

The Senate

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Finance and Public Administration  
Legislation Committee

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Additional estimates 2004-05

March 2005

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## Membership of the Committee

### Members

Senator Brett Mason (Chair)	LP, QLD
Senator Andrew Murray (Deputy Chair)	AD, WA
Senator George Brandis	LP, QLD
Senator the Hon. John Faulkner	ALP, NSW
Senator Michael Forshaw	ALP, NSW
Senator the Hon Bill Heffernan	LP, NSW

### Participating members

Senators Abetz, Carr, Chapman, Conroy, Coonan, Eggleston, Evans, Ferguson, Ferris, Fifield, Harradine, Harris, Knowles, Lees, Ludwig, McGauran, Mackay, Marshall, Murphy, O'Brien, Payne, Ray, Ridgeway, Sherry, Tchen and Tierney and Watson.

NOTE: all senators may attend a meeting of a legislation committee in relation to estimates, question witnesses and participate in the deliberation of the committee at such a meeting (see Standing Order 26(8)).

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# **Additional Estimates 2004-05**

## **Introduction**

**1.1** On 10 February 2005, the Senate referred to the Committee for examination and report the following documents:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2005 [Appropriation Bill (No. 3) 2004-2005];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2005 [Appropriation Bill (No. 4) 2004-2005];
- Particulars of proposed additional expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2005 [Appropriation (Parliamentary Departments) Bill (No. 2) 2004-2005]; and
- Statement of savings expected in annual appropriations made by Acts No. 88, 89 and 90 of 2004.

**1.2** The Senate also referred the following:

- Final budget outcome 2003-04;
- Consolidated Financial Statements for the year ended 30 June 2004; and
- Issues from the Advance to the Finance Minister as a final charge for the year ended 30 June 2004.

### **Portfolio coverage**

**1.3** The Committee has responsibility for examining the expenditure and outcomes of the following:

- Parliamentary departments;<sup>1</sup>
- Prime Minister and Cabinet portfolio; and
- Finance and Administration portfolio.

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

### **Hearings**

**1.4** The Committee held public hearings on Monday, 14 and Tuesday, 15 February 2005. Copies of the Committee's transcript of evidence are tabled in two

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

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

**1.5** Further written explanations furnished by departments and agencies will be tabled, when received, in volumes entitled Additional Information. That information is also available on the Committee's internet page, found at the following address: [http://www.aph.gov.au/Senate/committee/fapa\\_ctte/estimates/index.htm](http://www.aph.gov.au/Senate/committee/fapa_ctte/estimates/index.htm)

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

**1.7** Over the course of the two days' hearings—totalling 22 hours—the Committee took evidence from the President of the Senate, Senator the Honourable Paul Calvert; the Minister for Defence, representing the Prime Minister, Senator the Honourable Robert Hill; the Minister for Finance and Administration, Senator the Honourable Nick Minchin; and the Special Minister of State, Senator the Honourable Eric Abetz, together with officers of the departments and agencies concerned.

### **Concerns about allocation of departments and agencies**

**1.8** One of the critical developments experienced during this estimates round stemmed from the establishment after the 2004 Federal Election of the new Department of Human Services. Senators in attendance raised concerns about the administrative arrangement order which places DHS and agencies with the finance portfolio and which means as a consequence that they appear before this Committee at estimates.

**1.9** There are three main, interrelated concerns to which the Committee wants to draw the attention of the Senate and relevant ministers. First, the allocation of a new department of state and associated agencies threatens to undermine not only the integrity of the Committee's scrutiny of the estimates but also its traditional arrangements for estimates. The Committee's standing allocation of portfolios and departments already includes the Commonwealth's two key central coordination departments – PM&C and DoFA. The newly allocated bodies include two of the Commonwealth's key spending and service delivery agencies – Centrelink and the Health Insurance Commission.

**1.10** The effect of this significantly increased burden on the Committee was felt during this round. Despite economising on the time devoted to some of its longstanding areas of interest, the Committee was left with little opportunity to examine the new department and agencies in the manner it would have liked. The implications of this time pressure are discussed briefly below.

**1.11** Second, these bodies tend not to sit as neatly with the Committee's standing interests as they do with those of Community Affairs Legislation Committee (hereafter Community Affairs). Indeed, apart from the new department, the Committee has inherited its new agencies from Community Affairs. The Committee believes that Community Affairs remains the natural and logical home for the scrutiny of agencies formerly under the health and family and community services portfolios.

