annual report along the same lines.

Senator CONROY—Are you on this subcommittee at the moment?

Dr Watt—Yes, I am the chair of it.

Senator CONROY—The last report?

Dr Watt—The last report was done by a different subcommittee. It was a subcommittee chaired by the Secretary of the Department of Agriculture, Fisheries and Forestry, and that was, say, on performance management.

Senator CONROY—Are there a couple of different subcommittees, or are they just formed ad hoc?

Dr Watt—They are formed ad hoc to deal with issues as the group of secretaries think appropriate to be dealt with.

Senator CONROY—When was this, and could you give me the membership of this existing subcommittee?

Dr Watt—The committee was formed about 12 months ago.

Senator CONROY—Have you been on it since it first started?

Dr Watt—By coincidence, yes. I was on it in my previous position as well, by coincidence. This current subcommittee consists of me, the Secretary of the Department of Agriculture, Fisheries and Forestry, Mike Taylor; the Secretary of Foreign Affairs, Ashton Calvert; the Secretary of the Department of Family and Community Services, Mark Sullivan; and, the Secretary of the Department of Communications, Information Technology and the Arts, Helen Williams.

Senator CONROY—How often do you meet?

Dr Watt—Again, this is a subcommittee designed to produce a report—so, as needed. We have a working group that works underneath us and has been developing this over time, reporting back to us. We have been overseeing that process. Once we are in a bit better position and we are comfortable with where we are, then the paper would, before it was published, be considered by the full management advisory committee.

Senator CONROY—Are submissions taken beforehand?

Dr Watt—No.

Senator CONROY—How do people on the grapevine know that you are having a look at an issue and that you want them to send in their views?

Dr Watt—It is a process internal to the Commonwealth, but there was a process which involved the team doing the work—the real work.

Senator CONROY—Who is the secretariat provided by?

Dr Watt—I think the secretariat is provided by the PSMPC formally.

Senator CONROY—Prime Minister and Cabinet?

Dr Watt—No, the Public Service and Merit Protection Commission—I think that is correct—and the working group has people from a number of agencies on it, including a couple from the Department of Finance and Administration. My colleague Mr Bowen is the chair of the working group—or he has just become the chair of the working group; that might be the best way to put it. It has gone through a process internal to Commonwealth, in that members of the working group have had discussions with the CFO of each department and agency on that, and also the CEO, I think, of most. I am not sure that every secretary has been able to be interviewed.

Senator CONROY—Was a formal letter sent around? What was the process?

Dr Watt—I think the subcommittee was convened by MAC itself, and so secretaries and CEOs were aware of its work. Whether there was a formal correspondence between the working group and the CEOs and CFOs, I am not sure. In my case, I was contacted by the then head of the working group, who asked to come and see me with a couple of his officers. We sat down and had a yarn over a cup of coffee.

Senator CONROY—Was that process gone through with each—

Dr Watt—Certainly the opportunity was with each secretary. Whether each secretary was able to spare the time, given their other commitments, I am less sure. But the idea was to be in contact with a large number of CEOs and CFOs to get the agency's view on what bits of the budget and resourcing framework were working well, where there might need to be adjustments and so forth.

Senator CONROY—Did the Inspector-General hear on the grapevine?

Dr Watt—I do not think the Inspector-General—

Senator CONROY—His was just a general frustration.

Dr Watt—I do not think he was specifically consulted but, as I said, we are very aware of his views. I certainly heard them on *AM* one morning, and so I was very aware of them.

Senator CONROY—Were any other submissions or correspondence received by the subcommittee or the MAC?

Dr Watt—That is something I am not able to comment on. There may have been, but I do not know.

Senator CONROY—You just do not know, or is it that you are not allowed to comment on it?

Dr Watt—No, I honestly do not know. Again, it was a process internal to the Commonwealth. We did not seek external submissions. This was very much a process of getting the views of Commonwealth CEOs and CFOs on the Commonwealth's accounting framework and what needed to be done. It was, as I say, very much that process. The ANAO has also been aware of the work we have done and it has been consulted on a number of issues, as part of the process.

Senator CONROY—What are the subjects?

Dr Watt—I think there are a number of different subcommittees at work.

Senator CONROY—I think you said there were two that MAC is looking at; and then there is the subcommittee.

Dr Watt—There is MAC itself. The subcommittee is working on budget resources. There are one or two other subcommittees. One that I am aware of is a project on organisational renewal, which is getting under way. I am not aware of its direction or exactly what some of the issues are—although, again, since I have become Secretary of the Department of Finance, I have been told that I am a member of the subcommittee. But that is at an earlier stage than the budget and resourcing one.

Senator CONROY—What was the title of the subcommittee?

Dr Watt—Organisational renewal.

Senator CONROY—Sorry, the other one.

Dr Watt—Budgeting and resources, or something like that.

Senator CONROY—Budgeting and resources. So that is things like accrual accounting.

Dr Watt—Yes, very much dealing with the Commonwealth's accounting budgeting framework.

Senator CONROY—Is the report complete?

Dr Watt—No, it is still being worked on.

Senator CONROY—When do you expect the completion of that one?

Dr Watt—Soon. It is something that is pretty high on my priority list. There are a few things competing with it, but it is pretty high on my priority list—and of those who have been working on it for a while.

Senator CONROY—There have been no reports or written material supplied or a follow-up to discussions?

Dr Watt—No.

Senator CONROY—So it has almost all been verbal?

Dr Watt—That I am less sure of.

Mr Flavel—My recollection is that a questionnaire was sent out to agencies. So, if you like, that questionnaire was augmented with visits by the then General Manager of Budget Group to agency CEOs and CFOs to, in effect, get a bit more of a discussion going. So, on the one hand, you had the questionnaire to try and encompass as many views as possible, and then there was talking to relevant senior people as well.

Senator CONROY—Did everybody return the questionnaire?

Mr Flavel—I would have to check on that; I am not sure.

Senator CONROY—Most?

Mr Flavel—I think it was most, yes.

Dr Watt—Again, I think we got a pretty broad cross-section of Commonwealth views from the people—

Senator CONROY—The agencies, the views of the agencies?

Dr Watt—Yes, and departments—both.

Senator CONROY—Agencies and departments.

Dr Watt—Yes.

Senator CONROY—Is there a flavour to the views they expressed?

Dr Watt—I think I would be jumping ahead to talk too much in detail about it, seeing that there is still work under process. I think the general view was that most agencies are broadly comfortable with the new accounting framework. They have got through to transition period. They are starting to see some of the benefits of it. But they can also see areas where they would like to see some changes made at the margins. That is not surprising and it is what you would expect after a change of this order of magnitude. The accounting framework, I think it is important to realise, is not something you put in place today and it sits there for 30 years unchanged. You would expect it to evolve over time and you will need to look at it over time. I suppose, if one were to look at the accounting framework under which the private sector operates now and go back 15 or 20 years, you would find that it has evolved quite a lot. That again is not surprising.

Senator CONROY—The subcommittee has not finalised its report to go to the MAC yet?

Dr Watt—It will go to the full committee of MAC for discussion. They may have some comments to make, they will have some views, they may want to shape it in some areas and they may want some further work done.

Senator CONROY—So that report has not been completed by the subcommittee?

Dr Watt—No.

Senator CONROY—It has not gone forward yet?

Dr Watt—No.

Senator CONROY—So no recommendations have been proposed yet?

Dr Watt—It will include some things. But, again, as it is in draft form, I do not think it is fair for me to comment on it at this stage.

Senator CONROY—I appreciate that it is in draft form, but are there any major changes recommended or that you perceive may be recommended? You said that it was only at the margins that the departments and agencies were commenting.

Dr Watt—I think I would say that there is some quite useful tidying up that can be done as part of that report. Are we revolutionising the existing budget framework in that report?

Senator CONROY—You have not decided to toss it away and start again?

Dr Watt—We certainly have not decided that.

Senator CONROY—You are not a new broom that has come in to clean up the mess from Dr Boxall?

Dr Watt—I think that is very unfair to Dr Boxall. It presumes he left a mess behind.

Senator CONROY—I was not trying to be unfair to Dr Boxall. Okay, useful tidying up.

Dr Watt—Yes.

Senator CONROY—Do you have any idea when that report will be released? Are these reports going to be released publicly?

Dr Watt—Yes, they are released publicly. And no; but I would hope it will be over the next few months, the pressure of other work permitting.

Senator CONROY—The budget is going to get in the way, I would imagine.

Dr Watt—That is a problem not just for my agency but, of course, for many agencies whose CEOs and CFOs get heavily involved in budget work over the next few months.

Senator CONROY—Thank you for that. As I said, I had not heard of them before, and so I was just interested in what they get up to. The document ‘Issues from the Advance to the Finance Minister as a Final Charge for the year ended 30 June 2001’ was tabled last Thursday in the House of Representatives. Under Appropriation Act (No. 1) 2000-01 and Appropriation Act (No. 3) 2000-01, the minister advanced \$95 million to eight agencies. What criteria are used to determine when an advance is made under these acts?

Mr Kerwin—There are two criteria. One is that the matter must be unforeseen, and unforeseen at the time of a budget coming together. The other one is that the matter is urgent, meaning that the agency with respect to that particular outcome does not have the cash in order to meet the payment; but it is consistent with the outcome.

Senator CONROY—And there is a catch-all in reversing an error or something like that?

Mr Kerwin—Not normally. Normally, it is to do with where there are requirements for expenditure that are driven by something or other, like natural disasters and things like that.

Senator CONROY—I was just looking at some of those big items: \$27 million was advanced to the portfolio of agriculture, fisheries and forestry. What was that for, and when was it advanced?

Mr Kerwin—I would have to find that out for you, I am afraid.

Senator CONROY—If you can get it in the next half hour or hour, that is fine; and if you have to take that on notice, no worries.

Mr Kerwin—I am sorry, I omitted something before. There is one other criteria, which is erroneous omissions. So it is urgent, unforeseen and erroneous omissions. So, in answer to your question, my proper answer would be yes.

Senator CONROY—Due to an error in appropriations. That was my catch-all to describe what you are probably describing there.

Mr Kerwin—Yes.

Senator CONROY—Finance and Administration is \$21 million. What was urgent and unforeseen in Finance?

Mr Kerwin—In the case of Finance, I am not sure of the particular amount, but it certainly was part of natural disasters and meeting the requirements of those disasters—I am pretty sure.

Senator CONROY—In terms of?

Mr Kerwin—Floods.

Senator CONROY—Were you flooded?

Mr Bowen—Up until the recent AAO changes, Finance had responsibility for administering the natural disaster relief assistance program. I think my colleague is correct: there was an amount of money that had to be obtained from AFM to supplement that.

Senator CONROY—You do not have that any more?

Mr Bowen—No, we do not.

Dr Watt—I think our Chief Finance Officer, Dominic Staun, can give you an explanation.

Mr Staun—I can confirm it, but I do not have the number either, I am afraid.

Senator CONROY—You can confirm that that is what it was for in actual dollars?

Mr Staun—Yes.

Senator CONROY—And you do not look after that any more?

Mr Bowen—No. That responsibility has now gone to Transport and Regional Services.

Senator CONROY—There is one question I forgot to ask a little earlier; it is to do with the emphasis of matter. The Auditor-General's states that 'there is an inherent uncertainty regarding the Commonwealth government's liability in relation to HIH claims support program'. Do you administer that as well?

Dr Watt—Not any more.

Senator CONROY—I saw that smile on your face, Mr Watt.

Dr Watt—I am always happy not to be responsible for anything you are asking questions about, Senator.

Senator CONROY—How was the amount of \$640 million recognised?

Mr Bowen—Perhaps I could just say, first of all, that is a Treasury estimate and a Treasury program. We agree entirely with the Auditor-General's comment, and there is a comment in the accounts to that effect. It is included in the accounts because the accounts are the consolidated accounts for the Commonwealth and, hence, pick up the Treasury. But, in terms of the detail of how that estimate was derived, I cannot help you.

Senator CONROY—I was just going to ask whether you had any further information on what you think it might be now.

Mr Bowen—No, I cannot help you on that, except to say that I think, as we say in the accounts, it will be regularly monitored.

Senator CONROY—Are you regularly monitoring it?

Mr Bowen—We will be at the next update.

Senator CONROY—When is that due?

Mr Bowen—At this time now, it will be the budget update, when there will be a new statement of risks submitted.

Senator CONROY—Has any amount of expenditure taken place so far? I just thought maybe some misappropriation was about paying some of this.

Mr Bowen—I cannot answer that.

Senator CONROY—I know that it is not a natural disaster—it is unkind to describe Mr Hockey that way. But there was not any HIH component in the \$21 million?

Mr Bowen—Totally different.

Senator CONROY—Nothing to do with it?

Mr Bowen—No, nothing to do with that.

Senator CONROY—Any money gone out when it was under your control? I appreciate that it is not there any more, Mr Watt.

Mr Bowen—No, we have never had HIH under our control. It has been a Treasury program, and it remains a Treasury program.

Senator MURRAY—I bet you are glad of that too.

Senator CONROY—Treasury are due soon. You can keep smiling in the next few days.

Mr Bowen—I am sure they can answer your questions on that.

Senator CONROY—An amount of \$30 million was advanced to Foreign Affairs and Trade. Do you have any indication of what that was for? I did ask before when it was advanced for Fisheries and Forestry. Also, I put the same question in terms of Foreign Affairs and Trade: what for and when?

Mr Bowen—We can get that information for you, and we will. Just so that you are aware, these advances for the Finance minister are tabled periodically—perhaps monthly or quarterly, but I cannot recall. But they are tabled periodically as and when they are drawn, and each of these would have been tabled at some time. We will pull that out, with an explanation.

Senator CONROY—You just mop them up at some point.

Mr Bowen—At the end of the year, we pull it all together, and everything that was a final charge on AFM is in the list that is tabled.

Senator CONROY—I am happy for you to take that on notice.

Mr Bowen—I may be able to point you to a document. No, I have not got it, I am sorry. We will take it on notice.

Senator CONROY—Thank you. Turning to Appropriation Act (No 2) 2000-01 and Appropriation Act (No. 4) 2000-01, the minister advanced over \$51 million. What are the criteria for providing an advance under those acts? Are they the same as the—

Mr Kerwin—Yes, they would be the same criteria.

Senator CONROY—Again I am happy for you to take this on notice: \$9 million was advanced to Environment and Heritage. You can just send me the relevant information. You received \$23.7 million this time. What was that one for?

Mr Bowen—Have you got a reference for that?

Senator CONROY—No, I have just got a summary, I am sorry.

Dr Watt—We will get you an answer fairly quickly. I think we have an answer already.

Mr Staun—Operating and appropriation is under bill No. 2, and capital appropriations is under bill No. 4. They are both related to NDRA. The first one we refer to is the operating component, the second one is the capital component.

Senator CONROY—For flood relief?

Mr Staun—Yes.

Senator CONROY—A neat \$10 million is given to health, and PM&C got \$5 million. I would love to know what that was for.

Dr Watt—I think you will find that is for CHOGM, but we will get you a firm answer.

Senator CONROY—I am happy to take your word for it, Dr Watt. Have there been any advances since June 2001?

Mr Bowen—Yes.

Senator CONROY—Any details on advances? You say they are tabled monthly. I am happy for you to take that on notice.

Mr Kerwin—The advance from the Minister for Finance and Administration is a facility available for these urgent, unforeseen things.

Senator CONROY—Was CHOGM unforeseen? Was that a surprise to people?

Dr Watt—It is if you have a different date for it—the transition from November to March.

Senator CONROY—And a different city.

Mr Kerwin—In terms of the process of making this information available, as far as I know—perhaps I could be wrong—the information is collated on a monthly basis. It is provided to our minister and it is then tabled by our minister.

Senator CONROY—Tabling can be done in session or out of session. When parliament is in session obviously I am here and I can find out. Where can I get this information when it is tabled out of session?

Mr Kerwin—I will find that out for you.

Senator CONROY—Perhaps it is on the minister's or the department's web site. I just want to find that information, if it is available. I want to ask some questions about National Railway and Freight. I am jumping around a bit but I am not sure which bits fit where.

[2.34 p.m.]

CHAIR—We will move to outcome 2, Improved and more efficient government operations (Business Services Group).

Senator CONROY—Mr Hodgson, how was the sale price determined?

Mr Hodgson—By competitive tendering.

Senator CONROY—How many tenderers?

Mr Hodgson—There were three final tenderers.

Senator CONROY—I appreciate that there are some commercial-in-confidence issues. I am trying to work my way through them. Do you think the sale price represented good value from the taxpayers' perspective?

Mr Hodgson—The sale objectives were: to develop a commercially sustainable and competitive freight business able to contribute to the efficient, competitive and viable domestic freight transport industry recognising the inherent environmental benefits of rail transport; to ensure quality freight services to customers in regional and rural Australia; to ensure that the sale process treated Freight Rail Corporation and National Rail Corporation employees in a fair manner, including through the preservation of accrued entitlements; to divest Freight Rail Corporation and National Rail Corporation as soon as reasonably practicable in accordance with appropriate standards of probity; to terminate to the extent possible the continuing responsibility of shareholders consistent with the government's responsibilities; to minimise any post sale residual risk and liabilities; and, with regard to the above objectives, to maximise the net sale proceeds and achieve a satisfactory financial outcome for each shareholder.

Senator CONROY—Have you been surprised by the market reaction to the sale?

Mr Hodgson—I would have to confess, Senator, I was not involved in the early parts of this sale so I did not really have any expectations.

Senator Minchin—Senator, I think that is more a question for the government rather than for officials.

Senator CONROY—Minister, are you surprised by the reaction of the markets?

Senator Minchin—I am happy for you to ask me.

Senator CONROY—I am happy for you step in any point.

Senator Minchin—I am delighted with the way in which industry—the transport industry specifically—and commentators generally have greeted this sale, and the excitement with which it has been received.

Senator CONROY—You must read different newspapers.

Senator Minchin—Particularly in terms of the much greater efficiency that will be brought to rail transport—something that I think does cut across all political parties. We all have a sensible and deep interest in massive improvements in the efficiency of rail transport in this country. What has pleased me is that universally commentators have pointed to the likely benefits for rail transport of freight, resulting from this sale.

Senator CONROY—Are you aware that, based on international comparisons, analysts believe that the businesses should have been sold for a multiple of eight times earnings, at a price in the range of \$1.3 billion to \$1.7 billion?

Senator Minchin—I am not aware of that. Can I remind you, Senator, that this was a sale that required the agreement of the New South Wales, Victorian and Commonwealth governments. The offer could not be accepted without the agreement of all three governments, in the circumstances, across both political persuasions, of course.

Senator CONROY—You have not got any state political persuasions anymore, have you?

Senator Minchin—No, we do not. Well, not for another two weeks.

Senator CONROY—You tell them! Hang in there, Rob.

Senator Minchin—Justice will prevail in South Australia, and then sadly end. So Labor governments in those two states and the Commonwealth coalition government agreed following a very proper process—a process agreed between all three governments—to accept this offer for the price.

Senator CONROY—You haven't seen any commentaries since the sale? I am surprised, because I know—

Senator Minchin—I saw one or two.

Senator CONROY—From the clipping service that you get, which I think you are kind enough to extend to my own office—

Senator Minchin—I saw one or two comments to the effect that perhaps we could have received more but, remember, this was a competitive tender and price was obviously a critical factor but not the only factor, as Alastair has pointed out. As I said, all three governments had to agree before the sale could proceed. Certainly, from the Commonwealth's point of view, we are very satisfied with the returns to Australian taxpayers. You cannot look at price only. I

think, frankly, the greater and better thing for all Australia is what this will mean for freight transport in this country.

Dr Watt—It is worthwhile, perhaps, reflecting on a comparison that is closer to home rather than international. The NRC sale achieved a multiple of 6.7 times earnings before interest, taxation, depreciation and amortisation. We have a benchmark in the Westrail sale, which was when, Mr Hodgson?

Mr Hodgson—It was 12 months ago.

Dr Watt—That achieved a multiple of 6.2 times. So on our own home-grown comparison—

Senator CONROY—For what T1 was sold off, though, if you want to try to claim that you have matched a previous sale—

Dr Watt—I think the advantage of a comparison with Westrail is that you have got an apple with an apple. T1 is starting to look a bit like something of a very different form of focus.

Senator CONROY—T1 is not underwater yet, is it? T2 is underwater but T1 is not underwater—I mean I do not follow it closely because I do not have any shares.

Dr Watt—I do not either, Senator.

Senator CONROY—Do you have any explanation, Minister or Dr Watt, to explain why, following the sale of National Rail, the share prices of the successful bidders, that is Toll Holdings and Lang Corporation, soared by around 14 per cent and around 22 per cent respectively adding around—funnily enough—\$500 million to the market capitalisation of the successful bidders?

Senator Minchin—I do not think it is appropriate for any of us to be asked to speculate on why stock markets react to particular stocks.

Senator CONROY—It reacted to the sale.

Senator Minchin—We could all have an opinion on that, but I do not think it is a matter for officials or me, or estimates. The point is that all three governments were satisfied with the offer made—it was the highest offer—and all three were prepared to agree to accept that offer following a very thorough tendering process. If you want an opinion I am prepared to go so far as to say that clearly the extraordinary benefits which this sale will bring to the transport of freight in this country by rail presumably have been recognised by markets and they are building in a factor down the track. In a sense it is blue-sky stuff and it may not work; the markets may be completely wrong.

Senator CONROY—The market is never wrong, surely, Minister!

Senator Minchin—Occasionally it happens. I suspect in this case that they may well be right but, again, they are building in a potential. We are looking at a proper return to taxpayers for an asset—a real asset, now, today. Certainly we, and obviously by definition the New South Wales and Victorian governments, were satisfied that that was a proper return to taxpayers.

Senator CONROY—So you do not believe that the market reaction to the sale indicates that the assets have been flogged off too cheaply?

Senator Minchin—No, I do not. Not in the least.

Senator CONROY—The market has just got it dead wrong, has it?

Senator Minchin—No, the market is making a different judgment. I am no stock market expert, but I am proffering the opinion that they are building in expectations about what the successful consortium may be able to achieve in due course with respect to these businesses and the synergies that can be developed in relation to their existing businesses.

Senator CONROY—That would be the handing over of a public monopoly into private hands. Those sorts of private monopoly synergies.

Senator Minchin—I find your line of questioning peculiar given that your own Victorian Labor colleagues in government have been a critical part of this sale. I am not quite sure what you might be suggesting, but—

Senator CONROY—I know that when Dean Brown was Premier of South Australia you were not a big fan of the South Australian Liberal government at all.

Senator BRANDIS—Is there a relevance to the issue here? I am extremely patient and indulgent when it comes to taking points of relevance, but truly Senator Conroy is slipping well beyond the bounds.

CHAIR—We all enjoy banter here.

Senator BRANDIS—The expenditure of time, though—

Senator CONROY—There are 522 sleeps to go for Senator Brandis and Senator Mason until the Prime Minister's birthday. Five hundred and twenty two sleeps to go and then they are out of purgatory.

CHAIR—Senator Conroy, perhaps you might like to ask some questions.

