

Chapter 3

Prime Minister and Cabinet Portfolio

3.1 The Committee took evidence from the Office of the Official Secretary to the Governor-General and the Department of the Prime Minister and Cabinet on Monday, 22 May 2006 and from the Department of the Prime Minister and Cabinet (in continuation), the Australian National Audit Office and the Office of National Assessments, on Tuesday, 23 May 2006.

Office of the Official Secretary to the Governor-General

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

- The Governor-General's outback trip;
- Cultural loans to official establishments; and
- Orders of Australia.

3.3 The Committee examined in detail the purpose, cost, staffing and itinerary of the Governor-General's outback trip. Mr Hazell, Official Secretary to the Governor-General, informed the Committee that the trip was being undertaken to promote the Year of the Outback 2006. The Committee heard that the first phase of the Governor-General's schedule began on 8 May 2006 and included visits to South Australia and Queensland. Mr Hazell told the committee that the second phase started on 22 May 2006 and would include visits to the Northern Territory and Western Australia.

3.4 Senators were interested to understand the Governor-General's role in revoking Orders of Australia. Mr Hazell told the Committee that the Governor-General revokes Orders of Australia on the basis of recommendations from the Council of the Order of Australia. The Committee heard that since inception of the Australian honours system twenty-two Orders of Australia had been revoked. The reasons for revocations concerned criminal and inappropriate behaviour by nominees.

Department of the Prime Minister and Cabinet

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

- Answers to questions on notice;
- Issues related to the Cole commission;
- United States Senate investigation into the Australian Wheat Board (AWB);
- State funerals;
- Iraqi civilian casualties;

- Interdepartmental task forces and committees;
- Indigenous programs;
- Progress of planning for the Asia-Pacific Economic Cooperation (APEC) meeting 2007;
- Government advertising;
- Official visits by the Queen and United States Secretary of State;
- Official trips by the Prime Minister; and
- Maintenance costs for the Prime Minister's Official Residences.

3.6 As mentioned in chapter one, the continued government ban on questioning of matters before the Cole commission circumscribed the Committee's examination of the AWB affair. Nevertheless, as during the February additional estimates hearings members were able to pursue 'process questions' delving into internal departmental actions to supply the commission with relevant documents and information. Questioning also went to the department's actions and role in relation to similar inquiries undertaken by the UN and the US Senate.

3.7 Under questioning it emerged that, despite possessing the capacity to identify when diplomatic cables were opened and by whom, there had been no checking to identify which officers had read cables containing information on AWB's alleged activities before the government publicly announced its knowledge of the matter. Questioning on various AWB matters, such as communications between the Prime Minister's office and then Ambassador Thawley in Washington, was limited, however, by official witnesses refusing to answer on the ground of the government ban.

3.8 Members examined the department's role in the coordination, implementation and oversight of numerous Indigenous programs. These programs are administered through Commonwealth departments and agencies or jointly through the Commonwealth and state/territory government bodies. The complex arrangements for delivery of Indigenous programs posed considerable difficulty for the examination of the funding and performance of these programs. Senators repeatedly struck problems in obtaining information when questions were referred to other departments (appearing before other committees) to answer.

3.9 The concern with cross portfolio programs, like those in the Indigenous affairs realm, is that it makes it very difficult to identify who is responsible and answerable for expenditure and performance. This is also of concern to the Committee in relation to the Department of Human Services and related agencies, as previous Committee reports have shown.

Australian National Audit Office

3.10 As with previous estimates hearings examination of the ANAO focused on issues of concern and importance raised in ANAO reports. On this occasion questioning focused almost exclusively on defence related issues including:

- Financial statements of the Department of Defence;
- ANAO report No. 36 of 2005-06 on the Tiger Helicopter Project; and
- ANAO report No. 40 of 2005-06 on the procurement of explosive ordnance for the Australian Defence Force.

3.11 The Committee heard that as with previous years the ANAO had serious qualifications in regards to Defence's accounts. Mr Michael Watson, Executive Director – Assurance Audit Services Group, said:

In lay terms, in fiscal 2005 the Secretary of Defence was unable to prepare a full set of accounts therefore the Auditor-General could not conclude on that audit. That was the case in fiscal 2005. That is probably in the hierarchy of an audit qualification one of the most serious you can get.¹

3.12 Senators also examined in detail the ANAO report on procurement of the Tiger armed reconnaissance helicopter. Senators raised concerns with various aspects of the project, particularly the ANAO finding that the Defence Materiel Organisation (DMO) had agreed to accept a lower specification aircraft without adequately documenting the new agreement between it and the contractor.² This finding threw into doubt the adequacy of the governance framework and internal accountability of DMO's contracting processes.

Office of National Assessments

3.13 Issues raised by members of the Committee and other senators in attendance included:

- ONA's assessment of unfolding events in East Timor;
- ONA resources allocated to East Timor, Iraq and the Solomon Islands;
- The Iraq conflict;
- Evaluation of ONA performance; and
- The procedure and controls for distributing ONA reports.

3.14 ONA's appearance coincided with the early stages of the deployment of Australian and other forces to East Timor, where conditions on the ground continued to be of concern. The timing allowed the Committee to explore with ONA the situation in East Timor and its assessment of the roots of the current crisis and the prospects for resolving the situation. Members also took the opportunity to inquire into the adequacy of ONA's staffing dedicated to monitoring East Timor prior to the outbreak of violence there.

¹ *Committee Hansard*, 23 May 2006, F&PA 85.

² ANAO, *Management of the Tiger Armed Reconnaissance Helicopter Project – Air 87*, Audit Report No.36, 2006-2006, p.17. See also *Committee Hansard*, 23 May 2006, F&PA 99.

3.15 The question of the apparent absence of any ONA reporting to government on numerous reports alleging AWB bribes to Iraq was also raised. However, questioning was immediately cut off by ONA's refusal to answer on the ground of the ban on matters before the Cole commission.