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The same applies for the new department. Through its examination of the government's central coordination body, PM&C, the Committee will still be able to examine issues related to these bodies if required. But overall it believes that it is more appropriate that DHS and its associated agencies come under the scrutiny of the Community Affairs committee.

**1.12** The practical problems that the separation of these agencies from Community Affairs pose for the scrutiny of estimates come into sharp focus with the Committee's third concern: the purported 'demarcation' between policy matters and operational matters (such as payment and service delivery). Repeatedly, members' questions about matters related to these agencies were stalled by claims that they should be referred to the policy departments appearing before Community Affairs the following day. The following exchange illustrates this problem:

Senator CHRIS EVANS—...This is a new issue to me but it has probably been covered before: this question about the interaction of different methodologies to assess income between you and Centrelink. On this question of paying child support and the different methodologies you and Centrelink have, is there any work underway to address some of those issues?

Ms Scott—We might be getting into the area of policy here. The policy departments are very keen and are anticipating questions on policy issues. The service delivery departments are anticipating and awaiting questions on service delivery issues. That one might be best directed to Family and Community Services.<sup>2</sup>

**1.13** The Committee has grave reservations about this development. It has an immediate impact in breaking up the flow of questioning during estimates hearings, delaying the provision of information and interfering with the proper examination of matters under scrutiny. It is also the case that often there are issues that do not fall discreetly into either a policy compartment or an operational compartment but cut across both areas. In such instances, members are forced to put matters on notice, a practice that at times is inevitable but that prevents any in-depth examination of important matters.

**1.14** The Committee finds it particularly hard to countenance this practice because in the past issues that straddled policy and operational areas could be dealt with by policy departments and their operational agencies appearing jointly before Community Affairs. As Senator Evans observed:

... we used to get Centrelink and FaCS at the table at the same time ... because we always had that difficulty in resolving where the buck stopped. We often were not able to identify that in advance. When we had Centrelink and FaCS at the table at the same time we could usually resolve the issue and at least have a continuity of response.<sup>3</sup>

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2 *Committee Hansard*, 15 February 2005, F&PA 109-10

3 *Committee Hansard*, 15 February 2005, F&PA 110

**1.15** The Committee is also concerned that subsequent to the estimates hearings of the F&PA and Community Affairs committees a significant number of written questions on notice were transferred to and from both committees. This is a further illustration of the discontinuities that arise from attempting to separate policy matters from operational matters, and likewise the examination of policy departments from operational agencies. It also has the potential to make the delays in providing answers to questions on notice more protracted, compounding the problems which are outlined in the next section of this report.

**1.16** In sum, the Committee considers for the reasons outlined above that the current allocation of DHS and its agencies inhibit adequate scrutiny of the estimates of expenditure. The Committee is also concerned that its traditional approach of arranging its estimates timetable to avoid recourse to using the Friday spillover day may not be viable if the allocation of these bodies is not revisited and changes made.

**1.17** The Committee understands that the Community Affairs committee experienced similar difficulties to those stated here and is intending to report its concerns to the Senate.

### **Questions on notice**

**1.18** On numerous occasions, senators have expressed their dissatisfaction with the tardiness in the overall response to answering questions on notice. The Committee recognises this, shares the frustrations felt and has recorded its concern with this matter in each of its past four estimates reports,<sup>4</sup> but obviously to little avail. All portfolios should note that the Committee and the Senate is considering options and remedies for addressing this recurring problem.

**1.19** The Committee observes the following:

- Standing Order 26(9) empowers the Committee to set a date for the receipt of answers to questions on notice;
- The Committee's convention is to set six-week deadlines from the end of its hearings;
- Departments and agencies are obliged to comply with Committee deadlines; and
- Providing answers immediately or within a few days before a department's next appearance is not adequate.