Senator CONROY—I think Senator Minchin was giving me a lecture about the state Labor governments in New South Wales and Victoria before Senator Brandis failed to take a point of order on relevance.

Senator Minchin—But honestly, Senator Conroy, I think it is quite remarkable, and very gratifying, that governments of different jurisdiction levels and of different political persuasions have been able to come together with agreed objectives for the sale of these assets and agree on a process and agree on an outcome which has been universally welcomed by Australian industry, and transport in particular, and will be extremely beneficial to the Australian economy. As I recall, I thought your party said before the election that you would continue with this process.

Senator CONROY—I am arguing about the price, Minister. I am just saying that the market analysts are saying that you flogged it off too cheaply.

Senator Minchin—You are not objecting to the sale; you are pursuing a line of questioning about whether it was too cheap.

Senator CONROY—I am just wanting to find out whether taxpayers have received all that they should have. The market and the market analysts seem to believe that have you sold it for a song.

Senator Minchin—I do not think that is universally true. There might have been one or two comments based on the subsequent share price movements to that effect, but the independent commercial advice to the government was that this was a good return. The three governments agreed it was a good return. It was the highest price and we are very pleased with the particular return to Commonwealth taxpayers.

Senator CONROY—Are you aware of reports that the successful bidder has said that a federal government commitment to a \$500 million upgrade of track infrastructure was needed?

Senator Minchin—I recall some public commentary to the effect that further investment in rail was required.

Senator CONROY—Is that a bit more business welfare?

Senator Minchin—Do you mean that that is what those proponents are suggesting? You have just stated your opinion. I am not going to comment on that.

Senator CONROY—Can you confirm whether the terms of sale of National Rail included a commitment to provide any Commonwealth funds for such an upgrade or whether any other undertaken had been given to that effect?

Senator Minchin—I am pretty sure I can confirm they did not.

Mr Hodgson—I can confirm they do not.

Senator CONROY—There is nothing in the contract?

Mr Hodgson—There is nothing that obliges the Commonwealth to upgrade the track.

Senator Minchin—Certainly the government has made no such decision.

Senator CONROY—So there is absolutely no commitment, no legal requirement or no plans to upgrade the track, Senator Minchin?

Senator Minchin—No decision has been made to upgrade the track. Of course there are any number of people in the community who would like to see the government invest further in track, but certainly the government has made no such decision nor was any undertaken given to that effect.

Senator CONROY—I turn now to Sydney airport. What is the current status of the sale of Sydney airport?

Mr Hodgson—As I think you are aware, Senator, the sale of Sydney airport was deferred on 24 September last year in light of the events of September 11 and the impact upon financial markets, but also as a result of the demise of Ansett. At the moment that remains suspended. The government will make a decision on when to recommence it.

Senator CONROY—The chief executive of Sydney airport provided a summary of the change in market conditions which led to the privatisation being put on hold, the most significant being the collapse of air travel following the events of September 11, the demise of Ansett and the increase in security costs. Would you agree with that assessment?

Senator Minchin—The government, in the guise of then Minister Fahey, made what I think was widely accepted as a sensible decision back in September and that was that the sale process should be suspended and that we would be reviewing the matter in the first part of this year. We have the matter under review. I am really not sure that I can say much more in the circumstances.

Senator CONROY—Has JP Morgan lobbied you at all yet about this issue?

Senator Minchin—Not that I am aware. I am happy to check on that.

Senator CONROY—Mr Fahey has not popped in to congratulate you on the new portfolio?

Senator Minchin—I met with Mr Fahey in Sydney in late January to discuss with him his health and to ensure that he was healthy.

Senator CONROY—Was he in the employ of JP Morgan at that stage?

Senator Minchin—No, he was not in the employ of JP Morgan at that stage.

Senator CONROY—You did not have any discussions about Sydney airport?

Senator Minchin—Not that I recall. Certainly he had no interest at all—

Senator CONROY—Has JP Morgan or Mr Fahey been in touch yet to discuss the government's position on recommencing the sale.

Senator Minchin—Mr Fahey has not subsequently been in touch with me.

Senator CONROY—Do you think there has been a meaningful change in the conditions that led to the postponement of the privatisation?

Senator Minchin—I do not want to comment on that, Senator Conroy. As and when the government decides to recommence the sale process we will announce it. Obviously, we will not recommence the sale process until we are satisfied that circumstances—

Senator CONROY—I can only assume from that that, as of right now, you do not think there has been a change in circumstances.

Senator Minchin—I do not think you should assume anything. You should only take me at the face value—that is, that the government has not yet made a decision to recommence the sale process.

Senator CONROY—I understand that the Prime Minister has told you to make the sale a top priority. Is that correct, Senator Minchin?

Senator CONROY—I understand the Prime Minister has told you to make the sale a top priority. Is that correct, Senator Minchin?

Senator Minchin—The sale of the airport remains government policy. The government will recommence the sale process when it deems, on the basis of the best available advice, that it is appropriate to recommence the sale process, given the objectives outlined for the sale.

Senator CONROY—I am sure you would have seen the *Australian* article on 28 January which purported to have obtained correspondence between the Prime Minister's office and you. Have you seen that article?

Senator Minchin—I seem to recall something to that effect.

Senator CONROY—So this issue is a top priority for you, is it?

Senator Minchin—The government remains committed to the sale of Sydney airport and will recommence that sale process when it is appropriate to do so.

Senator CONROY—Do you think that the market conditions have improved sufficiently to ensure that the proposed privatisation could achieve the best possible return to taxpayers right now?

Senator Minchin—You have asked me that question. We are going around in circles a bit here.

Senator CONROY—This one is a little more specific. I asked a general one before. Indulge me; this one is a bit more specific.

Senator Minchin—I hope you would appreciate, with syndicates in the marketplace, that I do not think it is wise for me to indulge in a running commentary on the circumstances. If I do it today, then why not tomorrow? I have avoided that and I think it is prudent to avoid that—

Senator CONROY—Today is estimates. This is the Senate scrutinising government policy.

Senator Minchin—We are dealing with a significant asset. I do not think it is appropriate to indulge in running commentaries on the circumstances pertaining to the sale or otherwise of the airport. I will simply say that, when the government believe it appropriate to recommence, we will.

Senator CONROY—I did not leak the Prime Minister's letter.

Senator Minchin—Let's say no more than of course it remains government policy to sell it. We have said why we have suspended the sale. We have said what the objectives are that we want to achieve and, when we are satisfied that the circumstance is such that we can achieve those objectives—and that will be based on professional, independent advice—then we will recommence the sale process. I am afraid I really cannot say much more than that.

Senator CONROY—Is JP Morgan a bidder? Was it a bidder before Christmas, as part of a consortium?

Senator Minchin—I do not think we have commented at all on who might or might not be involved or interested in tendering.

Senator CONROY—I know you are a fan of international politics as well, Senator Minchin. In the UK and the US they have laws about ministers being able to walk straight into lobbying jobs in their old portfolios. Do you have a view on that at all?

Senator Minchin—I seem to recall that, for 13 years of the Hawke-Keating administration, there was no such law. I seem to recall a number of ex-ministers from that government pursuing careers after politics that seemed very closely related to their ministerial careers.

Senator CONROY—I am not sure that was the next day.

Senator MINCHIN—I do not recall.

Senator CONROY—Mr Reith, on the 15th day after the election, became a consultant to Tenix. I am not asking about him; I am asking you about this principle in general. Would you support something akin to what happens in the US and the UK? Mr Crean is advocating it; I am just interested in whether you, as someone who follows overseas politics, have a view on it.

Senator Minchin—I do not have a view on that. I have a very high regard for Mr Reith, Dr Wooldridge and Mr Fahey, who served this country well in their portfolios. I think they are entitled to remain active in their post political careers. I am sure they have acted and will act with prudence, care and integrity.

Senator CONROY—Do you think it would be appropriate for you to meet with Mr Fahey if JP Morgan phoned up and Mr Fahey arrived as part of a delegation to speak on this issue to you?

Senator Minchin—Again, I am not going to indulge in hypotheticals, which is what that is. Obviously, I am always willing to meet with my former colleagues but, naturally, I always take account of the circumstances and what it might be that they want to discuss with me.

Senator CONROY—Are there any circumstances where you would not feel it was appropriate to meet with any of your former colleagues?

Senator Minchin—Again, it is hypothetical, but I cannot think of any. It is a bit indulgent of me, but what is being asserted is that somehow these former ministers might use information that came to them in the strictest of confidence. I have enough respect for the integrity of those gentlemen to believe that that would be the last thing they would ever do.

Senator CONROY—I am sure that Mr Fahey has a Chinese Wall in his head and he has forgotten everything that he knew before.

Senator Minchin—As did Mr Hawke, Mr Keating, Mr Hand and a whole range of other people.

Senator CONROY—The next day?

Senator Minchin—I do not think getting into the semantics of a day, a month or a week is going to make any difference to the general principle.

Senator CONROY—There is a prohibition overseas of a year or two years.

Senator Minchin—All I want to say, for the record, is that they are men of integrity whom I greatly respect, and they would not compromise themselves, the government or the nation.

CHAIR—The committee is indulgent on—

Senator CONROY—I appreciate your indulgence, Senator Mason—and yours, Senator Brandis. I noted you were very quiet there. I have a few questions on probity advisers. Is someone aware of the Hughes Aviation case involving the contract for the Australian Advanced Air Traffic System?

Mr Hodgson—Yes, it drives a great deal of our activity.

Senator CONROY—There was an article recently—I am sure you saw it—saying that the case highlights the need for placing more emphasis on probity provisions in general procurement guidelines. Would you agree with that as a general thrust?

Mr Hodgson—I am not responsible for procurement guidelines within the department. I can certainly ask those who are. With regard to asset sales, we are well aware of the Hughes case.

Senator CONROY—Mr Hutson, are you familiar with the case we are talking about and the newspaper article?

Mr Hutson—I am not familiar with the article you are referring to.

Senator CONROY—It appeared on Friday, 18 January—an excellent day—in the *Financial Review*. It was arguing that this highlights the need for placing more emphasis on probity provisions in general procurement guidelines. Would you agree with that, if you are familiar with the case?

Mr Hutson—The Commonwealth procurement guidelines are general guidelines which are issued by the minister under the Financial Management and Accountability Act. They certainly require, as you would expect the Commonwealth to behave in its procurement activities, the utmost standards of probity.

Senator CONROY—Do you think that would mean you would always use a probity adviser?

Mr Hutson—I do not think that implies you would always require a probity adviser for every single procurement, no.

Senator CONROY—What would be the circumstances in which you felt it would not be necessary to have a probity adviser?

Mr Hutson—The Commonwealth procurement expands across a very wide range. Quite obviously—

Senator CONROY—Is it a dollar value on the contract, is it something—

Mr Hutson—The procurement guidelines provide for decisions of that nature to be made by the agencies that are actually making the procurement. Some agencies choose to use probity advisers quite extensively in particular areas; others choose to use them quite rarely. It depends on the circumstances that they judge. But those judgments are really judgments for individual agencies.

Senator CONROY—Minister, do you think—given that Mr Hutson said you promulgate the guidelines—it is important to always have a probity adviser? It is not mandated clearly in your current guidelines. This is a particular case. You might want to get a briefing on it later.

Senator Minchin—I do not think I have anything to add to the officer's answer.

Senator CONROY—I am just asking: do you think it is necessary? You are the minister. You promulgate them, you make the decision, the officer doesn't. Do you think it is necessary to always incorporate a probity adviser in the process?

Senator Minchin—I think you should approach this on a case-by-case basis.

Senator CONROY—In what circumstances would you want to see a probity adviser appointed, and how would you select them? What do you think the process of selection should be?

Mr Hutson—Perhaps I might start with the latter one first. If an agency is selecting a probity adviser, it is really the same as any other sort of procurement. Agencies would have to follow the procurement guidelines in making a decision about how they should select a probity adviser, and there is a wide range of methods available to them. In terms of the first question about when you should decide to employ a probity adviser, as I said earlier, that is a matter for individual agencies, but, very much, I would expect agencies to take into account the dollar value of the contract but also the risk associated with not having a probity adviser—or indeed the risk associated with having one, depending on the circumstances.

[3.00 p.m.]

Senator CONROY—Thank you. I have some questions on the private financing unit. Sorry if I am jumping around. Your outputs have moved a bit. I have some questions on the valuation of Telstra, lower than expected proceeds from property sales, property portfolio performance, public sector superannuation advice—for anyone else who is listening out there—and the Commonwealth foreign exchange risk management. Has the private financing unit been established?

Mr Bowen—Yes, it has. It has been operating for about 12 months.

Senator CONROY—How many staff are employed or will be employed if it reaches its full complement?

Mr Bowen—I think there are 10 at the moment. We will review that as time goes by, but at this stage there are 10.

Senator CONROY—Are these new staff or have they been transferred from other areas?

Mr Bowen—There is a mix.

Senator CONROY—What projects are they working on at the moment?

Mr Bowen—The major project is the patrol boat project with Defence.

Senator CONROY—Are they the ones we are giving to Indonesia or are they different?

Mr Bowen—I think they are different.

Dr Watt—They are for the Australian Defence Force, not for others.

Mr Bowen—The other work of the unit has been to work out the policy guidelines for the operation of the PFI within the Commonwealth, released late last year by Minister Fahey.

Senator CONROY—PFI?

Mr Bowen—Private financing initiative.

Senator CONROY—Is that equivalent to the state PPIs, the public-private partnerships?

Mr Bowen—It is similar terminology.

Senator CONROY—I did not want to get mixed up between state and federal acronyms.

Mr Bowen—A form of PPP.

Senator CONROY—How is that policy development going?

Mr Bowen—Policy guidelines have been issued. I think there will be a glossy publication coming out shortly, just to give it more publicity.

Senator CONROY—Finance likes glossy publications.

Mr Bowen—We like some.

Dr Watt—No more than necessary. Finance runs a very cheap show.

Senator CONROY—Is it a draft that is out there publicly?

Mr Bowen—No. There is a document on our web page which is freely accessible. I think the minister will be releasing a document fairly shortly.

Senator CONROY—The principle is not to merely change the packaging?

Mr Bowen—No.

Senator CONROY—You just want to get your face on it, don't you, Minister—the new photo, the glossy mag?

Senator Minchin—That is very unfair, Senator Conroy. Pleasingly there is a great deal of interest in this at state and federal levels and at the international level, and we want to ensure that that interest is met.

Senator CONROY—You have to get that new photo on there, haven't you. When is the big day?

Senator Minchin—As I said, that is merely a matter of communication. The principles were previously announced.

Senator CONROY—Is there the indication of another big launch? When is the big day?

Senator Minchin—No, it will simply be a release of the properly produced and packaged version. I do not think that was really done before, was it?

Mr Bowen—No, it was not.

Senator CONROY—Any TV ads to run with this perhaps?

Senator Minchin—I do not think that is necessary, Senator Conroy. But it is quite normal in government to properly package significant documents of this kind to make sure they are accessible and professionally done, and we will do that.

Senator CONROY—But threadbare and cheap, as Dr Watt indicated.

Dr Watt—Not too glossy.

Senator CONROY—Not too fancy.

Senator Minchin—No TV ads.

Senator CONROY—Are there any other issues, other than patrol boats?

Mr Bowen—That is the only project that is substantive at the moment.

Senator CONROY—Are we outsourcing the patrol boats? Is someone else going to pay for them and lease them back to us?

Mr Bowen—There is no decision there yet. The way that this works is that the responsibility for tendering rests with the agency that has responsibility for the procurement—in this case, the Department of Defence. They are running a tender process and they are evaluating and will be evaluating the bids for that project.

Senator CONROY—Will these bids be in line with the policy document that you have outlined?

Mr Bowen—Our involvement is very much to ensure that we provide them with appropriate advice on how to assess the option of private financing as against traditional procurement and, in that, to ensure that the assessment does look fairly and squarely at the value for money question. The fact that you introduce private financing into procurement does not change in any way the requirement for Defence to be satisfied that, in this case, they have got value for money from the project. We have two roles. One is to participate in their process and advise them in the process and the second is to provide an independent source of advice to the government when Defence brings the proposal forward for government decision.

Senator CONROY—Does the government have a philosophical objection to owning patrol boats?

Senator Minchin—We announced the principles as has been indicated—

Senator CONROY—They were general principles on the issue.

Senator Minchin—That should apply to all departments. We indicated that departments that want to consider financing assets in this way should comply with those and have available to them this private financing unit for advice. As has been indicated, it is a matter for Defence in its tender process as to what ultimately occurs. I suggest if you want to pursue this matter you do it with Defence.

Senator CONROY—I presume this is a government position. I am just asking you whether there is a government position on outsourcing core Defence assets like patrol boats?

Senator Minchin—We have, as a whole-of-government approach, released those private financing principles, and therefore they do apply across the board.

Senator CONROY—So there is nothing that is out of the equation?

Senator Minchin—My recollection is that no assets were ab initio excluded from consideration. But the principles of transparency and accountability and value for money were clearly enunciated. On the basis that what we are after is good outcomes, no particular assets were excluded.

Senator CONROY—Can we turn to the ANAO report in May 2000 on Commonwealth exchange risk management practices. You may recall that in reference to the Department of Defence the Auditor-General found that up to April 1999, for projects still in progress at that time, adjustments attributed to exchange rate movements in relation to some 220 Defence capital acquisition project budgets had resulted in an aggregate overall increase in project budgets of \$2.98 billion. Does that ring a bell? I appreciate that it is a little while ago and I will not make you agree with my exact figures.

Mr Hutson—If you are quoting from the audit report—

Senator CONROY—As a result, ANAO made a number of recommendations to improve the Commonwealth's foreign exchange risk management practice. I wanted to explore whether those recommendations had been adopted. I will ask you a question, if you want to leap on in. The first recommendation of the Auditor-General was that DOFA determine an overarching Commonwealth position statement on foreign exchange risk management to all agents subject to the FMA Act. Has that been done?

Mr Hutson—In respect of foreign exchange, the government is still considering its position following that audit report so I do not think I am really in a position to comment on any individual recommendations that are in the report.

Senator CONROY—I can assume that none of the recommendations has been implemented at this stage, if they have not made a decision. That is the other way to look at it.

Mr Hutson—That is right, Senator.

Senator CONROY—Was there no discussion on centralising the provision of advice to agencies—that is not a decision that has been made yet?

Mr Hutson—That would all be subject to the government decision regarding policy.

Senator CONROY—Regarding the recommendation to re-examine the budget supplementation arrangements for foreign exchange risk: does budget supplementation still occur? That is not a policy issue, that is just a statement of whether it does or not.

Mr Bowen—It does for, I think, three major agencies: Defence, Foreign Affairs and—

Dr Watt—Immigration? We are not sure whether it is two or three.

Mr Bowen—There are three major agencies, anyway. That has been, effectively, on a no win-no loss basis. That has been the policy for a number of years and continues, at this stage, to be the policy.

Senator CONROY—Have there been any recent supplementations in the last 12 months?

Mr Bowen—I will have to check on that. I think there possibly have been. We can get you that information fairly quickly.

Senator CONROY—Someone is rushing to the table behind you.

Mr Bowen—We can give you some information on Defence right now.

Mr Lewis—In the Defence portfolio additional estimates statements—

Senator CONROY—That was last week?

Mr Lewis—Correct. On page 8 it refers to a couple of items which link to exchange rate variations. Do you want me to take you to both of those? Halfway down the page, it says:

... the impact on Defence's overseas purchases of movements in Australia's currency exchange rate (\$101m) ...

And further down the page, it says:

... supplementation for the impact on Defence's overseas purchases of the movement in Australia's currency exchange rate (\$239m).

Senator CONROY—That is just for this 12 months? That is putting aside the previous ones the Auditor-General has talked about at some length? Do you add those two figures together?

Mr Lewis—It is \$340 million.

Senator CONROY—Three hundred and forty million dollars lost again?

Mr Lewis—Additional.

Senator CONROY—Additional to the ones the Auditor-General has already highlighted. Minister, is there perhaps a case for slightly faster action by the government? We have already had one major debacle that the Auditor-General has highlighted in this area, and now we seem to have another \$340 million being spent on hedging. Is there no hedging strategy?

Senator Minchin—As has been indicated in relation to these portfolios, there is a no win-no loss approach, so when there are exchange rate movements with this impact then the appropriate place to allow for that is, as in this case, additional estimates.

Senator CONROY—I get the indication from that advice that you are not intending to change current practice?

Senator Minchin—I am not aware of any moves to change current practice. I take advice on the question of hedging in other departments.

Mr Bowen—If I could comment, Senator. I think we need to be very careful about simply looking at one year in isolation.

Senator CONROY—This is two years.

Mr Bowen—Or even two years in isolation.

Senator CONROY—What was the previous one? It was of the same magnitude, wasn't it? It was around \$200 million to \$300 million as well, from recollection.

Mr Bowen—I am not sure.

Senator CONROY—Can someone behind you come up with the figure?

Mr Bowen—I would like to make the point that, while the government is considering its policy position on this, there has been a very longstanding policy in the Commonwealth that, because the Commonwealth is as large as it is, over a long period of time one would expect that the gains and the losses would tend to even out.

Senator CONROY—Would that be the John Maynard Keynes 'we're all dead in the long run' analysis?

Mr Bowen—It is not necessarily a simple issue of hedging every exposure.

Senator CONROY—It is a substantial one.

Mr Bowen—Not necessarily, but, as we have said, the government is yet to consider and announce its position on that recommendation.

Dr Watt—I think there are two things you need to acknowledge. One is that there is a cost associated with hedging: someone else is taking a particular risk off your books and, therefore, is going to charge you for it. That cost, at times, can be substantial because the times you may most wish to hedge are the times when the financial market will tell you that, for absorbing that risk, they will charge you a large amount of money. The other thing worth acknowledging is, if you look through the accounts of a number of Australian companies—particularly mining companies which have something in common with—

Senator CONROY—A couple of them have gone out of business since we last discussed this.

Dr Watt—I was not going to make that point in quite that fashion, but a number of them have had locked-in hedges at quite high rates and are, therefore, bearing the costs. It is neither a risk free nor a cost free operation. It is easy to say, ‘The exchange rate has changed and, therefore, here’s the impact’, but the counterfactuals are always much more complex.

Senator CONROY—You raised the issue of companies. Are you aware of many companies that do not have a hedging policy at all and that are just prepared to take the ups and downs, as you describe them? They might be very bad at it.

Dr Watt—Most companies have a graduated hedging policy where they will hedge part of their exposure. I do not know whether every company hedges every dollar of exposure, and I suspect there is also an issue about the materiality of the foreign exchange flows involved. For example, it is easy to see why miners might hedge a large part of their exposure, and that is because their revenues are all effectively locked in in US dollars. For other companies that have less exposure, it is different. But even the miners do not have every dollar of revenue hedged ad infinitum. It is more complex.

Senator CONROY—But \$340 million is a pretty big bath.

Dr Watt—I do not think I should comment on that, Senator.

Senator CONROY—It is not a trickle. I want to briefly go to the sale of Telstra. Can you confirm that the forward estimates assume that Telstra will be sold in three tranches, as announced by the Treasurer?