**1.20** Leading into the Budget estimates of May 2004, Senator Murray put a series of written questions on notice to all government departments and agencies concerning

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4 Finance and Public Administration Legislation Committee, Budget estimates 2004-05, June 2004, pp.2-3; *op cit*, Additional estimates 2003-04, March 2004, pp.2-3; *op cit*, Budget estimates 2003-04, June 2003, p2-3; *op cit*, Additional estimates 2002-03, March 2003, p.3

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government advertising campaigns and public information projects. The precise text of the question follows:

Please provide a list of all advertising or public information projects currently being undertaken or expected to be undertaken by the department or agency in the course of 2004 where the cost of the project is estimated or contracted to be \$100 000 or more, indicating:

- (a) the purpose and nature of the project;
- (b) the intended recipients of the information to be communicated by the project;
- (c) who authorised or is to authorise the project;
- (d) the manner in which the project is to be carried out;
- (e) who is to carry out the project;
- (f) whether the project is to be carried out under a contract;
- (g) whether such contract was let by tender; and
- (h) the estimated or contracted cost of the project.

**1.21** Senator Murray requested that answers be provided by 15 June 2004, or if that was not possible, on the date set by the Committee for all questions on notice. The deadline set by the Committee was 9 July 2004, and by this date only a small number of agencies had responded.

**1.22** Subsequently, by resolution the Senate set 31 January 2005 as a deadline for supplementary questions and all outstanding questions from previous estimates rounds. As at 14 February 2005, the start of public hearings to consider the Additional estimates, the Committee had still not received answers from the vast majority of departments and agencies.

**1.23** During the examination of the Department of the Prime Minister and Cabinet (PM&C) the Committee heard evidence that the Government Communications Unit (GCU) is coordinating *all* answers from across government agencies to Senator Murray's questions. Asked why the GCU is vetting answers, the Committee was told that PM&C wanted to ensure that all executive departments and agencies address the questions with the same 'definitional understanding' of what the questions solicit.

**1.24** PM&C indicated that the answers were not far from being finalised and that some were with the Prime Minister's Office awaiting clearance. Senator Murray, through the Chair (Senator Mason), and thus the Committee, resolved that in the event that all answers are not received within four weeks (by 14 March 2005) that a written explanation must be provided from PM&C stating where outstanding responses are at and the reason for any further delay.

**1.25** The following table provides statistical information for the total number of questions on notice for each portfolio for the 2004-05 Budget cycle up to the Additional estimates (i.e. the table does not include questions on notice from the

February 2005 Additional estimates – these will be included in the Committee's next report).

Portfolio/ department/agency	Total no. of questions <sup>5</sup>	Answered on or before deadline		Answered after deadline		Outstanding	
		Count	Percentage	Count	Percentage	Count	Percentage
Senate	3	3	100%	0	-	0	-
DPS	10	1	10%	9	90%	0	-
PM&C portfolio	80	25	31%	47	59%	8	10%
Finance portfolio	42	1	2.4%	35	83.3%	6	14.3%
Human Services	10	0	-	10	100%	0	-
<b>Total</b>	<b>145</b>	<b>30</b>	<b>21%</b>	<b>101</b>	<b>70%</b>	<b>14</b>	<b>9%</b>

#### *Explanations for late receipt of answers*

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

#### *Deadline for submitting answers*

**1.27** The due date for submitting responses to questions on notice from this Additional estimates round is 1 April 2005.

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

**1.28** The following sections of the report list the issues considered by the Committee and discuss some of these in detail. The order is not based on hierarchy but rather the order in which those issues arose during the hearings.

**1.29** The following agencies were released from the hearings without examination: the National Water Commission; the Office of the Commonwealth Ombudsman; the Commonwealth Grants Commission; and CRS Australia.

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<sup>5</sup> The total number of questions is based on the allocated question number. It should be noted that questions often have numerous parts to the overall question—in effect, this can translate into agencies having double or more the number of questions than appear in the column.

## PARLIAMENTARY DEPARTMENTS

**2.1** The Committee took evidence from the parliamentary departments on Monday, 14 February 2005.

### **Department of the Senate**

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

- Media allegations regarding staff social activities;
- Use of senator's printing entitlements;
- Parliamentary privilege and draft transcripts of senator's speeches; and
- Resourcing of select committee inquiries.

#### *Media allegations regarding staff social activities*

**2.3** The Committee inquired about media allegations of a "go-slow" by Department of the Senate staff. An article referred to by Senator Faulkner claimed that Senate staff 'will only have to serve politicians for 21 days in the first seven months of 2005'.<sup>1</sup> The Committee is concerned at this fundamental lack of understanding of the work of the Senate and departmental staff, and refers readers to the Senate Briefs and other educational material prepared by the Department of the Senate.<sup>2</sup>

**2.4** The Committee heard that negative publicity regarding an offer of paid leave for Senate officers to attend an annual Public Service-wide golf day and a wine appreciation class was unfounded. Mr Harry Evans, Clerk of the Senate, advised the Committee that no Senate Department staff attended the golf day, and the wine class was conducted in staff members' own time. The Committee suggests that members of the media thoroughly check the veracity of their information before making allegations of impropriety.

#### *Use of senator's printing entitlements*

**2.5** The Committee heard that the use of senator's printing entitlements had "skyrocketed" during the 2004 election period. Mr Evans stated that a total of \$1.07 million was spent on senator's printing during the 2003-04 financial year, whereas senator's printing costs from 1 July 2004 until 31 January 2005 had already reached \$717 000.

**2.6** The Committee also heard that the Usher and Deputy Usher spend an average of one to two hours per week checking whether senators' printing requests comply

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1 McIlveen, L. 'Senate staff will tee off – on full salary' *Courier Mail* 6/11/04

2 Senate Briefs are available at: <http://www.aph.gov.au/Senate/pubs/briefs/index.htm>

with guidelines. Ms Griffiths advised the Committee that in the few cases where requests breached the guidelines, the issue had been resolved between the senator and the Usher or the Deputy Usher without the need for recourse to the Clerk or President of the Senate.

#### *Parliamentary privilege and draft speech transcripts*

**2.7** The Committee raised concerns about matters of privilege associated with senators' proof speech transcripts (formerly known as "pinks") being available on the intranet. Mr Evans stated that uncorrected speech transcripts cannot be given absolute privilege for publication in case they contain errors.

**2.8** Senator Murray questioned whether there is a need to revise the *Parliamentary Privilege Act 1988* in light of the advances in communication and information technology since that Act was last reviewed. Mr Evans, although not elaborating on the broader issue, stated his belief that legislating for the general publication of the pinks would be unwise.

#### *Resourcing of select committee inquiries*

**2.9** The Committee heard that Senate select committee inquiries are funded from the committee office budget, with funding for four select committee inquiries per year built into the budget. Mr Evans advised the Committee that experienced former committee staff are employed on short term contracts when extra resources are required.

### **Department of Parliamentary Services**

**2.10** Issues raised by members of the Committee and other senators included:

- Safety and security works around Parliament House;
- Refurbishment and renovation of the health and recreation centre;
- Water conservation initiatives around Parliament House;
- Absence of the Christmas Tree from Federation Mall;
- The decision to publish fewer hard copy *Hansards*;
- Status of the nurses' centre;
- Progress in implementing the Podger Report recommendations relating to the Parliamentary Library; and
- The impact of budget cuts on the department.

#### *Safety and security works around Parliament House*

**2.11** The President of the Senate, Senator Calvert, acknowledged the disruption to Parliament House occupants caused by the current works around Parliament House, and expressed appreciation for their cooperation. The President also advised the Committee that completion of the security barriers, originally scheduled for late

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March, would be delayed by two months due to the need to obtain bollards from the United States. He made a commitment to the Committee that the temporary barriers would be removed from the front of the building by the end of March.

**2.12** Senator Faulkner asked why the bollards were not sourced in Australia. Ms Hilary Penfold QC, Secretary of the Department of Parliamentary Services (DPS), replied that they were unable to obtain Australian-made bollards that met specifications.

**2.13** The Committee heard that eight speed humps were being constructed on Parliament Drive to deter speeding and allow maintenance and gardening staff safe access to cross the road. The total cost of materials and installation was \$132 000.

#### *Refurbishment of the health and recreation centre*

**2.14** Senator Mason asked when the refurbishment of the health and recreation centre would be completed. The President replied that the expected date was now late July or August 2005. Ms Penfold advised that the delay was largely caused by the extensive work required on the swimming pool to repair "concrete cancer" and ensure compliance with current occupational health and safety standards.

#### *Water saving initiatives around Parliament House*

**2.15** The Committee heard that 3.2 hectares, or approximately 20% of the turf around Parliament House was not being watered in order to reach Australian Capital Territory (ACT) Government water savings targets. The Committee heard that the dead grass on the eastern and western sides of Parliament House was due to be replaced by a drought-resistant variety once ACT water restrictions were reduced. Ms Penfold told the Committee that the grass on top of Parliament House is still being maintained to preserve the waterproof membrane covering the building. The turf in the courtyards is also being maintained because it is in good condition and not due for replacement. The Committee also heard that shower heads in senators' suites were gradually being replaced with AAA-rated water saving shower heads.