Senator Minchin—As you know, it is government policy that ultimately, with the very significant qualification that you are aware of in relation to rural services, the remaining shares in Telstra be sold. For the purposes of forward planning, the presumptions in relation to the forward estimates, as confirmed by the Treasurer, hold. They were there—he simply confirmed what was already in the forward estimates.

Senator CONROY—Can you confirm that the forward estimates assume that each tranche will bring in \$11.6 billion, as announced by the Treasurer?

Senator Minchin—I am not sure if that is the exact figure. The forward estimates make a certain presumption. Is that the figure?

Mr Bowen—I think it is very close.

Senator Minchin—Presumably you are telling us that is what is there.

Senator CONROY—That is what he announced. I do not know; I am seeking to find out what the department’s figures were.

Dr Watt—Those estimates have not changed.

Senator CONROY—Is the valuation of \$11.6 billion per tranche consistent with what is assumed in the forward estimates?

Dr Watt—That is correct.

Senator CONROY—And the Treasurer was working off Finance figures when he made those announcements?

Mr Bowen—The published MYEFO document has, for proceeds from asset sales for 2003-04 and 2004-05, the figure of \$11.737 billion.

Dr Watt—There may be some other small asset sales. We do not individually itemise asset sales.

Senator CONROY—I was not going to get into much of an argument with you about a couple of decimal points. Could you explain why the remaining stake in Telstra will be sold in three tranches rather than in instalments as was the case with T1 and T2?

Senator Minchin—I think it is fair to say that no such decision has actually been made. As I said, the government has made it clear it is not doing any work on the further sale of Telstra unless and until the hurdle is achieved—that is, appropriate levels of service in regional and rural Australia. I think the best way to explain it is that a *prima facie* presumption was made for the purpose of building that into the forward estimates—

Senator CONROY—I thought the Treasurer announced that.

Senator Minchin—without any decisions having being made. If and when we reach the point where we are able to restart that process, decisions would be made at the time as to how to best do that. Obviously, that will be based on circumstances at the time and the commercial advice available to us.

Senator CONROY—So the Treasurer is wrong to describe them as tranches?

Senator Minchin—No, he was quite right to say that the basis by which it is allowed for in the forward estimates is that presumption; it has that qualification. He put it on it at the time. No formal decision has been made as to how it would actually be sold. All that the forward estimates reflect is a presumption as to how it might be sold. That is one option. For the purposes of the forward estimates that is the option selected, but it is not a decision as to how it would be sold if, indeed, we ever reach that point. In other words, all options remain open as to the method and the procedure if and when we get to that point. You obviously have to build it into the forward estimates. You have to make some presumption as to how it might occur.

Senator CONROY—Coming back to the \$11.737 billion, that does refer to the point you made about total asset sales?

Senator Minchin—Yes.

Senator CONROY—Can we get a breakdown of the Telstra component?

Senator Minchin—No, it is not normal—

Senator CONROY—I am sorry, but he has made an announcement. I am looking to confirm that that is the Finance breakdown of it.

Senator Minchin—I do not recall him putting a particular figure on it at the time.

Senator CONROY—He did, he put on \$11.6 billion. That is what he announced in the release documents.

Senator Minchin—He might have been referring, as we have been, to the provision for asset sales in the forward estimates.

Senator CONROY—But he did not pick the full \$11.737 billion figure. There is a discrepancy between the two figures. Someone was discussing that the difference between \$11.6 billion and \$11.737 billion might be other asset sales. I am just now looking to confirm that.

Senator Minchin—I do not have any figure particularly put on it by the Treasurer. I only have a reference to his statement that it accounts for three equal sales and he refers to table B3 on page 56. That is the table that refers to total asset sales.

Senator CONROY—Mr Bowen, when I asked you before about the \$11.6 billion you said ‘give or take a little bit’. And then the figure of \$11.737—

Mr Bowen—No, I do not recall saying ‘give or take’.

Senator CONROY—I am not trying to put words in your mouth, but you indicated it was close to that figure.

Mr Bowen—Your figure of \$11.6 billion is close to the figure of \$11.737 billion that is in the MYEFO document as total asset sales for 2003-04 and 2004-05. That was the comment that I made. I have not actually seen a reference by the Treasurer to any figure.

Senator Minchin—Do you have a particular press statement, Senator Conroy, that you are relying upon?

Senator CONROY—I am just looking at a *Financial Review* article.

Senator Minchin—That is a notoriously unreliable source.

Senator CONROY—I know that Paul Cleary and Brendan Pearson are probably not in the building anymore, but I think that is a terrible slur on two fine journalists. I think you were actually at the press conference where he decided to grandstand on this issue. I do appreciate the point you made about previous estimates processes. It was stated that the department’s policy was not to disclose assumptions. I am just intrigued by the fact that the Treasurer decided to make some announcement in this area. Has policy changed on this? I am assuming it has, because he has made some statements.

Senator Minchin—No, there is no change in policy, and the forward estimates themselves—this is in last year’s budget—refer to proceeds from asset sales. I thought we had already indicated the basis on which Telstra was allowed for in the forward estimates. I am not sure that the Treasurer really stated anything new in his statement late last year.

Senator CONROY—So you are refusing to identify a breakdown of any of the assets within this total figure.

Senator Minchin—I would be happy for officers to explain to you in more detail why it is sensible for a government not to identify the particular proceeds it expects to gain from particular asset sales, because that could affect, in a deleterious way, the return to taxpayers from its sale. It is a sensible policy, and I would be happy for that to be explained in more detail. It is certainly the way in which we have always operated, and I think it is sensible.

Senator CONROY—So you are not prepared to support the Treasurer’s claims during the election campaign.

Senator Minchin—No, that is not the inference that you can reasonably draw. The Treasurer spoke on behalf of the government, quite properly, in saying what presumptions had been made in relation to the government policy on Telstra, with respect to the forward estimates. I would just restate that no decision at all has been made, in fact, as to how such a sale would proceed, because we are not anywhere near that point. We have not passed our precondition with relation to rural services.

Senator CONROY—Dr Watt, is the figure \$11.6 billion the correct figure?

Dr Watt—I do not think I can add anything to the previous answer.

Senator CONROY—Is it the correct figure or not? You are prepared to endorse that figure or not?

Senator Minchin—That is not fair, Senator Conroy. It is the figure that we have allowed for as the proceeds from asset sales—

Senator CONROY—No, \$11.7 billion is the total asset sales.

Senator Minchin—The Treasurer has confirmed, in relation to government policy in relation to the sale of Telstra, that the forward estimates are based on a presumption—yet to be confirmed in terms of how it would actually be conducted—that it would be sold in three parts with proceeds being brought to account in those particular years, without saying particularly what proceeds would be received.

Senator CONROY—What other assets are up for sale? Telstra is one of the assets in this bag. What are the other ones?

Mr Hodgson—I can check on that and get back to you.

Senator CONROY—Today? Tomorrow?

Mr Hodgson—I will get back to you as soon as I can.

Senator MURRAY—Senator Conroy—

Senator CONROY—I am moving along. I am on the last couple of pages. I wanted to talk about the proceeds from property sales and the lower than expected proceeds from property sales in the annual report. Which sales were delayed?

Mr Jackson—Determining which properties are in the program covers a number of years, and some properties actually move in and out of respective years. There are probably a number of properties that were anticipated to be sold in the year of the financial report. The key property that was deferred from sale was the Therapeutic Goods Administration building, commonly known as the TGA building, in Symonston in the ACT. That building was deferred through the sales process not being completed with the tender. That particular building is worth about \$50 million. Some properties get brought forward from others years and some move out.

Senator CONROY—Were there extra complexities that stopped it being finished inside the time frame?

Mr Jackson—There were some conditions with respect to the lease that was proposed that caused some of the potential tenderers some insurance problems that required review.

Senator CONROY—Have there been changes made to avoid such delays in the future?

Mr Jackson—These particular changes actually occurred specifically for this building, primarily because of the specialist nature of the work it does and related to the ability to gain

insurance for radiation. We have obviously had to refine the definition of what that means to prevent a level of nervousness amongst some potential purchasers and their associated insurers.

Senator CONROY—That is a good idea. You mentioned that this was the major one. If there were any others that were minor, could you take it on notice to give us a rundown on them and any reasons for those delays?

Mr Jackson—That is quite easily done.

Senator CONROY—I want to talk about the rate of return reported on the property portfolio. The portfolio achieved an 11.2 per cent rate of return and the annual report indicated this rate of return compares very favourably with similar commercial portfolios. Is that correct?

Mr Jackson—Yes.

Senator CONROY—What investment performance benchmark is used to assess the relative performance of the property portfolio?

Mr Jackson—We adopt a number of different benchmarks. Bear in mind that the time of the report and the comparisons and benchmarking was when the portfolio consisted of both the domestic non-defence and the overseas portfolio. Subsequent to the report, as part of the administrative orders changes, overseas property has been transferred to the Department of Foreign Affairs and Trade. At the time of using the benchmarks there were a number of composite benchmarks that were used, including such things as the Property Council of Australia and a number of overseas significant property trust benchmarks that they use.

Senator CONROY—So is there a figure?

Mr Jackson—The figure ranges between about eight to 12 per cent.

Senator CONROY—So it is just in there at the top edge?

Mr Jackson—Correct.

Senator CONROY—I want to refer back to the August 2001 ANAO report on Commonwealth estate property sales. Given that the property portfolio achieved an 11.2 per cent rate of return, can you explain why the hurdle rate of return in the Commonwealth property principles for determining the retention of property was set at 15 per cent, given the benchmarks you have talked about and that you are happy with the level of your benchmark up there at the top edge? Where did 15 per cent come from?

Mr Bowen—This was set, I believe, in 1996. It was based on a risk-free rate of funds to the Commonwealth, plus an allowance for risk. At that time a figure of 14 to 15 per cent was adopted by the government. That has been applied since, and we are currently in the process of reviewing that rate, which will be done prior to the budget process this year.

Senator CONROY—Is 15 per cent unrealistic, given the figures that Mr Jackson has indicated are the benchmarks and reasonable—and the fact that he is very happy that you have been near the top of the benchmark?

Senator Minchin—Mr Bowen has indicated that that matter is under review. I do not think it is appropriate to seek of him opinions that go to the review. The government will announce the outcome of that review and any subsequent decision to change or not change.

Senator CONROY—I am just making a contrast. Mr Jackson is proudly stating that the band is eight to 12, and this is right there at the top edge. If you continue with the 15 per cent

you will not actually end up owning any property on the sorts of benchmarks that Mr Jackson is describing. That is the logical conclusion.

Senator Minchin—You are free to speculate to that effect. Given that the matter is under review, I do not think it is appropriate for officers to be asked to comment on the rights or wrongs of that hurdle rate. It is under review. If the government decides to change, it will announce that. It will depend on the outcome of the review.

Senator CONROY—Does the government accept that 15 per cent is still a realistic position? You are reviewing it; I am presuming that means you do not believe it is realistic any more.

Senator Minchin—No, it does not presume that at all, because the outcome of the review might be that it is realistic.

Senator CONROY—Were you going to increase it?

Senator Minchin—Given that it is five-odd years since the rate was set, it is appropriate to review it to see if it is still appropriate—and that is what we are doing.

Dr Watt—It is also worth while pointing out that the Commonwealth's property principles are much more just a hurdle rate of return. There are a large number of reasons why you would own property, apart from satisfying or not satisfying a particular benchmark. It is quite consistent, for example, that you may wish to retain a property for financial security reasons or because it is Parliament House—all sorts of reasons—regardless of what the rate of return was on it. If you have a heterogeneous collection of properties in your property portfolio, you will quite likely have a lower rate of return than 15 per cent.

Senator CONROY—It is entirely likely, in fact.

Dr Watt—That is the point about a heterogeneous basket.

Senator CONROY—Yes, I understood the constraints you wrapped it up in. Have any staff been disciplined or dismissed in the last year?

Mr Suur—When you say 'in the last year', do you mean in the last 12 months or in the last financial year?

Senator CONROY—I am happy to extend it back as far as you want—12 months, 18 months. I would not imagine that there would be many staff who have been dismissed in Finance.

Mr Suur—Nobody has been dismissed for any breach of the APS Code of Conduct or the code of ethics.

Senator CONROY—Disciplined?

Mr Suur—I believe that there has been some disciplinary action taken against some staff members.

Senator CONROY—What level are those staff members?

Mr Suur—I will have to take that on notice.

Senator CONROY—Perhaps we can narrow it down. Have any staff been disciplined or dismissed for credit card misuse?

Mr Suur—No.

Senator CONROY—Have there been any issues with respect to credit card use in the Department of Finance and Administration?

Mr Suur—Yes.

Senator CONROY—What was the nature of those issues?

Mr Suur—We have just completed an audit on credit card use. I will defer to my colleague Mr Staun.

Mr Staun—The issue relating to the credit card consisted of an individual who used the credit card for personal use but then subsequently repaid the money. He resigned. Subsequently, an audit has been done of credit card usage within the department which has found that our procedures and policies are appropriate and we have good internal controls.

Senator CONROY—So you have cleared yourself?

Dr Watt—I think the answer is: no, we have not—our internal auditor is not us.

Senator CONROY—Auditors and independence—it is a fascinating concept. Was this the financial controller?

Mr Staun—Correct.

Senator CONROY—So the bloke in charge of monitoring this was the one—

Mr Staun—I am the responsible officer. He reported to me.

Senator CONROY—Were there any other irregularities that the audit threw up?

Mr Staun—We undertook two audits. One was of credit cards and their usage throughout the department. The second was of any activities or processes in which the financial controller was involved. With respect to the former, no; with respect to the latter, yes. There was one other instance where he had approved a telephone bill which, under our procedures, I should have approved.

Senator CONROY—When was this discovered?

Mr Staun—Roughly mid-October.

Senator CONROY—What was the amount of money involved?

Mr Staun—In the telephone bill?

Senator CONROY—In the credit card use and the telephone bill.

Mr Staun—In the credit card usage, the amount involved was about \$150 or \$200—I would have to check. It consisted of a restaurant bill and the purchase of some spectacles.

Senator CONROY—That was the grand total: \$150 or \$200.

Mr Staun—It was something of that order.

Senator CONROY—And the telephone bill approval?

Mr Staun—\$150.

Senator CONROY—And was that his own telephone bill?

Mr Staun—It was a mobile phone bill.

Senator CONROY—His own mobile?

Mr Staun—No, an organisation's mobile.

Senator CONROY—He approved the department's—

Mr Staun—Our procedures are that for something like a mobile telephone bill which is paid for by the department, there is an element of personal use which is accepted. However,

you do not approve anything that has an element of personal use or that goes to your personal benefit, and it should be approved by your superior officer. In this particular case, it was not.

Senator CONROY—How did this come to light?

Mr Staun—It came to light to me through my staff, who pointed out to me that these amounts had been incurred, that they were a personal expenditure, and I immediately raised the issue with the person concerned.

Senator CONROY—Has all the money been recovered? That is about \$200 for the restaurant bill and about \$150—

Mr Staun—All the money that was used on the credit card of a personal nature has been recovered. With respect to the telephone bill, there is an element which may or may not be personal. I have taken no further action on that.

Senator CONROY—So there is a grey area around a couple of issues.

Mr Staun—What is a reasonable amount of expenditure, I guess. I do not propose to take any further action on it.

Senator CONROY—I appreciate you said that the internal auditor then conducted a general review. Was any other individual investigated for credit card misuse?

Mr Staun—No. There was a general review of our credit card procedures and a specific review of the financial controller's activities.

Senator CONROY—Have any other officers been investigated for any other offence of any kind?

Mr Staun—Not that I am aware of.

Mr Suur—Not that I am aware of either, Senator.

Dr Watt—Senator, could I just make one point about our internal audit arrangements. Being the department of finance, we cannot afford to have an internal audit arrangement that is anything but very vigilant, and we would not have it any other way.

Senator CONROY—So no disciplinary action was taken, because the officer resigned?

Mr Staun—That is correct. The officer resigned. Our internal control processes raised this matter very quickly. It was not as if it was something that was not discovered promptly. As a result, he chose to resign.

Senator CONROY—I think Mr Suur said there was some disciplinary action?

Mr Suur—No, I was not referring to that instance. Your question was a general one about whether or not there had been any disciplinary action taken within the department of finance. I have forgotten what period it was, but I think it was last financial year. The answer to your question was yes.

Senator CONROY—What was the nature of the offence that was disciplined?

Mr Suur—There was one incident. Do you wish to explore—

Senator CONROY—I just want a general outline. I am avoiding names and things like that.

Mr Hodgson—Last year I was responsible for Comcar, and there was an incident involving a Comcar driver which involved disciplinary action.

Senator FAULKNER—How is this part of this outcome?

Mr Hodgson—They have changed roles; that was previously.

Dr Watt—That was a difficult question.

Senator Minchin—Senator Conroy is asking the questions.

Senator CONROY—I am on my last page.

Senator FAULKNER—It is quite clear that Senator Conroy is winding up.

Senator CONROY—I appreciate, as always, the support from my leader.

Senator Minchin—And a loyal deputy I am sure you will remain.

Senator CONROY—Yes.

Senator FAULKNER—As much support is given as is deserved.

Senator CONROY—Has the department recently placed recruitment advertisements in newspapers?

Mr Suur—It has.

Senator CONROY—Have these functions been outsourced?

Mr Suur—The functions that we are recruiting for?

Senator CONROY—Yes, both the placing of advertisements and the actual recruiting.

Mr Suur—We have an outsourced HR service provider, PricewaterhouseCoopers. Amongst the services we can purchase from them under our contract are recruitment services but, equally, we can go to market to other suppliers for recruitment services.

Senator CONROY—Do you place the ads or do they place them on your behalf?

Mr Suur—We have a process where we run selection processes, including decisions about ads and their placement. The service of pulling the ad together, placing it and providing support services for our recruitment process is provided by PWC or whichever other service provider we choose to use.

Senator CONROY—What is the department's policy in regards to the size of recruitment ads and whether or not they appear in colour? I am just wondering whether the department is lean and mean; every other government department uses black and white, and yours has suddenly bounced out of the pages in colour.

Senator FAULKNER—If you were the department of finance, you would try to be colourful too.

Senator CONROY—I will leave it to the minister to defend the honour of the department at this point.

Senator Minchin—Black and white is fine by me.

Mr Suur—It is not size that counts; it is the market that you are pitching to and the message that you seek to use.

Dr Watt—It is true that our ads are designed to attract the eye, and the best way to get good recruits is, first of all, to get them to read the ad.

Senator MURRAY—Is grey no longer fashionable?

Senator CONROY—I just wanted to know when we moved upmarket; that was all.

Dr Watt—I think Finance has definitely got a variety of shades these days.

Senator CONROY—You are going upmarket under your leadership and the modest minister's.

Dr Watt—No, this is certainly something I cannot claim.

Senator Minchin—Chair, can you see that Senator Conroy gets onto some serious issues?

Senator MURRAY—You watch: this is the one that will get in the newspapers. This is as serious as it gets.

Senator CONROY—It is getting in the newspapers that is the issue here, but I am happy to put any other questions on notice.

CHAIR—That means that we have completed general questions. We will take a break, and then there will be questions from various senators regarding outcomes 2 and 3.

Proceedings suspended from 3.49 p.m. to 4.03 p.m.

CHAIR—I indicate to the committee that we are now moving to outcome 3.

Senator FAULKNER—Can we have a brief status report on where the investigations that DOFA is conducting regarding Ms Pauline Hanson's use of travel and car entitlements are up to?

Ms Whisker—They are completed as far as the department and the minister are concerned. Senator Harris has chosen to pay back the full amount of the moneys.

Senator FAULKNER—Is that matter now finalised to the satisfaction of the department?

Ms Whisker—Yes, Senator.

Senator FAULKNER—There are no more outstanding matters in relation to Ms Hanson's entitlements when she was a staffer for Senator Harris?

Ms Whisker—No, Senator.

Senator FAULKNER—That is the lot?

Ms Whisker—Yes, Senator.

Senator FAULKNER—All done and all finished. When do you make public the details of the settlement?

Ms Mason—Senator, as the matter relates to a staff member, there is no intention to make that repayment public, aside from the comments we have just made at this hearing.

Senator FAULKNER—This is a hypothetical question but I am sure you will allow it, Minister. If you were asked at a Senate estimates committee what the amount of money that was repaid was in a case like that, what would be the approach of the department in providing that information to the parliament?

Ms Mason—As we have on other occasions, we would normally attempt to protect the privacy of individual staff members.

Senator FAULKNER—I will not ask you how far these attempts might go; I will leave it at that for the moment. But you might just let us know when the matter was finalised.

Ms Mason—We will take that on notice, Senator.

Senator FAULKNER—Thank you for that. I would also like to get a brief outline of travel allowance for MOP staff. Could you very quickly define, for the benefit of the committee, what TA is paid for and what it is not paid for?

Mr Gavin—The answer to the question varies a little, depending on whether the staff concerned are electorate staff or the personal staff of opposition office holders or ministers and so on. In relation to electorate staff, one needs to bear in mind that there is an electoral staff travel budget that is allocated to each senator and member and, while the budget itself does not govern the conditions under which travel allowance is paid, it certainly governs the number of times, for instance, that payments may be made. Travel allowance may be claimed for travel within the electorate, for travel to the capital city of the state in which the electorate is located and for travel to Canberra. It is at the direction of the individual senator or member and is for supporting the senator or member in carrying out his or her parliamentary and electorate duties. Is that the kind of answer you want?

Senator FAULKNER—Yes, I appreciate that. The last guidance I have seen published on this were the guidelines of 10 May 2001. There may be something more recent than that, or are they the most recent guidelines?

Ms Clarke—The guidelines were updated and are current as of November 2001. They were updated with the new CA.

Senator FAULKNER—I only have the guidelines of 10 May. Is it still the case with the MOPS travel allowance that an employee who is required by the employing member to travel on official business will be paid travel allowance for the cost of accommodation, meals and incidental expenses under a series of arrangements that are set out in the departmental guidelines?

Ms Clarke—Yes, that is still the case.

Senator FAULKNER—As we may have canvassed at previous estimates committees over the years, a little bit hinges on this definition of ‘official business’, doesn’t it?

Mr Gavin—‘Official business’ is really meant as a generic term that, in the case of the staff of senators and members, means in support of the senator or member in carrying out his or her parliamentary or electorate business.

Senator FAULKNER—Is it a fact that TA is only paid for official and parliamentary business as opposed to party political business?

Mr Gavin—It is parliamentary and electorate business, I would suggest.

Senator FAULKNER—Parliamentary and electorate business?

Mr Gavin—In the case of the staff of a senator or member, they are carrying out their official duties in supporting the senator or member in his or her parliamentary and electorate business.

Senator FAULKNER—Yes, but not—and this is the one I am interested in—their party political business?

Mr Gavin—I imagine what you are saying is correct. I cannot imagine how it would be incorrect.

Senator FAULKNER—Could you give me the rates for CA and AWA staff for the city of Melbourne? I think there are two different rates here, aren’t there?

Ms Clarke—I can give you the CA rates. I would have to take it on notice for the AWA rates.

Senator FAULKNER—Okay, but there are different rates, aren’t there?

Ms Clarke—Yes, there are. In Melbourne, there is a commercial rate of \$211 per night and a non-commercial rate of \$71 per night.