#### *Federation Mall Christmas tree*

**2.16** The Committee questioned the absence of the Christmas tree from the front of Parliament House, and heard that the National Capital Authority (NCA) last year offered to give DPS the Christmas tree usually placed on Federation Mall during the yuletide season. Ms Penfold advised the Committee that she made a unilateral decision to decline the offer due to unknown storage costs and annual putting up and taking down costs in the order of \$50 000.

#### *Decision to publish fewer hard copy Hansards*

**2.17** The Committee heard that DPS had decided to print fewer hard copies of the daily proof *Hansard*, and cease printing the weekly *Hansard* altogether. Expected annual savings for the Department were in the order of \$750 000, although Ms

Penfold acknowledged that there would be some transfer of costs to those senators, members and departmental staff who printed their own copies. Committee members expressed concerns that DPS did not consult with Parliament House occupants before this decision was made in December 2004; and that senators and members were not informed of the change until early February 2005.

### *Status of the nurses' centre*

**2.18** Senator Knowles asked questions about the status of the Parliament House nurses' centre and its role in providing preventative health measures. Ms Penfold advised the Committee that nursing services had not been reduced subsequent to the 2004 review of the nurses' centre carried out by DPS at the request of the Joint House Committee.

### *Progress implementing Podger Report recommendations*

**2.19** The Committee spent time discussing the Department's progress in implementing the recommendations of the *Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament* ("the Podger Report") relating to the Parliamentary Library. The four relevant recommendations are:

**Recommendation 5.1:** The position of Parliamentary Librarian be established at a senior level within the amalgamated service provision department.

**Recommendation 5.2:** The independence of the Parliamentary Library be granted by Charter from the Presiding Officers.

**Recommendation 5.3:** The independence of the Parliamentary Library be reinforced by strengthening the current terms of reference for the joint Library Committee.

**Recommendation 5.4:** The resources and services to be provided to the Library in the amalgamated department be specified in an annual agreement between the Departmental Secretary and the Parliamentary Librarian, approved by the Presiding Officers following consideration by the joint Library Committee.<sup>3</sup>

**2.20** Senator Faulkner asked about progress in appointing a Parliamentary Librarian—a position not permanently occupied since 1990 and abolished in 1999. The President advised that the selection process could not begin until the statutory position of Parliamentary Librarian was created by the passing of the Parliamentary Service Amendment bill. Ms Penfold stated that preparations for recruitment had commenced, including consideration of remuneration arrangements and the composition of the selection panel. The joint Library Committee will be involved in the appointment.

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3 Podger, A. (2002) *Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament*, p. 8

**2.21** The President advised that there was no intention to adopt a charter to ensure the independence of the Parliamentary Library. A charter was considered unnecessary because the statutory position of Parliamentary Librarian, along with the provisions of the Parliamentary Service Amendment bill regarding client confidentiality and equality of services would sufficiently ensure independence.

**2.22** The Committee heard that some progress had been made towards the implementation of recommendation 5.3. Ms Penfold advised that a new terms of reference for the joint Library Committee had been drafted by the Speaker's office, and there were plans to take the draft to the Library Committee.

**2.23** The Committee heard that recommendation 5.4, which relates to an annual resources and services agreement between the Departmental Secretary and the Parliamentary Library, is provided for in the Parliamentary Service Amendment bill.

**2.24** Senator Faulkner expressed his disappointment at the overall lack of progress in implementing the recommendations, and signalled his intention to maintain a watching brief.

**2.25** Subsequent to the hearing, the Committee received advice from the President that sought to clarify a number of issues and provide additional information about progress on implementing the Podger Report recommendations. A copy of which is at Appendix 3.

#### *Impact of budget cuts*

**2.26** The Committee asked about the monetary impact of the next round of budget cuts on DPS. Another \$1.3 million would be cut this year. Ms Penfold told the Committee that the budget cuts this year had been divided up on a pro rata basis according to the previous budget of each branch. In the current financial year, the library budget was cut by \$382 000. Ms Penfold said that the negotiation of a new certified agreement would place further pressure on the budget. The increased salary costs for the department were expected to be around four per cent on a salary budget of \$55 million, or \$2 million next year. Ms Penfold outlined some cost saving initiatives, including a fleet management approach to procurement, limiting use of consultants and catering services.

**2.27** Senator Faulkner asked whether the parliamentary departments' budgets had been "cut to the bone" because they were in the unique situation of being required to fund security measures out of their budgets while other departments' budgets were supplemented for increased security. Ms Penfold stated that DPS was currently 'living within its means', and expected to remain within budget because of the relatively light sitting schedule in the second half of the 2004/05 financial year.

**2.28** However, Ms Penfold told the Committee that the projected full year deficit across the security budget was approximately \$2.7 million. The expected deficit was partially caused by the transfer of security funding from the chamber departments to the DPS at the start of this financial year. With the transfer of the security function,

DPS only received the chamber departments' notional security funding less the \$1.1 million budget cuts. This was despite the fact that the chamber departments were spending around \$1.7 million more annually on security than the budget allocation.

## **Prime Minister and Cabinet Portfolio**

The Committee took evidence from the department and agencies of the Prime Minister and Cabinet portfolio on Monday, 14 February 2005.

### **Office of the Official Secretary to the Governor-General**

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

- The visit to Australia of the Prince of Wales;
- The engagement of the Prince of Wales and Mrs Parker Bowles; and
- Australia Day 2005 honours.

**3.2** Senator Faulkner questioned the office about its role regarding the official visit to Australia of the Prince of Wales. The Committee heard evidence that the Governor-General will host a dinner on Friday, 4 March. Mr Hazell, Official Secretary to the Governor-General, informed the Committee that apart from hosting this dinner the Office of the Governor-General has a very limited role in the Prince's Australian tour. The Committee was advised that the Department of the Prime Minister and Cabinet have responsibility for the Royal visit.

**3.3** With regard to the wedding announcement concerning the Prince and Mrs Parker Bowles, the Committee heard evidence that Mr Hazell was formally told of the engagement by his 'counterpart at Buckingham Palace'<sup>1</sup> roughly half an hour after the announcement was made in London. Mr Hazell was unable to say whether this was the first official notification to Australia. Nonetheless, he was able to confirm that his notification was the earliest notification as regards to the Governor-General.

**3.4** The Official Secretary was also asked if Australia was going to be represented at the wedding and if any preparations were in train. Mr Hazell stated that he was not aware of any receipt of a formal invitation and that no plans were being made at present in relation to the Governor-General's likely attendance.

**3.5** The Committee discussed the Australia Day 2005 honours and a perceived political bias towards certain honours recipients. While it was not suggested that any of the 2005 recipients were undeserving, several senators were concerned that this year's awards were predominantly cast along coalition government lines. Mr Hazell disagreed with the notion of bias, stating that:

...for people to be successful they must be nominated by somebody. Clearly, we do not ask what their political backgrounds are. It is a matter of statistical record that, of those who we know their public positions and background, much the same number of people from the major political

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1 *Committee Hansard*, 14 February 2005, F&PA 39

parties get awards—and that has been a consistent trend. That has in any event been in toto a very small number of the successful nominations.<sup>2</sup>

**3.6** Mr Hazell went on to say:

The Council for the Order of Australia ... is a body that is independent of government. It considers a vast number of nominations that are put to it and then makes decisions about them, and those decisions are subsequently announced.

...

The important thing is that each of these cases is considered on its merits.<sup>3</sup>

**3.7** Several senators also expressed concern over recent negative publicity about the Australian honours system. Mr Hazell stated that while the Council encourages the media to report on the awards and honours it 'cannot tell the media what to write'.<sup>4</sup>

### **Australian Public Service Commission**

**3.8** On an administrative matter: the Committee received a request from the APSC late in the afternoon of Friday, 11 February 2005 to rearrange the hearing program to accommodate the APSC appearing at an earlier time than scheduled due to conflicting engagements of Ms Briggs, the Australian Public Service Commissioner. As members of the Committee and other senators were dispersing at the end of a sitting week the Committee was unable to consider the request until the morning of the hearing, 14 February.

**3.9** On this occasion, the Committee was able to accommodate the request. Nevertheless, the Committee reminds *all* agencies—not only the APSC—that where timing clashes are anticipated the Committee should be informed at the earliest opportunity. Every effort should be made to do this before the Committee's program is circulated. Scheduled hearing dates are known well in advance and agencies should plan to be available accordingly.