Senator FAULKNER—Briefly, how does review TA work?

Mr Gavin—Briefly and broadly, it is that, after a specified number of days—which I think these days is 35—which are based on a daily allowance, a review rate is paid and it is, in fact, based on an actual cost. It is expected that a person—certainly in the Public Service who has been away from home base for an extended period—will move out of the more expensive hotel type accommodation into an apartment or serviced accommodation. It is based on actual costs.

Senator FAULKNER—So there is a distinction, isn't there, between staffers who work with and to their member or senator and staffers who would be working at their party's campaign headquarters who are clearly working on party business?

Mr Gavin—That is a question I do not think we can reasonably answer, Senator.

Senator FAULKNER—Why?

Mr Gavin—I can answer that party business is different from electorate and parliamentary business, but we are not in a position to make a judgment about what staff may or may not have been doing if they were working at party headquarters.

Senator FAULKNER—But if you are working in a party campaign headquarters in a city which you are not normally resident in, you cannot claim TA, can you? You can only claim TA if you are travelling and working to a member or senator on parliamentary or electorate business. Surely someone can say that.

Mr Gavin—I made a distinction when I started to answer the question that for the staff of senators and members it is all about parliamentary and electorate business, but the personal staff of opposition officer holders and ministers of course are carrying out what is more broadly called official business.

Senator FAULKNER—Yes, that is why I used the terminology 'official'. You corrected me and I thought, 'Well, I will use your terminology.' I would normally have used the terminology 'official business'.

Mr Gavin—I would never dare to presume to correct you, of course. I think I was saying that in relation to senators and—

Senator Minchin—You should so dare when it is necessary. It is OK.

Mr Gavin—In relation to senators and members I was saying what 'official' was. In relation to, say, ministers, official business for personal staff includes—but I do not suggest this is exhaustive—portfolio related matters, assisting the minister in carrying out his or her functions as a minister.

Senator FAULKNER—But you cannot work at a party's campaign headquarters, at a campaign headquarters, and claim TA, can you?

Mr Gavin—It depends on the work that you are undertaking, I would suggest.

Senator FAULKNER—So what work could be acceptable?

Mr Gavin—Without wanting to irritate you, it seems to me that if you were carrying out work that was in support of your minister's ministerial duties, then in fact that would constitute official duties.

Senator FAULKNER—Are you aware that not one ALP staffer, MOPS staffer, shadow ministerial or opposition officer holder staffer, who worked at the Labor Party's election campaign headquarters in Melbourne claimed travel allowance?

Mr Gavin—I am unaware who claimed travel allowance, to be frank.

Senator FAULKNER—Can someone indicate to the committee that that is the case? I can assure you it is, but we may as well get it confirmed.

Senator MURRAY—Which period are you referring to?

Senator FAULKNER—During the federal election campaign. That is when the campaign office was open.

Ms Mason—We can certainly take that question on notice and get the information for you.

Dr Watt—I think the point is, Senator, we do not look at the assessments in that fashion.

Senator FAULKNER—We will get that. I am not sure of that, Dr Watt. I will be interested see if that is the case. We will have a look at that. But I am saying that not one ALP staffer working at the Labor Party's election campaign headquarters during the last election campaign claimed travel allowance. I would like that to be confirmed by someone at the table. But, given that no-one at the table can confirm it, it has been taken on notice. It nevertheless is a fact.

Ms Mason—Senator, we do not examine travel allowance claims along party lines. We can check that information and get back to you.

Senator FAULKNER—The point I am making is that the Labor Party paid for its campaign headquarters operation, not the taxpayer. And it is also true—you could confirm this, I am sure, Minister—that both the major parties, the Labor Party and the Liberal Party, had their campaign headquarters in Melbourne.

Senator Minchin—My recollection is that yours was also in Melbourne. Certainly ours was.

Senator FAULKNER—Yes.

Senator Minchin—It is unreasonable to expect officers to have come to this table already armed with information about which staff of which parties did or did not claim TA. They have taken your question on notice.

Senator FAULKNER—I do not know whether it is.

Senator Minchin—Of course it is.

Senator FAULKNER—I do not know whether it is unreasonable or not. We got to ask first, having we?

Senator Minchin—You have asked.

Senator FAULKNER—I have asked one question.

Senator Minchin—You have stated a fact.

Senator FAULKNER—I did state a fact, that is true. And then I asked a question.

Senator Minchin—We are not disputing your statement; we simply do not have the information to hand to give you independent verification of what you have stated to be a fact.

Senator FAULKNER—I am happy to ask a series of questions about this that I assume you will take on notice if they cannot be answered. I will try my luck and see how we go. We

will see whether the officials can answer these questions. I believe the situation is that not one Labor Party staffer claimed TA but a very significant number of staff, if not all staff, working at the Liberal Party headquarters did claim TA. With reference to travel undertaken between 5 October 2001—the date of the calling of the last federal election—and 11 November 2001, which of course was the day after the election, by staff employed by government members or senators, I would like to know in each instance: the name of the staff member and the member or senator for whom they worked; the dates and locations for which TA was claimed; the number of nights for which TA was claimed, with details of whether the TA was normal or review TA; the amount of TA paid for each claim—in other words, if a person was in Melbourne for four consecutive nights, aggregate the figure; the name of the hotels which the staff member stayed at; the cost of any cabcharge and other hire car charges during this period; and the name and position of the person who certified the TA form that was submitted to the Department of Finance and Administration. I do not know whether any of that information can be provided today. If not, I would appreciate it being taken on notice.

Ms Mason—Your question is quite complicated and goes to a level of detail that we would not be able to answer today, but we can take it on notice.

Senator FAULKNER—Thank you, Ms Mason. Minister, the Labor Party funded its own way in relation to its campaign headquarters in Melbourne, and I am very concerned that the taxpayer funded the Liberal Party headquarters in Melbourne. Hopefully, the answers to my questions on notice will draw that out. But going to your point, Dr Watt, can you indicate to the committee whether the department produced any reports on the use of TA during the election period or investigated the use of TA during the election period? I gather from your earlier comment this is not the case, but I want to be assured about that.

Dr Watt—I will confirm that.

Mr Gavin—There was no investigation. Realising that this is a potentially sensitive matter and recognising that the ANAO is going to conduct an audit, we took particular care in processing all claims during the election period.

Senator FAULKNER—I would hope that you would take care of all claims in all periods, but I do understand that point. That is appreciated. I think most of us would accept that that is a responsible course of action for the department to treat those campaigns seriously during that period. Can you assure me that no reports were produced on the use of TA during the election period?

Ms Mason—I have just consulted with the service centre staff responsible for processing travel allowance claims and for running reports on those matters and they have indicated to me that no such reports were run to the best of their knowledge. I might also add that the department did take the step of writing to all senators and members prior to the election mentioning the conventions that applied for the use of entitlements during the campaign period.

Senator FAULKNER—If you have a situation where perhaps 100 plus Liberal Party staffers stayed at the same hotel, and we will find that out from the answer to my question on notice, the TA rates for Melbourne are \$211 for staff covered by the CA and, I thought, in excess of \$270—you have taken that on notice, but I think that is a round figure—for staff on AWAs, and they stayed for 49 days and we take an average of \$250, that would be in the order of \$1¼ million. That is probably a minimum figure. I suspect there were more than that number of Canberra based staff working at the Liberal Party campaign headquarters. It is an important issue.

If that is the case, there is an awful lot of money involved and a massive comparative political disadvantage for the opposition. The opposition has taken the view—absolutely properly I think; there is no alternative—and any reasonable person would define staffers working at a party's campaign headquarters as working on party business and it is not competent for them to claim TA. If this is the case, there is not only a massive comparative disadvantage to the political parties concerned but also to the individuals concerned. I think this is a very important issue. I certainly hope the Auditor-General looks very closely at it, Mr Gavin.

I would say to the officials in the department—and I am trying not to place too many questions on notice—that this an important question and one that does warrant an urgent and thorough response given that the information I am seeking appears not to be available at the committee hearing today. While I would like to progress it, I am not going to waste the time of the committee because I suspect I could go through a long and exhaustive number of questions and not turn up any extra information. Given that I have placed these questions on notice, I am asking for a quick turnaround on this.

Senator Minchin—As Senator Faulkner would know, the department is obliged to perform a difficult task in the circumstances of policing the rules as they stand relating to entitlements. They will do that, as they have always done, professionally and properly. I am sure Senator Faulkner does not mean to threaten the department over this matter. It will not be taken as a threat. They will do their job professionally in applying the rules as they always have. If Senator Faulkner has a partisan political view about the rules relating to TA then he can pursue that matter independently and separately, but this department's job is to apply the rules as they stand and as it always has done so and will continue to do.

Senator FAULKNER—I do not have a partisan view; our party tries to adopt a nonpartisan view. I would certainly hope that you, Minister, and the Special Minister of State would also try to adopt a nonpartisan view on the administration of parliamentary entitlements.

Senator Minchin—That is what I have just said.

Senator FAULKNER—It is a crucial area in which to try not to engage in partisan activity.

Senator Minchin—Do not misinterpret my words deliberately like that. I said if you have a view that you are expressing as a partisan about changing the rules, that is your entitlement. The job of this department is to apply the rules without fear or favour, as it has always done and will continue to do. If you want to advocate, from a partisan point of view, any changes to those rules, feel free to do so.

Senator FAULKNER—Minister, you have obviously missed my point. I am not proposing a change to the rules; I think the rules are reasonably clear. I want them applied, and I want to know how they have been applied. That is very different. I want to know that the political party that I happen to be a member of, a party that has played by the rules, has not been massively disadvantaged by doing so, particularly when I have been one of the people giving categorically clear advice. Given the background and understanding that I and other experienced members of this committee have on the way the entitlements system operates, and given that I am one of the people providing advice, I do treat it seriously. My question on notice is not intended as a threat to the department at all. I was just asking Dr Watt to treat this one seriously and urgently. He may do that anyway. I am not suggesting for one moment that he would not. This is a very high priority question in the view of the

opposition. It may be different for the government but I am saying—and I do not often say it—that I would like that answer to come through as quickly as possible. That is clear. There are no threats given or intended.

Senator Minchin—The department acknowledges and hears your request that it be treated with urgency, but the department always treats questions on notice from committees of this kind with all seriousness, and will do so in this case.

Senator FAULKNER—It is true, isn't it, that the minister, in this case Minister Abetz, put out a directive at the beginning of the campaign that because of the difficulty of air travel at the time—the problems with Ansett—ministerial staffers could travel business class if they could not obtain economy class bookings? Can anyone confirm that for me?

Dr Watt—We are not aware of the issue. We will take that one on notice and get an answer for you.

Senator FAULKNER—I would like you to confirm whether that is the case. You could also take on notice whether some requests were made by opposition staffers to avail themselves of this concession in the circumstances but were knocked back. If that is the case, I ask for an explanation.

Ms Mason—None of the people present is aware of that having been an issue, but we will check to make sure.

Senator FAULKNER—My understanding at the time of the campaign—if this helps, Ms Mason—was that that was a directive from the minister around the time of the beginning of the election campaign. I am not critical of that; I think everyone is aware of the problems that existed at the time. The problem is not with the directive; I just want to be assured that this was administered in a way that was fair to all—that is all. Obviously, if no such directive went out, I will have to go about this a different way. I have certainly been informed by more than one person that there was such a directive. Minister Abetz is not here, so we cannot ask him directly. It can be dealt with, I suspect, in the way I have suggested.

Ms Mason—We understand your question.

Senator FAULKNER—There is another issue that arose during the election campaign, and I hope you might concentrate on this one, Minister. I know you are the portfolio minister and Senator Abetz has direct responsibility for this, but this is a matter that really does need to be clarified for the future. It has been an ongoing problem for a long time. It goes to the guidance of what is and what is not permissible use of the communications allowance. You would know that this is an ongoing difficulty. I am sure you had that experience when you were directly Special Minister of State. This goes back to the old printing and postage allowance. I think you would be aware that the problem is that, in an election campaign, a possible misuse of the communications allowance can actually turn into a political issue. I am sure you would acknowledge that. This affects both sides of politics.

Senator MURRAY—All sides.

Senator FAULKNER—I knew that the Australian Democrats would never be accused of such a thing, Senator Murray; that is why I said that.

Senator MURRAY—I was thinking of the other two.

Senator FAULKNER—It affects all parliamentarians, as Senator Murray properly corrects me. During the campaign I wrote to Minister Abetz concerning material that I believed was outside the guidelines as I understood them. As is the standard practice in these

circumstances, I included copies—as do members of all political persuasions—of the campaign material that I thought was outside the guidelines. The response I got from Minister Abetz—which was dated 29 January 2002 and was in response to a letter I sent on 11 October 2001, which is absolutely hopeless—illustrates perfectly the lack of clarity and consistency in the minister's and the department's guidance on this issue. It just has to be fixed, and the time to do it is now—at the beginning of a political cycle, not at the end of the political cycle, as we get closer and closer to an election, where these things become more and more difficult to try to solve. I hope you share the spirit of that suggestion, Minister.

Senator Minchin—This matter bedevilled me the year I was the Special Minister of State. The grey areas of a number of these entitlements are an enormous difficulty both for the department and for individual parliamentarians. We are, as you would know, somewhat in the hands of the Remuneration Tribunal on a number of these issues. They prescribe the entitlements, and it is then a matter for the department to implement and police them. I am very sympathetic to your cause, but it may be that seeking greater clarity is a function of communication with and directives from the Remuneration Tribunal. I will certainly personally pursue that matter, because I am sympathetic to your point.

Senator FAULKNER—I wrote to Minister Abetz because the material I enclosed used language which directly solicited a vote—or I believed it did. My first question—and this was not addressed in the response I received from Senator Abetz—is: is it permissible to use language which directly solicits a vote? Can someone help me with this?

Mr Gavin—Remuneration Tribunal Determination 26 says that, in relation to the communications allowance—which is an unfortunate title for it; it is used to be called the postage allowance—a senator or member can use the postage allowance, or whatever it is called now, for parliamentary and electorate business but not party business. The present government approached the tribunal for definitions of these key terms, and the tribunal declined to give them in its 1997 report. The courts have never ruled on the matter. As I think we discussed at an earlier hearing, in the absence of a court decision, it ultimately comes back to what the average man or woman in the street would see as reasonable.

Senator FAULKNER—I asked whether it was permissible to use language which directly solicits a vote. I cannot get a straight answer to that question. That is a pretty fundamental question. It has to be sorted out.

Senator Minchin—As Mr Gavin has said, it really does fall back to the tribunal. I will certainly discuss with Senator Abetz the question of the appropriateness or wisdom of another approach to the tribunal to seek that clarification, because I agree that it would help us all. From one point of view, you could argue that everything a senator or member does in communicating with their electorate about electorate business is about getting them to vote for you next time. That is why it is difficult, and it certainly was difficult for me as Special Minister of State. If we can get some clarity, I think you are right: now is the time to try to do that.

Senator FAULKNER—I think it is the right time, but I think we have to do a bit better than that. The material I enclosed with my letter to Senator Abetz was something that was distributed under Senator Kemp's name and letterhead and something from the member for Parramatta, Mr Cameron. In relation to Senator Kemp's, the words used were 'You can still vote Liberal in Melbourne'. It turns out, according to the letter I got back from Senator Abetz, that Senator Kemp advised him that the material that I had referred to him was printed by the Liberal Party of Australia and was not a charge against his entitlement. Fair enough—end of

story, if that is the situation. Mr Cameron's used the words, 'You can still vote Liberal for Ross Cameron in Parramatta'. I will show you it if you like, Minister. It is a quite substantially sized pamphlet. In relation to Mr Cameron, Senator Abetz said to me, 'Mr Cameron has advised that he believed that it was within his entitlement to printing and postage to print and distribute the material you provided.'

What does that mean? Does that mean everyone in the Labor Party can put out any damn thing they like, advise Senator Abetz that they think it is within their entitlement and get away with it? The problem is that it does not work that way. We are advising people in the opposition all the time to be extremely careful, to interpret these guidelines very conservatively when advice is sought from those in the opposition who take a close interest in these matters—as I, Senator Ray and a couple of others do. We advise people strongly to treat these matters very conservatively indeed.

We do not know whether it is permissible to use language which directly solicits a vote; we cannot get an answer to that question. If it is not acceptable, could anyone tell me what action would be taken by the minister or the department?

Ms Mason—I would like to elaborate on the point Mr Gavin made earlier. In the absence of a clear definition from the Remuneration Tribunal or a clear ruling from the courts, we need to rely on the certification of the relevant senator or member as to whether or not their consumption of entitlements is within the rules. In the case that you have mentioned, we sought comments and an assurance from the relevant person that, in their opinion, the consumption was within the rules. Ultimately it could be tested in some way, but we rely on that advice.

Senator FAULKNER—It is a bit hard, given that there are not any rules, for someone to provide that sort of advice, I would have thought. Is there any individual in DOFA who is responsible for determining or advising on what is within entitlement and what is not?

Mr Gavin—Is your question: is there anyone in DOFA who is responsible for that?

Senator FAULKNER—Yes.

Mr Gavin—The account managers are the first line of advice to provide assistance to senators and members. To go back to your earlier question, Ms Mason, in her advice to all senators and members, set out the convention which states that it is reasonable to use your entitlements in support of your own re-election but not that of anyone else. That convention goes back to before the present government. As I understand it, the basis for that is linked to what Minister Minchin just said—that any action that you take as a senator or member could be construed as laying the groundwork for your own re-election. That was set out in the letter that Ms Mason sent out, I think on about 12 October.

Senator FAULKNER—I have seen that. But take this pamphlet—I am highlighting this one only because it is one that I happened to complain about to Senator Abetz. Equally, no doubt, I could pick a Labor member's or senator's document or another Liberal or National party member's or senator's document just as easily, but for the purposes of the argument I know about this one because I asked Senator Abetz about it directly. This one says, 'You can still vote Liberal for Ross Cameron in Parramatta.' Does anyone know whether this was printed on his entitlement?

Mr Gavin—My memory is that his reply certainly implied that.

Senator FAULKNER—Was it posted on entitlement?

Mr Gavin—My memory is that that was the implication, but once you print something like that, of course, you could distribute it in a number of ways, including by post.

Senator FAULKNER—Yes, but was it printed and posted on his entitlement?

Mr Gavin—That is the implication of the letter, I think, Senator.

Senator FAULKNER—You think so.

Mr Gavin—Yes.

Senator FAULKNER—Well, that is extraordinary in itself: ‘We think so.’ Either it was or it was not. If it was, is it okay? If it is not okay, what action is taken? This is simply not good enough.

Senator Minchin—We have all laboured under the fact that this entitlement has not been subjected to precise definition by the relevant authority, the Remuneration Tribunal.

Senator FAULKNER—I am not making a partisan point here.

Senator Minchin—I appreciate that. You are using Mr Cameron, but I accept your bona fides.

Senator FAULKNER—I have explained to you that I could equally use someone else’s, but I have this to hand and I did formerly complain to Senator Abetz about it. The other thing I complained about was properly printed because it was printed by the Liberal Party. Fair enough; no-one is arguing.

Senator Minchin—The officers have already stated that the circular that went out from the department indicated what the general interpretation of the rules is in relation to that communications allowance. They do, apparently, allow communications which go to one’s own re-election. There is not really much more the department can do, given that that is the current situation. If you are advocating that rule should be changed—

Senator FAULKNER—I am.

Senator Minchin—you are free to write to the Remuneration Tribunal and recommend that that change take place.

Senator FAULKNER—I suspect you have a lot more influence than I have with the Remuneration Tribunal. My point is that Senator Abetz, as the minister, writes back to me, in this case that I know about and says:

Mr Cameron has advised he believed that it was within his entitlement to printing and postage to print and distribute the material you provided.

‘You’ being Faulkner in this instance. Does that mean that anything goes and, as long as someone believes it is within their entitlement, they can do what they like? There may be some people in the Liberal Party doing this, for all I know. I know that I and other senior colleagues are counselling members of the federal parliamentary Labor Party about what can be sent out and what cannot be sent out. We cannot have a situation where other members and senators go at this willy-nilly, and this is why it has got to be sorted. I ask again about the one I know about: is what Mr Cameron did okay? We know it is printed on entitlement, posted on entitlement. Is that okay?

Senator Minchin—The officers are indicating to you that they are not prepared to pursue that matter on the basis that they do not know the facts in that case for certain.

Senator FAULKNER—I assume it has gone to the department for assessment because Senator Abetz has written back to me.

Ms Mason—I do not think we are in a position to exercise a judgment as to whether or not it is okay because of the lack of clarity in relation to what is permissible use of the communications entitlement. We have relied on the assurance from the relevant person that it is within entitlement. There have been other cases where senators or members have been written to about their use of the communications allowance and, where they indicated that they accept that it was not within entitlement, repayments have been made.

Senator FAULKNER—You raised the issue of the lack of clarity. Is the department concerned about that?

Mr Gavin—It is worth reading the quotation from the Remuneration Tribunal 1997 report in full because it talked about the due reticence of the executive to impose definitions of what constitutes ‘parliamentary’ and ‘electorate’ on parliamentarians. It went to the question of the division of power.

Senator Minchin—Mr Chair, Senator Abetz is here for items which are his direct responsibility, so I will hand over to him. Do we have clarity on the question of outcome 2 and whether there are going to be any further questions on that matter?

CHAIR—Thank you, Minister. I understand there are no questions on output 1.1, the budget, but there was a suggestion that Senator Allison and potentially Senator Murphy have questions regarding output 2.

Senator Minchin—Have we not been able to ask them?

Senator MURRAY—Yes, as I advised when I came in about three-quarters of an hour ago, that question being put on notice is fine.

CHAIR—How about Senator Murphy?

Senator Abetz—Who knows?

Senator Minchin—Has someone rung?

CHAIR—I am told that he may have withdrawn his interest. If that case, there may be some questions from Senator Allison on notice. Thank you, Senator Murray. Senator Abetz, welcome back.

Senator Abetz—My apologies for not being available earlier. Before we move back to questions I would like to make a brief statement. I would like to put on the public record that both John Gavin and Sue Whisker were awarded commendations for outstanding service as part of the Finance secretary’s Australia Day awards. Both have long and distinguished careers in the Australian Public Service and I congratulate them as does, I am sure, the committee.

Senator FAULKNER—On behalf of the opposition, I agree with the minister at the table. They are both outstanding officers of the Commonwealth and the awards are well deserved.

Senator MURRAY—On behalf of the Democrats I think I should concur with that.

Senator FAULKNER—I suspect the minister at the table is not aware of the line of questioning here. I am talking about the communications entitlements. In a nutshell, I am saying that this is the appropriate time of the political cycle to try to get this fixed up. There is far too much uncertainty. It was a big issue in the election campaign. I for one am sick to death of seeing my own political party disadvantaged sometimes because of the sort of advice

that I and other senior members of the party might provide to our colleagues. We might say, 'This sort of material is not appropriate to be distributed,' but then we see something similar coming out from other members of parliament being paid for through entitlements. In my view we must try to achieve some clarity in this. I think Senator Minchin accepted that I am not making a partisan point at all. But I do think it is time for the government to try to sort it out. If the government does make efforts to do that then certainly the opposition will cooperate. I hope the Australian Democrats will also support efforts to try to get some clarity around this.

Senator Abetz—I agree with nearly everything Senator Faulkner said. The suggestion that we ought to get out the fiddle because the Labor Party may have been disadvantaged was a bit hard to swallow, but the rest of what he said has merit. When we came to government in 1997—the officials will correct me if I am wrong—a predecessor of mine approached the Remuneration Tribunal saying that it would be very helpful to try to give some definition to the terms 'electorate', 'parliamentary duties' and 'parliamentary business'. The Remuneration Tribunal, unfortunately, declined that request. I do not want to do the Auditor-General an injustice, but I think in his report he made the comment that these terms ought to be defined. But he—and I do not say this impolitely—squibbed on the issue as well. Everybody wants somebody else to define these terms because there are some real difficulties. I take your point that this stage in the electoral cycle is a good time to come to some definitions. No matter what definition we provide, it is my view that there will always be a grey area, but the extent of the greyness of the area could be limited. Any ideas that Senator Faulkner or Senator Murray or anybody else has would be greatly appreciated by me and, as I understand it, by the senior portfolio minister, Senator Minchin.

Senator MURRAY—Minister, we have been discussing this for 20 minutes and we probably do not need to go further. The three political parties represented here definitely have a common interest in this being resolved. Would you and your officials consider constructing a discussion paper which does not commit the government and which tries to outline the issues and some of the ways in which this could be interpreted and examined for circulation to the parliamentary parties of the Senate and the House so that a view can be developed which could then be put to the Remuneration Tribunal? Can you think about that?

Senator Abetz—I am happy to look at that. I will talk to the departmental officials about whether something can be scratched together. However, the Australian Democrats or the Australian Labor Party may have some initial input to put into it or some definitions for the term 'electorate business'. I do not make this as a partisan comment, but questions have been raised about the Australian Democrats using their entitlements to broadcast a Democrat-type message in electorates where they do not have members. Every political party has an interest in having these matters defined. Your input would be appreciated, and I will approach the department.

Senator MURRAY—Then, perhaps you will consider your department setting a number of questions which they put to us to answer. That will lead us in. None of us is as experienced as the department in the whole range of possibilities. If they give us a set of questions which we answer, that would be our input for you.

Senator Abetz—I will give it some thought. If Senator Faulkner or Senator Murray have some other suggestions, we will try to get something together.

Senator FAULKNER—I think it is a good idea to charge your officers in MAPS with this task and see how we go. Those suggestions are positive ones. I am not going to go back over

the ground we have dealt with, Minister, but another problem is the inconsistency in the handling of these matters. You wrote to me—and I have focused on this—in relation to some questions I had about some material that I thought was printed and distributed by Senator Kemp and Mr Cameron, the member for Parramatta. I wrote to you on 11 October, and you responded to me on 29 January. You reported back to me on the outcome of the investigations into Senator Kemp and Mr Cameron. I am not going into the detail of that, I have canvassed it already.

Senator Abetz—You have left in the ether the suggestion, ‘the inconsistency of handling the matter’.

Senator FAULKNER—I am about to come to the inconsistency.

Senator Abetz—You have some other matters? I thought you were juxtaposing the Kemp and the Cameron matter as an inconsistency.

Senator FAULKNER—On the one hand you did report back to me on the outcome of those investigations—however satisfactory that may have been is another issue—and I have dealt with that.

Senator Abetz—Yes.

Senator FAULKNER—I have dealt with that. On the other hand, when the former member for Dickson, Ms Kernot, wrote to you concerning the use of parliamentary entitlements by our chairman, your response to her was:

I do not consider it appropriate to report the outcome of this process concerning an individual senator or member’s entitlements to another senator or member.

I am not going to the substance of the various complaints, but why did you give that response to her concerning that issue yet you provided a report to me—however adequate, but that is not the issue—on the outcome of the matters I raised with you. That appears to be an inconsistency. Why respond to me, which I think you should do, on the outcome of Senator Kemp and Mr Cameron and respond to former member for Dickson in that way?

Senator Abetz—If you were to show me the correspondence it might jog my memory as to why—

Senator FAULKNER—I have just quoted from the correspondence of 4 October 2001. You stated:

I do not consider it appropriate to report the outcome of this process concerning an individual senator or member’s entitlements to another senator or member.

The inconsistency seems to be that that might have been the approach you took then, but you did report to me on the outcome of the matters concerning one senator and one member that I wrote to you about. Is there a standard approach here? Do you normally respond to senators and members who question the use of another member or senator’s entitlements? It does appear, on the surface, to be completely inconsistent. It might be a special deal for the chairman of the committee.

Senator MURRAY—Maybe you have a special status as the Leader of the Opposition in the Senate.

Senator Abetz—I will have a look at the *Hansard* and if I need to come back and give a more detailed answer I will. When I became minister I did query whether or not we advise outcomes of complaints. I was advised that, in general terms, no that did not happen. My view was that possibly some thought ought to be given to that. As a result, when an MP or senator

makes a complaint now the practice is that we do provide a response to that senator or member. Where that line started or where that change occurred I cannot exactly recall. My view is that if a complaint is made by a senator or member it is appropriate that that senator or member be informed as to the outcome. There was no discourtesy to the former member for Dickson or any greater courtesy shown to you by dealing with the matters in the way I have. I think it is appropriate that responses are provided.

Senator FAULKNER—Fine, of course it is appropriate that responses are provided. But you report to me on the outcome of my concerns about Senator Kemp and Mr Cameron but you say to the former member for Dickson on 4 October, ‘Well, it is not appropriate to report.’

Senator Abetz—It is about 3½ months later, I think. I need to examine where that changed occurred.

Senator FAULKNER—What do you mean? What is later?

Senator Abetz—I wrote to Ms Kernot, did I not, you are telling me—

Senator FAULKNER—On 4 October.

Senator Abetz—on 4 October and I wrote to you on 29 January this year so there is about 3½ months between them.

Senator FAULKNER—I see. So what you are saying is that the procedures changed sometime—

Senator Abetz—Yes.

Senator FAULKNER—Okay. So was the response—

Senator Abetz—I cannot assure you that that is the reason.

Senator FAULKNER—Was the response to Ms Kernot the standard approach at that time?

Senator Abetz—I believe so.

Senator FAULKNER—You can check that for me, but if you could also tell me what—

Senator Abetz—Yes. If there is anything I need to alter when we get the *Hansard*, I will do so, and I will provide that.

Senator FAULKNER—Could you take on notice the date of the changed approach? I know it is some time between 4 October and 29 January.

Senator Abetz—We will take that on notice. I think that is the explanation, but allow us to check the records.

Senator FAULKNER—It has been done before. A range of these issues have been canvassed at great length at Senate estimates committees, haven’t they?

Senator Abetz—I am sure they have.

Senator FAULKNER—I know they have. In this case, were the complaints about Senator Mason’s use of entitlements reviewed? Was that complaint examined?

Senator Abetz—Yes. As with all complaints—and this is something that I am still giving consideration to—no matter how trivial or major an allegation, the first step is simply to write to the senator or member and say, ‘There has been a complaint. This is the detail of the complaint. What have you got to say about it?’ and then await the response.

Senator FAULKNER—But in this case—and I do not even know what it was, to be honest.

Senator Abetz—I am sure that Ms Kernot's complaint would have been received. We would have written to Senator Mason, and Senator Mason provided a response.

Senator FAULKNER—That is what I am asking. This particular complaint was investigated, was it?

Senator Abetz—Yes.

Senator FAULKNER—Was the material—which I do not have a copy of—found to be produced and distributed within the guidelines?

Senator Abetz—I am not sure what has been said before in these hearings, but I would anticipate that it would have been said by Mr Gavin that we cannot give definitive rulings as to whether something is in or out. The Remuneration Tribunal will not do it, the Auditor-General says it ought to be done but does not do it, and we still do not have strict guidelines as to what is in or out. I assume some things would be blatantly in; others, blatantly out. There is a huge grey area to which I was referring before. If on a bipartisan, tripartisan or whatever basis we can limit that grey area, that is of benefit to the body politic and to all of us.

Senator FAULKNER—The point here is not about Senator Mason. If this is found to be within guidelines, then it becomes the new standard. If it is within guidelines for Senator Mason, you, me, Senator Forshaw or anyone else, then it is within guidelines for everyone. You would accept that, wouldn't you?

Senator Abetz—That clearly follows.

Senator FAULKNER—My question is whether Senator Mason's material—if you do not know, please take it on notice and respond because it is important from this point of view—was found to fall within entitlements.

Senator Abetz—Possibly a better way of putting it is that it was not found—and this is going to be a double negative—to fall out of the guidelines, given what Senator Mason has said to us about it.

Senator FAULKNER—That then becomes a new standard, doesn't it? If what Senator Mason produces is not outside the guidelines, it is allowable.

Senator Abetz—Quite. My Liberal Party colleagues talked to me about a newsletter that was sent out in Brand, and that that is going to be the new benchmark.

Senator FAULKNER—Exactly!

Senator Abetz—The other point you make, which I think we have already covered, is that we ought to get together to see if we can come to some agreement whereby we can then reapproach the Remuneration Tribunal for a bit of a definition.

Senator FAULKNER—The substantive point—and I make it seriously—is that we are almost at the point of it being open slather. If that is the way it is to go—well, maybe that is the easy way for it to go—

Senator Abetz—That is your assertion.

Senator FAULKNER—It is close to being open slather. I have a fair idea how many have gone to the department and I have a fair idea at least in relation to opposition members and senators who have consulted me. It is true to say, is it not, that very few matters that have been drawn to the department's attention have been found wanting and requiring action. There

have been some but not many—very few; a very small proportion. We are getting closer and closer to open slather and the risk is that people will not even bother seeking guidance about it. Mind you, if you do seek guidance—and this is not at all a criticism of the officials—it is almost a waste of a telephone call.

Senator Abetz—Because of the difficulty that they are in.

Senator FAULKNER—We went through this before you—

Senator Abetz—I thought we were in heated agreement that we were going to see if we could get together to discuss this particular entitlement to see if we could come to some arrangement or agreement. As a result, Mr Chair, could I suggest that we truncate this particular discussion?

Senator MURRAY—I would like to move on—I have a lot to do.

Senator FAULKNER—I will not be long. There are some other issues along the same line that I would like to get clarification on. I will mention them to you and ask whether you will agree to look at these as well. These arose during the last election campaign on both sides of parliament—all sides of parliament; before Senator Murray jumps on me and kicks me to death.

Senator Abetz—What is it? A triangle, a quadrangle?

Senator MURRAY—As long as we are in there.

Senator FAULKNER—Is it okay to use the electorate office contact details—in other words, address and phone number—on postal vote application material which is sent out on entitlements? Is it appropriate to provide a return addressed envelope with the PVA carrying the address of the party headquarters? Is it permissible to send out how-to-vote information on entitlements? If it is not, what action is taken when instances are drawn to the minister's or the department's attention? Is it okay to use electorate office contact details for campaign material which a member or candidate distributes using party funds? Is it permissible for campaign volunteers to use the electorate office premises to help with enveloping campaign material and so forth? Is it permissible to use the electorate office photocopier to copy campaign material? If it is not permissible to use the electorate office or facilities in any way for campaigning, how does that fit with the convention that it is okay to use entitlements in support of one's own re-election? Does it mean that all members have to set up a separate campaign office? Is it okay to print campaign-type material, leaflets or communications that might go to key election issues—Telstra, border security, GST, whatever? If so, is it appropriate that this material be authorised by members? Where is the line drawn between a constituent—

Senator Abetz—How long is your list?

Senator FAULKNER—Not that long. These are all important questions.

Senator Abetz—Yes. I just thought we might be able to table them—that is all.

Senator FAULKNER—I can't, because I am doing this on the run. Where is the line drawn between a constituent newsletter and campaign material? Is it just a matter of format and so on? These issues were all raised during the last election campaign. Getting clarity on those issues was also well-nigh impossible.

Senator Abetz—All those issues that you raise really revolve around what we were discussing before—that is, what definition ought be given to the terms electorate,

parliamentary duties or business and official business. That relates to the use of all the things that you have mentioned.

Senator FAULKNER—It shows you the importance, doesn't it, of getting some of this sorted out?

Senator Abetz—I notice that for 13 years it was not sorted out. As soon as we got into government we approached the Remuneration Tribunal, which rejected our approach. Nobody has come up with a better suggestion since. Senator Murray has come up with an idea. I am happy to follow through on that one.

Senator FAULKNER—I am suggesting we ought to get it sorted out now because it has become a very major issue in 2002.

Senator Abetz—We are in heated agreement.

Senator FAULKNER—Good.

Senator MURRAY—So those questions are on notice?

Senator FAULKNER—They are on notice, but they are also flagging some of the issues. Others may care to add to them.

Senator Abetz—Senator Murray, in the tripartisan basis of this committee at least, I suggest that those other questions should form part of what I have agreed to look at because it all revolves around the definition of 'electorate', 'parliamentary duties' and 'business'.

Senator MURRAY—If I may say so—and I want to avoid debating the issue—those are precisely the questions that a member or, in my case a senator, is faced with by staff, both employed and volunteer, who ask, 'Can we use the photocopier, can we use the fax, can we use the folding machine?' and so on. It gets right down to those nuts and bolts.

Senator Abetz—One of the grey areas is whether I am a senator for Tasmania or a Liberal senator for Tasmania. That really is the starting point of the whole discussion. Should I only be allowed to have 'Senator for Tasmania' on my letterhead as opposed to 'Liberal Senator for Tasmania'? Trying to resolve those sorts of issues will be difficult, but having said that, I think we can limit the grey area if there is goodwill.

Senator MURRAY—That is why I reacted to the particularity of Senator Faulkner's remarks. I think that is right on the button. Those are the practical questions that are asked.

CHAIR—Senator Faulkner, do you have any questions?

Senator FAULKNER—I do, but I cede to Senator Murray for little while.

Senator MURRAY—Thank you, Senator Faulkner.

Senator FAULKNER—Why don't I come back in about 20 minutes?

Senator MURRAY—Yes.

CHAIR—Senator Murray.

Senator MURRAY—Minister, on 15 February our committee secretariat advised us that there were a number of unanswered questions on notice. I am going to follow those in a similar train, but I will put them in context.

Senator Abetz—Senator Murray, I should have said at the outset that I understand they are now all answered, but I admit I only signed off on some of them one or two days ago. There were some delays, which, I accept, is not acceptable. We will try to ensure that that does not occur again.

Senator MURRAY—I have not seen those answers, obviously. The questions I refer to are mostly those raised by Senator Robert Ray—numbers 186, 190, 208—

Senator Abetz—I remember signing off on a whole range of numbers, but please do not ask me which numbers. Do you have the answers as yet? Does the secretariat have them?

Senator MURRAY—I have not seen them, no.

Dr Watt—We still have a couple of questions on notice outstanding, but they do not relate to anything to do with this particular outcome, so I would say that they have not been answered.

Senator MURRAY—Minister, under current administrative arrangements, as you know, status as a parliamentary party generates an entitlement to non-electorate staff. The four parliamentary parties in order of size are Liberal, Labor, National and Democrats. The questions I have are: are there any guidelines or protocols—and this can be taken on notice if the answer is not immediately apparent—relating to the number of non-electorate staff provided to government parties and to non-government parties relative to the number of members and senators? Is there some kind of formula? And, relative to the grades of staff available, what is their status and pay, and so on?

Senator Abetz—I am not sure that there is—we might need to take that on notice—but to a certain extent it is within the province of the Prime Minister.

Senator MURRAY—I do not mind if you take that on notice. If there were a guideline, a protocol or convention that is written—

Senator Abetz—It is up to the Prime Minister's discretion, basically, how many staff the government believes it needs. Then there is a protocol or an agreement that 21 per cent of that number of staff is made available to the opposition.

Senator MURRAY—For the minor parties—the National Party and Democrats—is that completely discretionary?

Senator Abetz—Once again, that is at the discretion of the Prime Minister and—correct me if I am wrong—includes Independents, such as Mr Andren, who get the benefit of an extra member of staff. That is at the discretion or gift of the Prime Minister of the day. There has been a convention that somebody who is a one-person band needs more assistance.

Senator MURRAY—Minister, to ensure that I understand your answer completely, you are saying that from government to opposition there is a conventional proportion and for any other parliamentary party or non-parliamentary party member or senator there is a discretion.

Senator Abetz—Yes, that is as I understand it. There is discretion for all in relation to what the Prime Minister allocates for the government and all the others, but there is a convention between the government and the official opposition of 21 per cent.

Senator MURRAY—I see. Does that discretion also apply—we have spoken so far about the number of staffers—to the budgetary amount, namely the grading and wage conditions of those people?

Senator Abetz—Yes, it does.

Senator MURRAY—I assume that those figures are available—the budgetary amounts.

Senator Abetz—Yes, the figures of the total budget are. It is not set in terms of dollars but rather levels.

Senator MURRAY—Alright. Perhaps I could be given on notice the numbers and the levels. Obviously, I do not need the names.

Senator Abetz—Yes.

Senator MURRAY—Secondly, are the numbers different from those that applied in 1996 prior to the present government's accession? If you were to give me the numbers and grades now, could you also indicate what they were in February 1996 so that I can see what has happened there?

Senator Abetz—We will take that on notice.

Senator MURRAY—Moving on from that, one of the issues that has emerged is the rate of staff turnover—any organisation always pays attention to that. Could I be provided with—this would definitely have to be on notice; you would not have this information at your fingertips—the rate of turnover of non-electorate parliamentary staff for each parliamentary party between 1 July 2000 and 30 June 2001 and from 1 July 2001 to whatever is the most recent accounting date?

Senator Abetz—Or convenient date.

Senator MURRAY—It might be the end of December or the end of January, whichever is the most convenient.

Senator Abetz—Yes. So that we know what we are actually looking for, if somebody leaves one office but goes into another office, you would not count that as turnover?

Senator MURRAY—No, it would be actual leaving of the service. If somebody went from, say, a minister's office back into the Commonwealth Public Service that would be leaving. I am talking within the ambit of non-electorate staff.

Senator Abetz—Given that the period you want is after an election and there is often a substantial turnover, I would anticipate—

Senator MURRAY—That is one of the things I am looking for frankly.

Senator Abetz—Fine.

Senator MURRAY—That is why I have chosen those two periods. One is a stable period and one is not. The next issue follows on from that. Does the department offer any training in human resources management for people who appoint or manage the staff of a parliamentary party, and, if they do not, is there any intention of providing such a service?

Senator Abetz—I understand there is a budget for training and development of staff. I am not sure whether there is for the MP or senator who is in charge.

Senator MURRAY—That is electorate staff. I am referring to non-electorate staff. Let me again put it in context for you. Anyone who has worked for a major organisation in the private sector, probably in the public sector as well, knows that there are training and development programs to ensure that people have these skills. I am not aware that such a thing is available for non-electorate staff. I am particularly interested in whether there are training facilities available to those who appoint or manage staff?

Ms Clarke—We will be undertaking a training needs analysis and a survey of staff during the year to find out what their skill requirements are and where they have skill deficits in order to offer courses and assistance that might meet those requirements. That could come out at that time.

Senator MURRAY—My experience in parliament so far is that training is dedicated to developing the skills and abilities of an individual not those who manage a group of individuals. That is an issue. Staying with staff, I will turn now to a separate issue. With regard to the staff side of Comcar, I understand that no overtime is available for Comcar staff over and above their shift period, is that correct?

Senator Abetz—Are we moving to Comcar?

Senator MURRAY—It is just this one small set of questions.

Senator Abetz—But Mr Sweeney should come to the table.

Mr Sweeney—The overtime aspect in relation to drivers in Comcar—and I assume you are speaking about drivers—

Senator MURRAY—Yes.

Mr Sweeney—Has been rolled up into their certified agreement and they are actually remunerated as part of the certified agreement—that is, their salary was negotiated.

Senator MURRAY—So they do not have an overtime facility?

Mr Sweeney—That is not strictly correct. If they have achieved their hours for a quarter, which I understand is about 546 hours on average, at that point there are certain circumstances under which a driver would get a credit for the hours beyond the 546 for the quarter or indeed be paid overtime.

Senator MURRAY—What length of time is a shift?

Mr Sweeney—That varies but under fatigue management principles we have arrangements whereby we ensure that they do not work any more than a reasonable amount of time to ensure that they are not fatigued. There are split shifts. So that may mean that period of time could vary.

Senator MURRAY—Let me give you an example. If a member or senator has an extended day country trip—this happens quite frequently—and has a driver pick them up early in the morning and return them late in the evening, my understanding is that the senator or member will be charged for the entire period the car was out. Let us say it was 6 a.m. to 6 p.m., would they be charged for that 12 hours?

Mr Sweeney—That would be the normal circumstance.

Senator MURRAY—I also understand that a Comcar driver who was with that car for 12 hours would not be paid for the 12 hours, that they would be paid for their shift hours and they would not receive a meal allowance. In other words, the senator or member is being billed against their budget for their entire period but the driver is not being given a meal allowance or being paid for that entire period. Is that correct?

Mr Sweeney—That is not strictly correct. I will check the facts, but my understanding of the matter is that the hours that a driver works in any particular period would be accumulated as a part of his weekly hourly average, which is 42 hours—which in a quarter gives you 546 hours. If, indeed, a driver were to work for 12 hours—as per the example you gave—that would constitute part of his weekly hours that would accumulate towards his quarter hours.

Senator MURRAY—Say, by the fifth day this occasion arrives and the day gets extended on that basis and they have already used up, if you like, their weekly allocation, what effectively happens is that the driver is driving as a volunteer on that fifth day.

Mr Sweeney—As I mentioned earlier, we have fatigue management principles which ensure that drivers are not on duty for what is believed to be an unreasonable or inordinate period of time.

Senator MURRAY—But you have not defined that for me. Really, the practical example is that you will have drivers out for a full day. They might not be driving the entire time—members and senators may be stopping for functions—but they will certainly be out with the car the whole day.

Mr Sweeney—That is correct. Our fatigue management principles are such that we would not expect people to work for more than—and I would like to check the figures—14 hours in any one particular shift and, if that is a split shift, that would be cumulative. Thereafter, they would not be required to work again for another 10 hours.

Senator MURRAY—Obviously I am relaying a real life experience, where a driver is aggrieved. I am not going to give you the specifics, but I have alerted you to it. There is a second small area to pick up. Senators present probably have the figures in their heads, but roughly speaking the number of petrol stations in this country have dropped from 30-something thousand to about 8,000 with the rationalisation of service stations. The consequence can be that in the country there are very few service stations for a Comcar driver to call at, and I understand they have only one petrol card. In other words, there is an allocated petrol station which is the preferred supplier. Sometimes they are not able to find that particular garage and they end up putting their hands in their own pockets or the senator or member does. Is that true?

Mr Sweeney—Again, I would require the exact detail to be able to comment articulately on that. However, I can give you an assurance that, in the circumstance where that was to occur, we have in place reimbursement procedures whereby, through a reimbursement and petty cash procedure that is in existence and is fully audited. Within each depot, any such expense would be remunerated and reimbursed in full as soon as that claim was put forward through the depot supervisor.

Senator FORSHAW—I have two quick questions for Comcar. The use of hire car companies has increased in recent years. As I understand it, there is a list of companies that can be used to provide a car when a Comcar driver or car is not available. Is that correct?

Mr Sweeney—Yes.

Senator FORSHAW—Are details of the drivers who drive for those companies known to the department or to Comcar, or whoever the designated company supplies?

Mr Sweeney—Through a very assiduous process whereby there is a deed of offer made and companies become accredited, there is a very stringent process whereby vehicles become registered and we have a registration number for that. Indeed, the drivers who are to drive those vehicles are notified to us and they are cleared by Comcar.

Senator FORSHAW—Are those drivers provided with any specific training or is there a requirement that they meet certain tests and standards that are applicable to the drivers who are employed permanently or casually by Comcar? How do you ensure that those persons are of an equivalent standard in all the various aspects that Comcar drivers are?

Mr Sweeney—Comcar does not provide training for hire car operators' drivers.

Senator FORSHAW—I would not have expected that you do, but what assurances do you require?

Mr Sweeney—The assurances that we get are that the operators who have signed that deed of agreement meet the specific standards required within their state and meet the hire car standards for both the vehicle and driver they sign for when they become a contractor attached to that panel.

Senator FORSHAW—I have had occasion where, when I have checked my own records, I have found—and I have reported this on at least two occasions—that what was a half-hour journey from my house to Mascot airport was billed at over an hour by the particular hire car company.

Senator Abetz—Where did you go?

Senator FORSHAW—I got picked up at the time that the booking was made and dropped off in half an hour.

Senator Abetz—I accept that.

Senator FORSHAW—But what appeared on the sheet was a much later time. I do not have specific details, but if you checked through your records—I wrote a letter about this, pointing it out. That has happened on more than one occasion. Is that a matter that has come to your attention? Has anything been done about it? Are they entitled to charge for a minimum amount irrespective of the length of time of the journey? I point out that in those cases the charge that was attributable was in some cases 1½ times to twice as much as the equivalent Comcar charge.

Mr Sweeney—We endeavour to follow through on any cases that are raised with us and we have a procedure in place to do that. In relation to the reference you make to minimum periods, under a normal circumstance there would be a minimum charge of 30 minutes. On the weekend, it may well be that the hire car operator has charged a minimum of one hour. The other differential may be that the charging rate used by hire car operators is from base to base, as opposed to Comcar where we charge a minimum of half an hour and that does not necessarily include the base-to-base charge. That may be why there is an inconsistency in the same journey from a hire car operator to a Comcar vehicle. We would be only too happy to follow through on any instances where you believe there has been some inconsistency.

Senator FAULKNER—I have a question in relation to the Government Members' Secretariat. Who are the MOPS currently employed at the Government Members' Secretariat?

Senator Abetz—How many?

Senator FAULKNER—Who are they?

Senator Abetz—I am not sure we necessarily want to trawl through names.

Senator FAULKNER—Why not?

Senator Abetz—Because I think they are entitled to some degree of privacy. If you want to know numbers and costs et cetera that is okay.

Senator FAULKNER—We always trawl through names. It will not take very long. I think we should get on with it.

Senator Abetz—No, we do not. We had this discussion at the last estimates. If you want to know the amount that is incurred to the taxpayer et cetera then I am happy to provide that but trawling through individual names I do not think is a good idea.

Senator FAULKNER—Given that we want to go the long way round we will go the long way around. Apart from Mr Andrew Blyth, Ms Belinda Copley, Ms Dawn Crosby, Mr Brad

Emery, Mr Chris Fryar, Ms Lisa McDonald, Ms Angelina Momcilovic, Mr Andrew Schuller and Mr Russell Wood are there any other persons employed by the Chief Whip?

Senator Abetz—Clever question, but I am not going to confirm or deny that any of them are employed by the Government Members' Secretariat.

Senator FAULKNER—What do you mean you are not going to confirm or deny it? It is public information. It is in the directory; it is not too hard to find. We actually know who they are.

Senator Abetz—If you actually know why do you have to ask who is employed there?

Senator FAULKNER—What I am asking is whether there is anyone else?

Senator Abetz—I am not going to divulge any names.

Senator FAULKNER—Mr Chairman, do you want to give the minister a little advice.

CHAIR—I cannot force the minister to answer a question. He can answer the question any way he wishes.

Senator Abetz—I remember last time round we were asked for the names of all the people in the Budget Honesty Section in the Department of Finance and Administration. Senator Sherry wanted all the names apart from the tea lady, I think he said.

Senator FAULKNER—These are MOPS.

Senator Abetz—No, but it is a tactic of the opposition to try to bring individuals' names into the public light and I am not going to play that game. I did not last time and I am not going to this time.

Senator FAULKNER—Are you seriously suggesting that it is now not competent for this estimates committee to canvass issues in relation to individual MOPS which this committee has done literally from time immemorial.

Senator Abetz—If you want to raise individual issues and ask specific questions you can, but these exercises where you ask who is employed so we can trawl their names is not a game I play.

Senator FAULKNER—If I were you, I would be—

Senator Abetz—Thank goodness you are not.

Senator FAULKNER—Perhaps. If I were you, I would be very careful about the way you are responding to this. I think on reflection you would probably like to consider the nature of the evidence that is sought and been provided over very many years at this estimates committee in relation to MOPS.

Senator Abetz—To allow me to reflect, I will take it on notice.

Senator FAULKNER—In relation to this, Minister, I am quite certain that the officers at the table will be able to provide this information. This is a standard question. This information has been provided at very many estimate rounds; I think it can be provided today. There is no need to take it on notice. There is only a need to take something on notice if the information is not available.

Senator Abetz—Thank you for that gratuitous advice, but I am the minister at the table and I will decide what questions are taken on notice and which ones are not.

Senator FAULKNER—Ministers at the table can decide for whatever reasons they want to cover up this sort of information. It has never been covered up before.

Senator Abetz—Yes, it has. I gave you an example when Senator Sherry, in a disgraceful way, tried to trawl through the names of all the people who would be responsible for costing opposition promises during the last election campaign. If you want to know the numbers, if you want to know the cost to the taxpayer, fine. But trying to trawl through individual names is not my game.

Senator FAULKNER—Mr Chair, you and other members of the committee are aware of what the precedents are in relation to this. I am too tired to have an enormous argument about it. Can you just offer some wise counsel to the minister and let us get on with it?

CHAIR—I accept that it is the case that these questions have been asked before, Minister, in the context of this committee. I cannot direct you, Minister, as to how you wish to answer these questions, of course. But the questions are certainly relevant and within the province of the committee. That has certainly been the practice in the past.

Senator FAULKNER—I might indicate to you, Mr Chairman, my only intention—this is a comment to you, Mr Chairman, not to the minister—

Senator Abetz—With great respect, Mr Chairman, the precedent has been also that I have refused to supply names—that is exact example I have just mentioned—and that is a precedent as well. Whilst I am minister at the table, I do not like trawling through individual names of people, just for the sake of having them on the public record for a jolly by the opposition. If there are specific matters, yes, we will look at those and we will deal with those. But just to have them trawled through is not my game.

Senator FAULKNER—Mr Chairman, I want to know how many people, and who they are, are employed currently by the government members' secretariat. This line of questioning would probably have concluded now if we had received an answer. Everyone at the table knows that the question is in order. Could I ask you to save me the problem by just insisting that the minister answer the question, and then let us get on with it?

CHAIR—I can insist that the minister answer the question but I cannot tell him how to do it.

Senator FAULKNER—No, but you are well aware, Mr Chairman, of how this committee has operated over a long period of time.

Senator Abetz—Just because you repeat a false assertion does not make it a fact. I have already indicated to you that at the last estimates I refused to give names of people in relation to what Senator Sherry was asking, when he was trawling through, seeking the names of all the people in the department of finance who were going to deal with the issue of costing opposition and government promises.

CHAIR—Minister, I think you are right. My recollection of that, Minister, is that we came to an impasse and that the committee did not withdraw its right to ask the question. Rather, Senator Faulkner, I think Senator Ray recast the questions. There was a bit of give and take on both sides, I recall.

Senator FAULKNER—Yes, but this was not in relation to MOPS staff—

CHAIR—No, I accept that.

Senator Abetz—I think it was the wise interference of Senator Ray that was slipped in on that occasion.

Senator FAULKNER—That was in relation to something that Senator Sherry was progressing in relation to the department of finance.

CHAIR—I accept that. With MOPS staff there has usually been—

Senator FAULKNER—MOPS staff—government and opposition, Labor and non-Labor—traditionally has been a matter that has been canvassed at some length. My plan was not to canvass it at some length, unless someone is attempting to hide something, and then we might have a closer look at it. I want to know how many people are employed by the government members' secretariat currently and who they are. The names I have read are in the Parliament House phone book, for God's sake.

Senator Abetz—The first bit, the numbers, I think we might be able to answer: nine positions, eight staff.

CHAIR—Thank you, Minister. Senator Faulkner, part (b) of your question was the names?

Senator Abetz—My inclination is, as last time around, not to give them. I have agreed to take it on notice and I will reflect on it, but I doubt that I will change my attitude from last time.

Senator FAULKNER—My question is: who are the current members of the government members' secretariat?

Senator Abetz—As I have already said—you can ask it three or four times—it has been taken on notice. I will reflect on whether or not I will change my attitude from last time, which is not to gratuitously trawl people's names through the public domain.

Senator FAULKNER—I know the minister is an ignoramus and he would not be aware that these names are listed in the Parliament House phone book, for God's sake. I read the names out. I just wondered whether that was the current list of names.

Senator Abetz—It is a breach of standing orders to refer to me like that. The gratuitous blasphemy can be done without as well. Can we just have some order over there?

CHAIR—Senator Faulkner, as I understand it, the minister may answer the question as he wishes, and he may take the question on notice if he wishes.

Senator FAULKNER—He can, if you are going to make a decision that that is the best way to progress the workings of this committee.

CHAIR—I think it is the only way to progress the committee.

Senator FAULKNER—Why? It would be most regretful if that were the case. You know how this committee works, Mr Chairman—

Senator Abetz—And you know what happened last time—

CHAIR—Order!

Senator FAULKNER—You understand that these questions have been traditionally asked. I request a private meeting.

CHAIR—The committee will adjourn for a private meeting.

Proceedings suspended from 5.56 p.m. to 6.16 p.m.

CHAIR—The committee has had a private meeting to discuss Senator Faulkner's question and the minister's response to that question. The committee passed this motion:

As the committee views the minister's response to a question of this nature asked by Senator Faulkner as unprecedented, the committee has determined to report this matter to the Senate.

For the record, Senator Brandis and I record our dissent. Senator Faulkner, do you have any further questions?

Senator FAULKNER—Not on that matter because I will progress that in another forum.

Senator Abetz—In relation to the motion, concerning the allegation that it is unprecedented, you might like to check the *Hansard* of this committee on pages 199 and 279 on 29 May 2001 and then reassert that it is without precedent. I think there will be red faces for those who voted for it. You can assert something in a motion but that does not mean that it is fact. When the *Hansard* shows that that was my stance in May, then I do not think we can assert that it is unprecedented.

Senator FORSHAW—Chair, this is not—

CHAIR—I will allow this.

Senator Abetz—Can I add to the question—

Senator FAULKNER—Chair, we did make an agreement not to—

CHAIR—In all the circumstances, this is appropriate.

Senator Abetz—I have further information in relation to that one aspect of the question I was agreeable to answer, and that was that I said before there were nine positions and eight staff. There are in fact nine positions and nine staff.

CHAIR—Thank you, Minister. Senator Faulkner.

Senator FAULKNER—I will progress my questions in another forum. I move to another issue in MAPS. I would like to ask about a situation that has been drawn to my attention in relation to fuel cards—at least one case; there may be others. What occurs when a Dasfleet vehicle—in other words, an electorate vehicle of a member or senator—is replaced? Obviously that means that there needs to be a new fuel card supplied for the new vehicle. Could the officers indicate to the committee what occurs in that situation? I have had drawn to my attention some very serious concerns reported on transaction reports to members and senators that, for a replaced vehicle, a significant amount of fuel was being purchased off a redundant fuel card.

Ms Whisker—I am aware of one particular case where a significant amount of fuel was placed on a redundant fuel card. I understand that was a matter that LeasePlan was taking up.

Senator FAULKNER—So there is only one case where this has happened?

Ms Whisker—I am aware of only one case. I can check, but—

Senator FAULKNER—Is this one case in relation to members' and senators' vehicles or one case in relation to DOFA vehicles?

Ms Whisker—I am talking about members' and senators' vehicles.

Senator FAULKNER—Would you be aware if there were other cases in DOFA? I appreciate Ministerial and Parliamentary Services may not necessarily be. Dr Watt, with his broader responsibilities, may be aware of this—though I am not suggesting that it would necessarily be brought to the attention of the secretary.

Dr Watt—I am not aware of any cases, but you are quite right: they may not have been brought to my attention. I have been there for only a limited period, so I do not have much history.

Senator FAULKNER—In relation to the one case that we do know about, can one of the officers tell me how this actually happened?

Ms Whisker—No, I do not have that detail.

Senator FAULKNER—Do we know what went wrong?

Ms Whisker—I do not know the detail behind what went wrong.

Senator FAULKNER—But it is true, isn't it, in the case of a senator, the senator discovered via their transaction report that very significant transactions on a redundant fuel card had taken place? That is true, isn't it?

Ms Whisker—That is true.

Senator FAULKNER—Including 90.02 litres in one transaction when the petrol tank of the car had a maximum capacity of about 50 litres?

Ms Whisker—I understand, yes.

Senator FAULKNER—And also the fact that two of the purchases were for 686.13 litres of petrol and 270.42 litres of diesel.

Ms Whisker—I understand that, Senator.

Senator FAULKNER—Did this ring any bells in the department?

Ms Whisker—We reported back to LeasePlan. We have not paid for any of that fuel.

Senator FAULKNER—That is good. What has been the follow-up action on this?

Ms Whisker—At the moment this is with LeasePlan. I do not have any further information.

Senator FAULKNER—With LeasePlan?

Ms Whisker—Yes—the company that provides our cards.

Senator FAULKNER—I understand the point you are making, but I would have thought that there was a *prima facie* case of fraud. I am surprised it is with LeasePlan. I thought you might say to me that it is with the police.

Senator Abetz—I was not aware of this matter until you raised it, but it seems to me that, given the arrangements we had, the fraud would not be against the Commonwealth but against LeasePlan.

Senator FAULKNER—So it is a matter for LeasePlan?

Ms Whisker—Yes.

Senator FAULKNER—But were LeasePlan aware of this before it was drawn to their attention because of the close attention to detail of a senator in this parliament? It was a senator who identified this problem. It was not identified by DOFA, was it? It may have been, but I do not think it was. That is what I am trying to clarify. Was it a senator, not DOFA, who identified this problem?

Ms Whisker—The senator had identified the problem to me but, when I spoke to our New South Wales office, they had noticed the fuel costs checking the management reports prior to going out and they had then contacted LeasePlan. So, in effect, they had contacted LeasePlan before the senator.

Senator FAULKNER—So what you are saying to me is that the senator identifies this problem at the same time as the department identifies the problem.

Ms Whisker—Yes.

Senator FAULKNER—But it is a matter for LeasePlan. You properly say it is a matter for LeasePlan, but are there concerns here for the department as well? At the end of the day who pays the senators' and members' fuel bills?

Ms Mason—I think the answer to your question is, yes, there is cause for concern on the part of the department that an account might be submitted to us which does not appear to have been a legitimate one.

Senator FORSHAW—The only reason that it is a matter for LeasePlan is that the department has not paid the bill.

Senator LIGHTFOOT—Mr Chairman—

Senator FORSHAW—Hang on; I just asked a question.

Senator LIGHTFOOT—Can I just ask—

Senator FORSHAW—No, you can't.

Senator LIGHTFOOT—Before we rise, I wish to call a private meeting, Mr Chairman.

Senator FAULKNER—Oh, come off it!

Senator FORSHAW—Can I get an answer to the question?

CHAIR—Senator Forshaw, I think we will have to resolve this other issue. We will have a private meeting now.

Senator FORSHAW—It is a simple matter of clarification.

Senator LIGHTFOOT—Thank you, Mr Chairman.

CHAIR—We will return to you in a second, Senator Forshaw. We are having a private meeting.

Proceedings suspended from 6.27 p.m. to 6.37 p.m.

CHAIR—I call the committee to order, and call Senator Brandis.

Senator BRANDIS—I have a point of order, Mr Chairman. As the record will show, at about a quarter past six Senator Faulkner requested a private meeting of the committee so that the committee could consider the sufficiency of an answer given by the minister at the table to a question directed to him by Senator Faulkner. That private meeting, as the minutes of it will record, convened immediately. The private meeting, comprising five members of the committee, passed a resolution to which Senator Mason and I dissented concerning the minister's answer and resolved to report the matter to the Senate.

The private meeting took place without notice to a member of the committee, Senator Lightfoot. When Senator Lightfoot arrived, I sought another private meeting of the committee as Senator Lightfoot should be entitled to participate in the deliberation of which he had not been notified. The opposition senators, Senator Faulkner and Senator Forshaw, absented themselves from the private meeting I had requested. Senator Murray also did not participate. By reason of Senator Faulkner and Senator Forshaw's absence, the meeting was inquorate and could not proceed. My point of order, Mr Chairman, is this—and it may be something that you wish to consider and about which you wish to take advice—because Senator Lightfoot

was not notified of the private meeting, I submit that the private meeting was not validly constituted.

CHAIR—Thank you, Senator Brandis.

Senator FORSHAW—I would like to get an answer to the question I asked earlier, which I will repeat. As I understood you to say earlier, the issue raised by Senator Faulkner is not a problem for the department in terms of any liability or reporting it to the police because it is a problem for LeasePlan. Is that based upon the fact that the department has not paid an account to LeasePlan? Secondly, does LeasePlan accept that it is not a matter that ultimately could involve a liability on the department?

Ms Mason—Our legal advice indicates that there has been no imposition, fraud or loss for the Commonwealth. Therefore, while it may be of concern that such an account was submitted, it does not actually appear on the evidence available to us to be a fraud. However, the matter was picked up by our officers in their checks and referred to LeasePlan in the first instance because the card had been cancelled. The account was submitted to LeasePlan and it would appear to be a matter for them.

Senator FORSHAW—Would that be the case if you had paid the account and it was discovered after the account had been paid?

Ms Mason—No, I think it would be a different situation if we had paid the account.

Senator FAULKNER—The reason I raised the issue was so that I could be satisfied that the department's oversight of these matters was adequate enough to identify and flag these concerns, and I think I hear from Ms Whisker that that did occur.

Ms Whisker—In this particular case it was an end of lease and the car had been returned. The card was used after the car had been returned to LeasePlan. That is my understanding.

Senator FAULKNER—By someone else?

Ms Whisker—Yes.

Senator FAULKNER—Sure. That was a given because the senator concerned had a new vehicle. At some point Dr Watts and the department might consider reporting back to us on any broader or longer-term implications there may have been from this experience. If you would not mind, Dr Watts, could you take on notice whether there was any replication of this in the department more broadly, as opposed to what we have just been talking about, which is senators' and members' vehicles?

Dr Watt—We would be happy to do that.

Senator FAULKNER—I imagine DOFA would probably be aware if it had happened more broadly.

Dr Watt—Not necessarily.

Senator FAULKNER—Not now?

Dr Watt—No.

Senator FAULKNER—Not after all the new arrangements with Dasfleet and so on?

Dr Watt—I think that is right. Individual leasing arrangements probably would not be.

Senator FAULKNER—You might just look at that from a portfolio perspective as well.

Dr Watt—Certainly.

Senator FAULKNER—It was good to hear that the officers of the Sydney office of MAPS—as well as the senator—had identified this issue. I think you would agree with me, Dr Watts, that the staff there are particularly effective officers and have done a very excellent job for quite a long time now that I have been aware of their efforts. I think you would probably endorse that.

Senator Abetz—Some would say that they have the most difficult clientele, coming from New South Wales. They do a very good job—I am sure we are all agreed.

Senator FAULKNER—Possibly so. I think they do an excellent job. One of the things that is on their agenda at the moment—and I want to raise this with you, Ms Mason—is a refurbishment of my electorate office. I do not normally raise these sorts of things—though I have on one previous occasion when I was finding a bit of difficulty getting an appropriate location for something. There is a refurbishment under way, and your staff, as always, have been extraordinarily professional and cooperative.

There have been some significant staff changes with shadow ministerial staff as a result of the recent election, but I would appreciate it—I do not know what the amounts of money involved with that refurbishment would be—if you would just cast your eye over it and be satisfied that that expenditure, whatever it might come to, would be appropriate. I do not know who would be responsible, whether it would be you, Ms Whisker or whoever.

Ms Whisker—We will look at it.

Senator FAULKNER—I appreciate that, and let me know. Thank you very much for that. An issue has been raised with me by some former parliamentarians, in this case gold-pass holders. There has been a bit of public interest in those who are entitled to gold passes in recent weeks, as you would appreciate, but this seemed to be an extraordinary issue that was raised with me, and I indicated that I would raise it in this forum. It appears that if a former senator or member who has a gold pass and determines to use their travel entitlement not by plane but by train—and hence in most cases there is less of a cost impost; that is an assumption on my part, but there are some older former parliamentarians who find it more comfortable that way, and I understand that it can be quite considerably cheaper—there is no entitlement for Commonwealth cars from home to a railway station, and vice versa, but there is from home to the airport. It all sounded a bit odd to me when it was raised with me, but a couple of people have raised it with me, so I thought I would ask you whether that was the case and, if it is the case, why it is the case. There may be a good reason for it, but I was not able to provide it to those people who asked me. I just thought it might save the Commonwealth money as opposed to costing more.

Mr Gavin—I think there has been some misunderstanding. When the then Minister for Administrative Services introduced the entitlement in about 1991, it was specifically for travel to airports, but very soon after that it was extended to railway stations. That is in fact how it has been applied—for travel to a railway station when using the Life Gold Pass to travel by rail.

Senator FAULKNER—Which is a cheaper form of travel. It just seemed a bit odd. Anyway, I can assure you that this has been a concern for a couple of former members and senators, and I think it has been discussed even at some of their meetings. Someone asked me and I was not able to provide any information, but I thought I would raise it with you. It is clearly something that has occurred. It just seemed to me, if you had people using that entitlement in the circumstances as they were explained to me, there would be a cost benefit

for the Commonwealth if train travel, as opposed to plane travel, were used. For what is worth, there have been those problems. I know no more details, but I leave it with you.

Mr Gavin—I am aware of the problems, and, as I said, the practice has been to provide the car in those circumstances.

Senator FAULKNER—So there has been a problem.

Mr Gavin—There has been a misunderstanding that we have moved to correct.

Senator FAULKNER—I assume I am right to say that there might well be—this is aside from the general debate about the gold-pass holders and entitlement—a cost benefit to the Commonwealth if someone determined to use train as opposed to plane travel, surely.

Mr Gavin—Yes.

Senator FAULKNER—I have questions in one further area in MAPS. I will place on notice some questions about the IT upgrade of electorate offices that I think are comparatively urgent. Regardless of that, I will put them into a form that will allow them to be dealt with in that way as opposed to asking them now at the table.

CHAIR—So, Senator Faulkner, you would then be finished with outcome 3 and you would have no further questions for the department, is that correct?

Senator FAULKNER—I would ordinarily have asked these questions, and I would like to have asked some questions, obviously, of the AEC but I may not be able to.

CHAIR—We will soldier on with Senator Murray with output 3.1 until we have finished, then we will have a break and move to the Electoral Commission.

Senator MURRAY—Minister, some of these questions may need to be taken on notice. I do not concern myself with that issue. All of these questions relate to Audit report No. 5 2001-02: *Parliamentarians' entitlements: 1999-2000* from the ANAO. I will give you page references for the officers where necessary. The first is page 77, where it says that the report found:

... there is scope for significant enhancement in the guidance provided to assist Parliamentarians ...

Senator Abetz—Sorry, the paragraph number on page 77 would be of assistance as well. Is it 213 or 214?

Senator MURRAY—It is at the bottom of paragraph 214 where it states that there is scope for significant enhancement in the guidance provided to assist parliamentarians in ensuring they maintain adequate documentation regarding their use of entitlements. The ANAO considered that while the handbook available at the time of the audit provided general administrative guidance on record keeping, it did not provide adequate assistance on the establishment of comprehensive and appropriate record management procedures tailored to the unique nature of parliamentarians' entitlements.

The record shows that Finance did not accept the ANAO's recommendation to provide more comprehensive assistance to parliamentarians in the handbooks it circulates. My understanding is that Finance were going to look at the issue further. The question is: did Finance take any action to determine whether its handbooks adequately meet the needs of parliamentarians and has there been a review of that issue? In other words has there been a needs analysis?

Ms Mason—Senator, the answer to your question is no, we haven't conducted a needs analysis, but I can say that we recently updated the handbooks. In doing so we naturally took

account of those areas where senators and members had expressed to us a particular interest or where particular questions had been raised and we saw benefit in clarifying those through the redrafting of the handbooks.

Senator MURRAY—May I in passing pass onto you a compliment. I haven't looked at it myself, but a member of my staff was looking at your latest staff handbook, which I think has been updated as well, and said it was the clearest it had ever been.

Ms Mason—Thank you, Senator.

Senator Abetz—We are getting there.

Senator MURRAY—It is useful to get that sort of feedback. In regard to the second area, Minister, we have covered this to some extent, but just for the record the key terms relating to parliamentary business, electorate business and party business were identified by the ANAO as areas still of some confusion and some difficulty. I ask whether Finance have plans over and above those already outlined in today's discussion to see if there are ways of getting better definitions of that. I would suggest the thorniest one of all is where party business—

Senator Abetz—There will be a grey area, no doubt, in my view, but perhaps we can limit that. I think the suggestions you made earlier in the hearing, Senator Murray, were good ones and ones that we will follow up.

Senator MURRAY—Thank you, Minister. I think all parliamentarians are more and more afraid of these areas, regardless of their stripe. Item 3 is ANAO recommendation No. 6, which is on page 115. That recommendation was that Finance improve its own records management processes to promote a proper controlled environment for the administration of parliamentarians' entitlements. Can the Minister or the officers at the table outline what action has been taken in response to that recommendation?

Ms Mason—Senator, we continually seek to improve the way we administer the entitlements, including our record keeping systems. MAPS' record keeping has recently been the subject of an internal audit report and there have been some recommendations made by the internal audit unit, which, if I recall correctly, MAPS supported. We have given consideration to the appointment of an internal records manager to assist us in that task. In addition to that, we have had some discussion papers within the department on knowledge management, which is a related issue, to make sure that we capture the knowledge that exists within the group and promulgate it appropriately to our colleagues.

Senator MURRAY—I think, if I read behind the text of this recommendation, that the ANAO were conscious that your department is subject to a great deal of scrutiny and therefore, the access to records needs to be of such a kind, and historical access facilitated. Those recommendations were very specific. Can you confirm that the specific recommendations have been or are being fulfilled?

Ms Mason—Not off the top of my head, Senator. We would need to take that question on notice and examine it in detail.

Senator MURRAY—Good, thank you. Page 119 relates to senators and members' monthly management reports. The ANAO commented harshly at 346—and you really do not need to look at it too carefully now—on significant deficiencies in the reporting process. Finance advised ANAO that a new report was in development. Again, if I can compliment the department, the standard of management reports compared to what I began with in 1996 has markedly improved. I presume that process is proceeding. I have an idea that the report has been adjusted again and has been improved. Can you confirm that?

Ms Hughes—Since the beginning of July last year the monthly management report formats have been considerably improved. Most notably, we have broken down the report into parts A and B. Part A deals with expenditure relating to the member and that expenditure the member could reasonably be expected to know about such as family travel. Part B relates to staff and general expenses. But we have also improved our reporting to the extent that we now include staff entitlements, such as staff relief budgets, and additional reporting of staff costs, such as advertisements, relocations and so forth. We also now include budgets, such as the charter budgets, which was a comment made by the ANAO. We all the time have in progress additional reporting. At the moment, we are working on wanting to capture the contributions paid to us through the chamber departments for the private plated vehicles, but that involves us working with our finance system and our reporting system to capture those payments. So it is a continuous process.

Senator MURRAY—So it is your view that largely the ANAO's requirement has been met?

Ms Hughes—Significantly, yes.

Senator MURRAY—At page 123 of the report it states that as at 6 February 2001, and I think this is quite a serious remark, only 36 per cent of parliamentarians—that is, a little over one-third—had certified their end of your management report for the year ending 30 June 2000. Seven months after the event two-thirds had not done this. Can you advise whether there are any 1999-2000 management reports which still have not been certified?

Ms Hughes—I do not have that detail. Could we take that on notice?

Senator MURRAY—Yes, I would like you to take it on notice.

Senator Abetz—I have just been told that there is a question on notice about this matter from the good Senator Murray.

Senator MURRAY—That is right. I am after numbers and reasons. I can confirm that. The report recommended on page 133 that Finance conduct periodic audits of payments in relation to parliamentarians' entitlements. Has Finance conducted any audits since the conclusion of the ANAO audit? If they have, how many? If they have, in what respect? Is there an audit plan that Finance will have? I suspect this may have to be taken on notice.

Dr Watt—That would be easier, Senator.

Senator MURRAY—Item 7 on page 136 states that Finance gave qualified support to the ANAO recommendation to undertake routine benchmarking of entitlements expenditure. Which entitlements are now subject to those benchmarking techniques over and above the ones already outlined to me by the officer? Are there any other entitlements in relation to which Finance will undertake benchmarking in the future?

Ms Mason—No additional entitlements are currently being benchmarked. But we do have under discussion in the department a number of issues related to benchmarking. It is a complex area because resolving an appropriate cohort for a proper comparison to occur is not an easy matter. For instance, one could take into account senators and members as two cohorts. Indeed you could cut it down by state.

Senator Abetz—Party, size of the electorate, committee work.

Senator MURRAY—I understand.

Senator Abetz—Even large rural electorates. I was told that in the seat of Maranoa there are 180 schools. If each one of those schools, for example, once a year asked for a new flag as

opposed to a handkerchief sized city electorate that might only have two or three schools in its boundaries the request is only for three flags and there is a big difference. I think there are a multiplicity of local governments as well in that electorate that would seek flags. I am just pointing out the flag entitlement. At one time I was printed in the *Hobart Mercury* as having the most travel allowance. This came from Tasmanian senators who were not on the front bench. They did not say that, at the time, I happened to be the chair of both the Senate Legal and Constitutional Affairs Committee and the Native Title Committee and I had both positions for about six months. How you benchmark travel allowance, flags and other things, I have to say is very difficult.

Senator MURRAY—If I understand the officials response, it is under review. When will the review be completed, do you think?

Senator Abetz—I suppose what I am saying to you is, given that it is under review, I do not want to raise any false expectations because, with respect, trying to benchmark a lot of these things is virtually impossible.

Senator MURRAY—I do not want to keep raising the issue if I am aware that it is going to take you six months or whatever. If you could indicate when the review will be done in your opinion that will be fine. I assume that once it is done the minister would make a public announcement.

Senator Abetz—Okay.

Senator MURRAY—At page 142 the ANAO noted that Finance's financial procedures guide at section 11 requires each business group within Finance to have a comprehensive debt management strategy, including debt management and credit policies and practices. I might say from my work on other committees, I know they have been pursuing this with other agencies. ANAO noted that the Ministerial and Parliamentary Services Group did not have its own strategy at the time of its audit field work. It also commented that it considered it necessary to develop a debt management strategy tailored to parliamentarians' entitlements. Does MAPS now have its own debt management strategy or does it continue to rely on the debt management strategy that it had at the time of the audit? In other words, have you changed your processes and procedures?

Ms Mason—We now have some specific MAPS debt management strategies.

Senator MURRAY—Does it help?

Ms Mason—Yes, it does because it makes clear the procedures for the particular requirements of senators and members and the particular circumstances that they face.

Senator MURRAY—At page 150, the Audit Office made a number of recommendations in relation to the administration of travel entitlements. Their audit sample of 616 travel related items revealed an error rate of 29 per cent, comprising 13 per cent of items examined being outside entitlement and 16 per cent of items where Finance provided insufficient information for the Audit Office to conclude the expenditure was either within or outside of entitlement. That commentary is on page 151. Does Finance consider that it has improved its procedures in relation to the ANAO's view, and have they adopted the ANAO's recommendation to implement systematic data-matching techniques to ensure accurate and consistent data is provided to parliamentarians for certification and to identify possible noncompliance for further inquiry? It smells like the sort of question you would want to take on notice.

Dr Watt—And we will, thank you.

Senator MURRAY—Item 10 on my question list: in relation to travel allowance—this is page 154—the Audit Office commented that there is no independent verification relating to the purpose of travel and the rate of travelling allowance payable. I think this was covered a bit by Senator Faulkner. Finance relies upon self-certification by members and senators. The Audit Office recommended that Finance complement the existing processes with a structured system of checks and controls concerning the purpose of travel and the rate of travelling allowance payable. Finance, I think, rejected the recommendation. But have you looked at this area and have you come to any view on it?

Senator Abetz—Really, it is one of the difficulties that—

Senator MURRAY—It relates to the definition, frankly.

Senator Abetz—And also, do you accept on face value that it is if someone says, ‘Yes, it was on proper business, parliamentary business or electorate business,’ or do you have to say, ‘It was electorate business because’—and then detail who you visited, what you discussed et cetera? I have to say to you that it would be completely unacceptable.

Senator MURRAY—No. I understood your remarks at the time. But at present there is no process required other than the presentation of travel dockets—which is an improvement, I must say, on how it was when I began. There is no formal certification required of a parliamentarian to tick even the boxes ‘political’ or ‘parliamentary’ or whatever. That is quite distinct—

Senator Abetz—But at the end of each month you get—

Senator MURRAY—But not for the particular journey. If I may just amplify, Minister, and then you will understand where I am going. The comparison I make is: with our attendance at the Senate, we actually list the days and there is a little code by which we indicate what we are there for—committee purpose or whatever. There is no certification that you put in, when you actually put in your travel document. It is only at the end of the month on your management report, as I understand it, that you authorise it.

Senator Abetz—I understand the procedure is that the form that you fill out to claim your travel allowance should also been filled out if you do not claim travel allowance.

Ms Whisker—Yes.

Senator Abetz—On that, you should be stating the category of the travel.

Senator MURRAY—All right.

Senator Abetz—Or you certify that it is used within entitlement. I have signed a stack of them; I confess I do not fill them out.

Senator MURRAY—I think, Minister—if I can be as clear as I can—for me, the core issue is: is there a structured system of checks and controls? The question I ask you as the minister in the finance department is: are you satisfied that the systems and process you get provide you with sufficient checks and controls that what is being presented to you is within entitlements?

Senator Abetz—On page 154, 433 outlines Finance’s reasons for disagreement. It says that seeking of receipts—it is there on the bottom of page 154. I will not seek to read it in.

Senator MURRAY—So you propose no further change on that front?

Senator Abetz—As I understand it, the joint committee on parliamentary accounts has not looked at this as yet. There may be some suggestions flowing from that—I do not know.

Senator MURRAY—I sit on that committee.

Senator Abetz—If your committee makes suggestions, then of course there will need to be a government response. So I should be careful not to pre-empt too much.

Senator MURRAY—So you are saying you have an open mind. Is that the right interpretation?

Senator Abetz—Yes. This was Finance's response—that I think has a degree of merit—but of course I still have an open mind on the basis of other inquiries.

Senator MURRAY—Fair enough. Under item 11—and I only have 14 items altogether, so we are nearly at the end of it—the report recommended that—

Senator Abetz—I am sorry, page?

Senator MURRAY—No page on this—recommended that Finance examine the merits of expanding the public reporting of parliamentarians' travel costs to include the costs of spouse nominee and dependent children travel entitlements. As I understand it, that is now done. The management reports record the cost of spouse and dependent travel entitlements, and those are amalgamated for an annual figure. Is that correct?

Senator Abetz—It is in the management reports—

Senator MURRAY—Yes.

Senator Abetz—But we do not table it.

Senator MURRAY—But there is an amalgamated figure available? The total cost for all parliamentarians, members and senators, spouse and dependent children: that figure is available?

Senator Abetz—Are you saying the aggregate cost of all spouses and dependant travel?

Senator MURRAY—Yes.

Senator Abetz—I dare say that would be available, but I do not think it is made public because the individual family units are not publicly disclosed.

Senator MURRAY—As I understood the ANAO, they were looking for the global or aggregate figure. My memory might be wrong with this.

Senator Abetz—I thought they were—let us have a look at that—

Senator MURRAY—My question on notice to you obviously should be: is there a total aggregate figure for that available? I am talking about an annual figure.

Senator Abetz—We will take that on notice and have a look at that.

Senator MURRAY—Thank you. The Audit Office recommended—I am sorry I have not got the page number for this either—that Finance and the Department of the House of Representatives undertake a review of the costs and benefits of rationalising the management of members' printing entitlements and services under a single department, which might then been put to government for consideration. The question is: has such a review been conducted; and has Finance arrived at a view as to whether a single department, as is the case with senators, would result in savings?

Mr Gavin—The minister and the Speaker have agreed in principle to combine the administration of the personalised stationery and newsletter function with the department of finance.

Senator MURRAY—So the answer is yes, in effect?

Mr Gavin—The answer is yes.

Senator MURRAY—The next question I am going to ask you relates to something Senator Faulkner raised. Is Finance looking at a kind of reference committee—a number of staff—to whom questions of interpretation are automatically referred, as opposed to being it spread out among account managers for issues like printed material or mass production, where senators and members would come and say, ‘This is what I want to do; is this within the entitlement? Is this properly framed or phrased?’

Ms Mason—The department is not considering the establishment of any committee or group of that kind, although I would say that account managers, when they are considering the advice that they give to our clients, do talk to one another and do seek to have discussions to resolve issues on which there may be differences of opinion. But we do not seek to give ourselves authority that we do not have to make rulings on matters where the rules are unclear—and there has already been discussion earlier this evening about grey areas.

Senator MURRAY—Minister, it has been conveyed to me, as it probably has to you, by some members and senators—senators, in particular—that they are not sure who has authority, the wisdom or even the responsibility to advise them on these questions. I think it would be helpful to members and senators if there were designated officers within the department or designated officers, such as the Black Rod, who had the experience and ability—

Senator Abetz—You want binding rulings like the Australian Taxation Office can give.

Senator MURRAY—Not binding rules, but advice. It is sometimes very difficult to determine. It is a matter of judgment and it is an issue-by-issue experience. Is the minister and his department considering this area of difficulty?

Senator Abetz—It is a real area of difficulty that we have discussed before. The government has felt uncomfortable. That is why it wanted a definition from the Remuneration Tribunal, who use the terms in their rulings, and they were not prepared to define it. Whilst the ANAO graciously suggested that it ought be done, they did not offer a definition of their own.

Senator MURRAY—But in the meantime we are all left in limbo.

Senator Abetz—Exactly; hence I think your suggestion is a good one. I think that is the avenue to go down.

Senator MURRAY—Perhaps that can be rolled up into it.

Senator Abetz—Yes.

CHAIR—Dr Watt and officers, many thanks for our assistance to the committee this evening. That concludes the committee’s examination of the Department of Finance and Administration.

Proceedings suspended from 7.23 p.m. to 8.33 p.m.

CHAIR—I welcome Mr Becker and officers of the Australian Electoral Commission. We will kick off with general questions and then follow through with outcomes 1 to 3. We should finish tonight by around 11 o’clock. I will not detain you much longer than that.

Senator MURRAY—I have two discrete areas of consideration, one on party returns to donations and the other on the registration of parties. It would be easiest for me if, instead of

breaking it up into general questions and the various outputs, I could just deal with that. To start with party returns, Mr Becker: when the commission receives returns from parties, donors and associated entities, does it take any action to investigate the accuracy of the information provided? In other words, does it do a test audit or a sample examination; does it go back to the company or the organisation donating? Is there anything you do other than accept material on its face value?

Mr Becker—Kathy Mitchell is Director Funding and Disclosure.

Ms Davis—Would you like to answer that question?

Ms Mitchell—The simple answer to the question is, no. Audits of returns are conducted after public availability. We do not conduct any auditing of the returns at the time that they are lodged. The only action we take at that time is to identify anyone who may appear to have an obligation to lodge a disclosure return.

Senator MURRAY—When you are audited, what does the audit consist of? Does it consist of auditing the party, examining the documents or checking with the organisations that make the donations that the return is accurate?

Ms Mitchell—It can consist of any one of a range of those things.

Senator MURRAY—So it is a genuine sample examination of the primary source as well as what is before you?

Ms Mitchell—It can involve checking with parties' books, it can involve going back to bank statements, it can involve actually looking at the cheques that were banked to see who drew the cheques, it can involve looking at a range of documentation that the party has, it can involve obtaining information from associated entities in relation to that matter. We do not actually have the power to audit donor returns, but in determining whether or not party returns are complete, we may well request information from donors.

Senator MURRAY—And you would at times actually check that the amount shown is what the donor actually gave?

Ms Mitchell—Yes.

Senator MURRAY—As you know—and certainly I am familiar with the Western Australian commission—the commissions in the states also receive donations and returns. Does the AEC do any crosschecking and data matching to see whether the returns put in in the states match those put in in the Commonwealth?

Ms Mitchell—Not in general. In Western Australia it is slightly different because the returns that parties lodge for AEC purposes can also be accepted for Western Australian Electoral Commission purposes. So the information would be the same if it is a copy of the return. But that is not the case in general, no.

Senator MURRAY—I would not class myself as an expert, but, obviously, I go through the donations and returns for the AEC and I look at the Western Australian AEC. It seems to me that the major parties, the Liberal Party and the Labor Party, do that. Their returns are the same and are well put together. In comparison, I have noted that some minor parties do not do that. For instance, without picking on them, the liberals for forests return to the WAEC is different to the one given to the AEC which seems strange to me.

Ms Mitchell—It is a matter that we have been discussing with the Western Australian Electoral Commission. We have not been discussing it with other state and territory electoral

commissions because largely the disclosure requirements are not exactly the same. So you would not necessarily expect to see the same information in those returns.

Senator MURRAY—Yes, I can see that. I am working from memory because I forgot to bring the papers with me. I think with respect to the example I just gave you it is so different as to be surprising.

Ms Mitchell—That is certainly a matter we can take on.

Mr Becker—I am not too sure that the liberals for forests have yet been registered for Western Australian purposes, for state purposes.

Senator MURRAY—Maybe I am wrong about the example. I can search for it.

Mr Becker—We may not be comparing apples with apples, that is all I am saying.

Senator MURRAY—I make the point that I was not identifying them for focus purposes, but just as an example. But it is an issue. I am aware that the commissioners meet and discuss matters—are there any attempts to harmonise the nature of returns and how they are presented between the electoral commissions?

Mr Becker—We have only had discussions to my knowledge with WA.

Ms Mitchell—At this stage it is problematic because there is some difference between the legislation. But as I recall it was an issue that you had raised with us before. It was an issue that we were looking to get on the agenda with those meetings with the states. Unfortunately, other issues have taken priority at this stage so it has not been taken up yet.

Senator MURRAY—You would appreciate that there is a practical benefit for political parties. We all now have to do the quarterly BAS at least. So if you can ensure that all your various returns and documentation are the same for all the various bodies that you now have to provide information to, it is of assistance.

Mr Dacey—We are certainly looking, within the next 12 to 18 months, at developing an electronic lodgement system for party returns which obviously will assist all parties greatly. In developing that, we will certainly talk to our state colleagues to see whether they wish to also take part in and perhaps use the benefits of that process which would lead, of course, to more standardisation.

Senator MURRAY—The thought would not have escaped you, Mr Dacey, that once you get on to electronic lodgment, data analysis and crossmatching becomes much easier.

Mr Dacey—Absolutely.

Senator MURRAY—Does the Electoral Commission look at returns from donors to consider whether they represent a plausible explanation of the financial position of the entity concerned? I will illustrate what I am going to talk about. I have here—and the secretary can copy it if she wishes, but it is a public document—a return available from the AEC web site of The 500 Club (VIC). They received \$726,861.08 during the financial year. They were required to disclose the details of all receipts, not simply donations exceeding \$1,500. They disclosed 86 receipts above \$1,500 from a number of individuals and organisations ranging in value from \$20,000 to \$1,500. So it is a very complete list. You start at the top of the list with Lloyd Roberts with \$20,000, then BMW Group Australia with \$11,000—actually it is all itemised in descending order of value. It is a very complete return and I think it is exactly what is required.

By contrast, and again this is publicly available, The 500 Club (WA)—I do not know what their organisational relationship is with the club in Victoria—received \$1,302,840.09. They disclosed three receipts above \$1,500. One was a donation of \$50,000 from Marilyn Rodgers of the Esplanade Hotel, a good establishment, and the other two were receipts of less than \$2,000 each. This leaves around \$1.25 million received in the financial year from receipts of less than \$1,500—that is, if this is accurate. Has the Electoral Commission formed a judgment as to the plausibility of this return, which is in marked contrast to a similarly named organisation in Victoria?

Mr Becker—I am sorry, Senator, but I do not know this specific case.

Ms Mitchell—Is that a 2000-01 return that you are looking at?

Senator MURRAY—Yes, that is how it is headed, ‘Copy of submitted return for the financial year 2000-01.’

Ms Mitchell—The AEC has not conducted its audits on the 2000-01 returns as yet. We will be pursuing that during the rest of this calendar year. So those sorts of issues may well come out during the conduct of those audits.

Senator MURRAY—Could I put on notice to you a request that you report to the committee your evaluation of this matter? I ask the chair if the commission could be relieved of the reporting date which we have set for questions on notice because, obviously, it might take you a little longer than 27 March to report back. That is acceptable to me, if it is acceptable to you, Chair.

CHAIR—You are right, Senator Murray. The committee did set 27 March as the date for the submission of written answers to questions on notice.

Senator Abetz—Without being obstructive, take that on notice and give consideration to what might be a potential precedent.

Ms Mitchell—The AEC does not normally reveal the details of the results of its audits.

Ms Davis—Or the program of its audits.

Senator MURRAY—You might have misunderstood me. What I am wishing you to tell the committee is whether the \$1.25 million in fact genuinely comprises donations below \$1,500.

Ms Mitchell—That would be the result of an audit. What you would normally see as the result of an audit is merely if there was the need for an amended return. That would go up on the web site.

Senator MURRAY—Well, we would like to know that.

Ms Mitchell—If it goes up on the web site, we can certainly tell you that.

Senator MURRAY—Let me put it this way: if there is no amended return, I am going to be asking you more questions. If there is an amended return, I would rather you let the committee know.

Mr Becker—We do have a schedule of audits, though, Senator, and we do not usually break that schedule. In fact, we have not broken that schedule yet.

Senator MURRAY—But you can see there that there is a very legitimate disclosure, a very good detailed disclosure, by an organisation similarly named, and here is one which you can see is done in handwriting. It may well be a person who does not realise what they are required to do.

Senator Abetz—The AEC is an independent statutory authority. How they conduct their investigations and how they then report on those investigations I do not think should be dictated to or even shepherded in a certain direction by the minister or indeed by the committee. That is why I said earlier that we will take it on notice. Within the parameters of these professionals sitting on either side of me being an independent statutory authority, I think we just have to be careful as to whether we might be treading over that line of possibly dictating to them.

Senator MURRAY—I know enough about Mr Becker and his colleagues to know they will frame the answers they see fit, Minister.

Senator Abetz—Good. I just would not want the AEC to get into trouble for having made a promise to you, or what is interpreted as a promise, which was then not fully delivered on. But that is fine. If we are clear on that then that is good.

Senator MURRAY—Obviously I reserve the right to pursue the matter if it is not properly—

Ms Davis—Senator, you do raise some other related matters in relation to the knowledge of agents of parties who may be filling out returns that I think we have also discussed before. The AEC does have a program of offering its services to those with obligations to prepare returns in order to assist them. So from that perspective we will take that particular issue on notice in respect of our general program ‘Awareness raising assistance’.

Senator MURRAY—Yes. You would not be surprised to hear me say that I do not believe that \$1.25 million is all comprised below \$1,500. But it is not up to me to determine that. Does the Australian Electoral Commission develop any profiles of returns of donors to establish if some might require auditing? By that I mean: there are regular donors and if there is a pattern then it would not occasion any comment—which is difficult to imagine—but it would if there were any strange features. As we know the tax office and anybody else involved with money develops profiles of people.

Ms Mitchell—No. The AEC does not have the power to audit donor returns. We only have the power to audit political party and associated entity returns.

Senator MURRAY—But you do have the power to do your own analysis. Really my question is whether, in doing your analysis you develop profiles where you would be able to infer that there would be areas that may be worth exploring further.

Mr Becker—We do not have any sanctions in this area. I dare say once we have electronic lodgment and we can play with the material in electronic format then we may be able to do something like that, but it would be more academic than real. I think the major problem is not having any sort of sanction. We also do not have the power to audit donors. So our resources are going to be devoted pretty well to looking at the parties and associated entities—until such time as the parliament thinks otherwise.

Senator MURRAY—A number of political parties receive donations from overseas entities. We have discussed this before, as well, in another place, and probably in this committee too. It is impossible for the AEC to do anything about establishing the origins of moneys into those political parties. It is open for the AEC, however, to confirm with political parties it audits the bona fides of overseas entities making donations—in other words, that they are not invented names, and that the money was genuinely received from, say, as in an example I have here, foundations in San Francisco or Sweden. Do you look at that side of things at all?

Ms Mitchell—There is a range of information that we may or may not crosscheck when we are conducting our audits. That might well be one of the pieces of information that we would check. We do a random sampling approach. It may well be information that we double-check.

Senator MURRAY—I ask this question, Minister, because the concern with foundations, trusts or clubs in Australia has been that donors are hidden, not known, and the foundation, trust or club is a conduit. But mostly the view has been that it is likely to be Australians who are hiding behind it. However, if there is a foundation, trust or club donating money from overseas to political parties, you do not know who lies behind them.

Ms Davis—The AEC, as you would be aware, have pointed out particular difficulties in this area in our report to the joint standing committee. We have made particular recommendations in the area of overseas donations and really see the need for a review of the legislation in that area.

Senator MURRAY—Yes. I guess my question is whether, with the heightened attention that governments and people in public life are now paying to the nature of organisations all over the world, as to what their real motivations are and who lies behind them, I would have thought that this was an area where at least alertness would be required.

Mr Becker—Is a difficult area, though, isn't it, Senator, with globalisation? IT&T operated very successfully right throughout the period of Nazi Germany and made a huge profit, and yet were still part of the parent group from the United States. If you have these sorts of organisations, those transnational organisations, if they make a donation to a political party from within the country, notwithstanding the fact that the money came from without the country, then it is still very difficult to trace.

Senator MURRAY—I am referring, though, to money that comes from outside the country.

Mr Becker—Money could come from outside the country through that process, from the head office.

Senator MURRAY—Right. Perhaps I will explore this further in the JSCEM.

Senator Abetz—We will just have a Markson Sparks function, where a \$100 paid-up company makes, literally, millions of dollars of donations.

Senator MURRAY—Yes. I am happy to outlaw it the day you produce the legislation.

Senator Abetz—Yes. But you do not have to go overseas; I suppose that is all I am saying.

Senator MURRAY—Moving on to the registration of political parties: the AEC web site lists 64 parties as current political parties. Is this a current list? Is it regularly updated?

Mr Hallett—Yes, the web site is updated on a regular basis.

Senator MURRAY—I assume that all parties listed there have met the requirements for federal registration?

Mr Hallett—They should be, because basically what we put on the web site is an extract from the party register. So, yes, they should have met those requirements.

Ms Mitchell—There is an outstanding issue with one party.

Senator MURRAY—But you have done the checking?

Ms Mitchell—All except one party. We did a review that commenced in December 2000, and there remains one party outstanding.

Senator MURRAY—You have previously indicated that a random sample of members are telephoned to establish whether they are in fact members.

Ms Mitchell—Yes.

Senator MURRAY—What questions are asked of those members?

Ms Mitchell—Basically the standard questions are: are they the person, do they live at such-and-such address, are they a member of the political party, and did they fill out an application for membership of the political party. Depending on the answers to those questions, you might ask further questions.

Senator MURRAY—But essentially it is a self-assessment process, isn't it? You are trusting the person on the other end of the phone line to be truthful?

Ms Mitchell—Yes.

Senator MURRAY—Is there any way in which you can check that they are actually financial members of the political party concerned?

Ms Mitchell—When the party applies for registration, they are required to provide us with a list of the names and addresses of the members and also with the application forms for membership that the person has filled out to apply for membership. We do not actually check. There is no requirement in the legislation for people to be financial members—just to be members. So it is not something that we check.

Senator Abetz—It would be a strange thing, wouldn't it, Senator Murray, if the AEC in undertaking this were to get a response from somebody to say, 'Yes, I am a member of a political party,' when they had not filled out a form or had not applied to join. I think it is a pretty rigorous process, isn't it?

Senator MURRAY—I do not know. The purpose of my questions is to establish that. It is not a problem apparent at the federal level but, for instance, in the recent South Australian election, there were a number of parties with the same registered officer, the same registered address and the same members. What is to stop somebody—

Mr Dacey—We have different legislation here.

Senator MURRAY—That is right, I understand that.

Senator Abetz—Yes, the AEC tests for that as well, don't you?

Mr Becker—Yes.

Senator MURRAY—I understand the different legislation, but to me that is a clear indication that some people will, for political purposes, deceive.

Mr Becker—Their legislation has been drafted. They just did not have time to get it through.

Ms Davis—The application of our particular methodology has meant the difference between a party being registered and not being registered when our random sample determines that people whom we do phone are not actually members of the party. That has meant the difference between a legitimate registration or not.

Senator MURRAY—If a political party provides you with a list of its members, that is not electronically provided, is it?

Ms Mitchell—We ask them to provide it electronically, yes. If they do not provide it electronically, we data-enter it into our computer system. Otherwise we could not carry out the cross-matching that is now required.

Senator MURRAY—And you cross-match it to other political parties?

Ms Mitchell—Yes. You probably remember the October 2000 changes to the electoral act, which requires that a person cannot support the registration of more than one party. We have to turn the list into electronic format so we can carry out the cross-checking necessary.

Senator MURRAY—The cross-matching with all other political parties would sort out that problem.

Ms Mitchell—Yes.

Senator MURRAY—The issue of front parties is still in my mind. With our preference system, as a member of a party that depends on preferences I must declare a strong self-interest in these matters. With front parties which are parties that are creations of another party—and I do not necessarily mean that they are creations of a large party; they could be creations of a small party—in your development of the registration system and your sample checking and your cross-data, have you established at all any view that front parties are a problem in the federal system?

Mr Becker—It is early days I think, Senator, but I do not think so yet. We have had some problems with that legislation which as you know we had to clarify, particularly with the 500 members and so on. I am not aware of any problem that is coming from that. In fact I think it is reasonably tight.

Ms Davis—Perhaps, Senator, you could expand a little on some of the problems you might be fearful of.

Senator MURRAY—The theory of preference harvesting is that you create a multiple number of parties with attractive names—‘Free Beer and Cigs Party’, that sort of stuff. Those people who like to exercise their vote a little less carefully than others may be attracted by the nature of the name. In the process you garner half or one or 1½ per cent, but you have an arrangement with other parties whereby you funnel those votes into a direction. Of course, cumulatively they can amount to a significant amount. In the recent South Australian election, for example—I am not saying that this is what occurred right across there—for the group of very minor parties and independents, I think it cumulated to about 10 per cent. You would probably know, Mr Becker, with a kind of paternal eye on that.

Mr Becker—That is close enough—

Senator MURRAY—You can see that is a substantial vote. So the idea of preference harvesting and the creation of front parties is for exactly that purpose. The purpose of the federal legislation and the way in which it has been developed is to avoid that through the 500-member registration, through the registration checks et cetera. My question to you is: you have the system in place, even if it is not as complete or as adequate as perhaps it might be. Has that process now thrown up the fact that this sort of thing has been going on, or is it perfectly clear—

Ms Mitchell—No, it has not shown up the fact that that has been going on because parties have been able to provide discrete membership lists. In cross-checking against membership, there have only ever been a small number of people who have appeared on more than one party’s list. Those people have been less than half a dozen in terms of numbers, and we have

written out to those people and said, as the legislation now requires us to do, ‘Choose which party’s registration you are supporting.’ Given that we impress upon parties that they should provide us with considerably more than 500 members to support their application, in no circumstance has the duplication reduced the number of members provided with a party’s application to less than 500.

Senator MURRAY—I accept that members of a political party need not be Australian citizens. But do you data-match your membership lists to the electoral roll as well?

Ms Mitchell—They should in fact be Australian citizens, unless they are British subjects who were on the roll in January 1984, because they are supposed to be entitled to enrolment.

Senator MURRAY—I am sorry, but by that I meant that they do not have to be Australian voters. They can be below age and that sort of thing.

Ms Mitchell—Yes. No, we do not cross-check with immigration records.

Senator MURRAY—But you do cross-check with the electoral roll?

Ms Mitchell—We do cross-check with the electoral roll, yes.

Senator MURRAY—You say the financial membership is not checked, but in the process of asking a party for its membership list are you advised of the class of members?

Ms Mitchell—No, and that is one of the recommendations we have made to the joint standing committee. At the moment the definition of member basically just says that they have to be a member of the political party, but there is no guidance in the legislation as to what that means. So the requirement that we place on parties at the moment when they are applying for registration is that they must provide us with a statutory declaration that states that the names provided in the list are names of people who are members of the party.

Senator MURRAY—But they could for instance be 400 \$1-members—

Ms Mitchell—Yes.

Senator MURRAY—and 100 who pay a genuine membership fee.

Ms Mitchell—Yes.

Senator MURRAY—But that is before the electoral matters committee, isn’t it?

Ms Mitchell—We have made a recommendation that the definition of what you have to be to be a member is clarified in the legislation.

Senator MURRAY—Apart from the recommendation for improvement, is it your view that the changes that have been made to the registration process have in fact improved the integrity, if you like, of presenting to the Australian people genuine political organisations?

Ms Mitchell—Yes.

CHAIR—I have a couple of questions and in fact they dovetail quite well, Senator Murray, with questions you have been asking. Let me ask a couple of questions about associated entities, if I might, from the chair.

Senator MURRAY—Do you want me to take the chair?

CHAIR—Okay. Thank you.

ACTING CHAIR (Senator Murray)—It is easier. Otherwise you have to adjudicate on your own performance.

Senator Abetz—Which makes it more difficult, not easier!

ACTING CHAIR—I am sure he would be objective.

Senator MASON—Mr Becker, I understand the Commonwealth Electoral Act requires the submission of annual returns by associated entities of political parties. When did the McKell Foundation lodge with the AEC its annual returns for, let us say, the last four financial years—1997-98, 1998-99, 1999-2002 and 2000-01?

Ms Mitchell—Off the top of my head, I cannot remember. We can get back to you, but the image of the returns that is on the web site will actually show the ‘date received’ stamp on it, so if you wanted to you could have a look at the web site yourself.

Senator MASON—I am not good at those sorts of things, Ms Mitchell.

Mr Becker—We can take it on notice.

Senator MASON—If you could, yes. Let me pursue it—I have a few more questions you may be able to help me with. So, Ms Mitchell, by looking at that I will be able to determine whether those returns were late?

Ms Mitchell—I can tell you they were late. I cannot tell you what date.

Senator MASON—What is your process following late submissions? What do you do?

Ms Mitchell—We write letters to follow it up, saying, ‘Your return was due by this date and we have not received it yet.’ We will usually write two follow-up letters and then we will follow up with phone calls as well, trying to obtain a return.

Senator MASON—Section 314AEA of the Commonwealth Electoral Act provides for the submission of annual returns by associated entities and political parties. I mentioned that. But section 314AEA I understand was amended by the Electoral and Referendum Amendment Act (No. 1) 1999, which received assent on 13 October 1999. Thus, the amendments made by the Electoral and Referendum Amendment Act (No. 1) 1999 would not affect any obligations on an associated entity to file a return for a financial year which ended on or before 30 June 1999. I think I am right thus far. Did that amendment to the legislation change the reporting requirements of associated entities?

Ms Mitchell—The amendments in October 1999 changed the definition of associated entity to add in paragraph (b) of the definition which sits in section 287. So, in section 287(1), the amendments in October 1999 added in paragraph (b), which talks about ‘operates wholly or to a significant extent for the benefit of one or more registered political parties’. They also amended the requirements for returns of electoral expenditure lodged by individuals in relation to the period of time that it covered in relation to gifts received.

Senator MASON—So, prior to 1999, the legislation required a list for disbursements or persons and organisations to whom \$1,500 or more was paid by the associated entity. Is that right?

Ms Davis—It was probably \$1,000 at that time.

Senator MASON—I accept that, Ms Davis, thank you. Is that right?

Ms Mitchell—I am sorry, could you repeat the question?

Senator MASON—Prior to October 1999, did the legislation require that, in the return lodged by the associated entity, there be a list for disbursements or persons and organisations to whom \$1,000 or more was paid by the associated entity? In other words, where the associated entity disbursed money to individuals prior to October 1999, that had to be recorded?

Ms Mitchell—There used to be a requirement in the legislation that expenditure had to be disclosed. I think the October 1999 amendments removed that requirement, but I cannot remember exactly and it is not one of the things I have in my notes.

Senator MASON—Can you check that?

Ms Mitchell—Yes.

Senator MASON—Could you also check whether the McKell Foundation complied with that legislative requirement pre October 1999? That would be for the financial years 1997-98 and 1998-99, because the law was different then and they would have to comply with the law as it was then.

Ms Mitchell—One of the comments that I should make now is that that is in fact an issue that we forgot about when we were sending out the forms to the McKell Foundation to complete. If we have actually given them the incorrect form to complete for that period of time, we will have to provide them with the correct form now.

Senator MASON—Ms Mitchell, do you propose to do that?

Ms Mitchell—Yes, I will certainly check that. If we have given them the wrong form to fill out, I will get them to fill out the correct form.

Senator MASON—If you could check that, that would be great. Many thanks. My second question is also related to associated entities. On the webpage of the AEC—and I am sure this is reflected in the legislation—it states:

Where donations made by a person or organisation to a political party, either directly or to an associated entity, total \$1,500 or more in a financial year, that donor has an obligation to lodge a disclosure return with the AEC.

Is that correct? I think Senator Murray raised this point in his questions.

Ms Mitchell—Yes.

Senator MASON—So there is no question that that is the case. Is that a public document?

Ms Mitchell—The donor return?

Senator MASON—Yes.

Ms Mitchell—Yes.

Senator MASON—Has the AEC audited the McKell Foundation's returns for 1999-2000 and 2000-01?

Ms Mitchell—As I explained earlier, we have not had the opportunity to audit returns for the 2000-01 financial year. That would apply similarly to previous returns for the McKell Foundation because we did not have them to audit.

Senator MASON—That is fine. My next question, which you pre-empted, is: would donors to the McKell Foundation who donated over \$1,500 have been asked to lodge annual returns?

Ms Mitchell—If they were identified on the return as being donors, yes we would have sent donor returns out to them. If they have not been identified on the return, we would then need to wait until such time as we conducted an audit of the return, found that there were donors who perhaps should have been listed on the return and who have been omitted and then we would want correction of both the McKell returns and the lodgment of donor returns if that were the case.

Senator MASON—Ms Mitchell, I think you said that you have not conducted an audit as yet.

Ms Mitchell—No, we have not.

Senator MASON—I suppose I just want an undertaking, as far as that is possible, Mr Becker, that that issue will be followed up.

Ms Mitchell—I think the answer to that is probably similar to the answer we gave Senator Murray, in that we do not discuss either our audit program or the results of our audits.

Senator MASON—But I will be pursuing this issue again if there is no progress.

Ms Mitchell—Again, if we audit the returns and we establish that there is a problem with the returns, what you would see on the web site is an amended return.

Senator BRANDIS—Mr Becker, is it correct that the AEC has decided to cease supplying local newspapers on an ongoing basis to divisional returning officers?

Mr Becker—Yes, that is true.

Senator BRANDIS—What cost saving accrued to the AEC as a result of that decision?

Mr Becker—I think it was \$15,000.

Senator BRANDIS—Can you tell me why that decision was made?

Mr Becker—For a start, there was a \$15,000 savings; secondly, there was no information that a DRO—divisional returning officer—could glean from a regional newspaper that would not be available to them through our normal clipping service or through access to records from births, deaths and marriages within the states.

Senator BRANDIS—In the electorate of Maranoa in my state, where I think the divisional returning office is in Dalby, does the clipping service include clippings from the *Dalby Herald*?

Mr Becker—I could not tell you specifically about Maranoa.

Senator BRANDIS—I can understand the logic in capital cities but not in regional areas.

Mr Hallett—We provide Media Monitors, who currently have the contract, with a list of key words, and then they provide us with a list of papers covered. They claim to cover just about every newspaper in the country. I think it is fair to say that their regional coverage is not as comprehensive as their metropolitan coverage.

Senator MURRAY—Try ‘poor’.

Senator BRANDIS—There is a huge number of regional newspapers, particularly—without wishing to sound parochial—in Queensland. I would be astonished if Media Monitors would clip the *Tully Times*, for example.

Mr Hallett—I do not know about that specific example but, to be fair to Media Monitors, our daily clips do frequently have material from both regional and provincial newspapers.

Senator BRANDIS—It is said—and I invite any of the officers to respond to this—by critics of this decision that it is relevant for DROs to be made aware of local developments that could indicate demographic shifts in the electorate. The construction or removal of local buildings that have been or could be used as polling booths; council businesses; decisions on wards, boundaries, zoning, upcoming local elections and the like; state electoral matters; federal matters of local relevance; as well as births, deaths and other information relevant to roll maintenance. If it be right to say that those movements in sociological or demographic

facts within particular divisions are relevant for the DRO to know, and given that the Australia-wide saving is only \$15,000, is that a decision you might consider reviewing, please?

Mr Becker—We can consider reviewing it, Senator. We always review those sorts of decisions.

Senator BRANDIS—You see, we sit here day in and day out and hear about the expenditure, and the wasteful expenditure, of millions and, in some cases, of tens of millions and hundreds of millions of dollars. This is \$15,000, and it seems almost de minimus. In view of what I am aware to be the concerns among officers within your agency, it does seem to be a relatively trivial economy at a real cost in terms of service.

Mr Becker—When you are looking for \$15,000 it is very hard to find. I can tell you that we do not have hundreds of millions of dollars in our agency. But we can look at that. I accept that those arguments can always be put. I would put it to you also that a person like a divisional returning officer is more likely to have purchased that paper himself, and, if he is not aware of what is going on in his own locality, he is not doing his job. He would not be necessarily looking to the paper to find out what is going on locally, and I would suspect that somebody would probably tell him.

Senator BRANDIS—I might invite you, in view of the representations that we have received about the wisdom of that decision, to consider whether it might indeed be a false economy.

Mr Becker—I don't know; the false economies that we have because of the regional structure of the AEC is probably a bigger question too, I have got to admit. We have maintained this rather inefficient structure for quite some time, and we will be continuing it for quite some more time, I suspect. But it will be something which we can look at with any other sorts of reviews that we make. Quite frankly, those arguments have been put to us before, and I am not convinced that they hold a lot of water.

Senator BRANDIS—Mr Becker, just to contextualise that, can you tell me how much the AEC spent on overseas travel for its officers in the last financial year?

Mr Becker—Not quickly, I am afraid.

Senator BRANDIS—Are any of your officers able to help us with that information?

Ms Davis—We are not in a position to do so at the moment, Senator. We can say that the majority of our overseas travel is on a recovery basis. A lot of our officers do travel and are sponsored by AusAID so we do have a reimbursement situation for the majority of our travel.

Senator BRANDIS—Ms Davis, perhaps you could take that on notice.

Ms Davis—Yes, we can get back to you.

Senator BRANDIS—Do you think it would have been more than \$15,000?

Ms Davis—I suspect yes.

Senator BRANDIS—Thank you.

Senator Abetz—Before you close, I apologise for not being here on the knocker of 8.30 p.m., but I did have other matters to attend to. If I had been here at 8.30 p.m. I would have placed on the record my appreciation and—I am sure—that of the committee of the way that the AEC, Andy, the officials, the DROs and the 60,000 polling clerks around the country conducted the last federal election. Thank you.

Mr Becker—Thank you. I will pass that on.

Senator MURRAY—Speaking for my party and not as a committee member, I concur.

CHAIR—Thank you. Before I close the meeting, I flag that there may be further questions on notice from senators, and they will be brought forward shortly. That completes the examination of the Finance and Administration portfolio additional estimates for 2001-02 by this committee. The committee has set 27 March 2002 as the date for the submission of written answers to questions taken on notice.

Committee adjourned at 9.21 p.m.