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

- Indigenous employment in the Australian Public Service (APS);
- Current and future challenges facing the APS;
- APS code of conduct breaches; and
- The APSC's response to Senator Murray's questions on notice regarding government advertising (mentioned above in paragraph 1.20).

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2 *Committee Hansard*, 14 February 2005, F&PA 42

3 *Committee Hansard*, 14 February 2005, F&PA 42-3

4 *Committee Hansard*, 14 February 2005, F&PA 43

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*Indigenous employment in the Australian Public Service (APS)*

**3.11** Based on figures referred in several *State of the Service* reports suggesting that the number of Indigenous employees in the APS has declined since 1999, Senator Carr sought an explanation for this trend. Ms Briggs noted that representation of Indigenous employment was higher in the public sector and 'well above the national average'<sup>5</sup> but there were cultural issues affecting the employment pursuits of many Indigenous persons. Ms Briggs also pointed to structural changes to the APS which have impacted on Indigenous employment, stating that:

In the main, it relates to the significant change that has occurred in the Public Service around the removal of lower level positions at ASO1 and ASO2 levels.<sup>6</sup>

**3.12** Further evidence given by Ms Briggs also revealed a decline in the numbers of Indigenous persons at the SES level. According to the most recent 'official' data at 30 June 2004, 24 Indigenous persons were employed at the SES level (1.3 per cent of the total SES). On the other hand, APSC data indicates that retention rates at the executive level have remained stable over the past two years and that there has been some growth in the APS3-4 levels.<sup>7</sup>

**3.13** The Committee raised questions regarding the shorter retention rates of Indigenous employees generally compared with the wider APS, and the apparent decline of support for Indigenous employees. Ms Briggs pointed to a number of initiatives designed to address recruitment and retention of Indigenous people, including:

- Alternative pathways to employment—service-wide initiatives as well as some pilot programs;
- Development programs to encourage Indigenous employees to remain in the APS;
- Better practice guides for employers;
- Employee networks that provide support for Indigenous employees; and
- A national forum of network chairs that meets with the APS Commissioner to discuss issues.

**3.14** Senator Carr also asked why there had been a decline in number of trainees in the APS. Ms Briggs noted that the staffing profile of the APS has changed significantly over time, with graduates now comprising 60 per cent of new entrants.

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5 *Committee Hansard*, 14 February 2005, F&PA 48

6 *Committee Hansard*, 14 February 2005, F&PA 46

7 *Committee Hansard*, 14 February 2005, F&PA 47-8

She also reiterated what the *State of the Service* reports have been saying for a number of years, namely:

This is a development right across the Public Service, where there are very few people brought in at the base level any more. It used to be, when people as old as me joined the Public Service, that the most common and primary form of entry to the Public Service. These days it is not. These days the average entrant to the Public Service is aged 32 with a university degree and comes in at APS3 and 4.<sup>8</sup>

**3.15** The Committee looks forward to hearing how the APSC progresses these initiatives.

### **Department of the Prime Minister and Cabinet**

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

- The Government's response to the Boxing Day tsunami;
- The engagement of the Prince of Wales and Mrs Parker Bowles;
- The Royal visit to Australia by the Prince of Wales;
- Senator Murray's outstanding questions on notice regarding government advertising;
- Consultants and consultancies – changes to the annual reporting guidelines;
- The detention of Ms Cornelia Rau;
- Debt relief for Third World countries;
- The Australian honours system – the Order of Australia and the Australia Day 2005 honours;
- Security works at the Department of the Prime Minister and Cabinet;
- Maintenance work regarding the upkeep of the Lodge and Kirribilli House;
- Outstanding government response to the Finance and Public Administration Reference Committee's 2003 report regarding members of parliament staff (MOPS);
- The Government's response to the Uhrig report;
- Development of the Australian maritime identification zone;
- The conflict in Iraq – statistics regarding civilian deaths; and
- Australia-Indonesia Partnership for Reconstruction and Development.

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*The Government's response to the Boxing Day tsunami*

**3.17** At the Committee's request, the minister and departmental officials provided a detailed account of the official Australian response to the tsunami disaster. In view of the significance of the tragedy to the region and centrality of Australia's role in the international response, the Committee pressed for an overview of the decision making processes and administrative mechanisms put in place to deal with the emergency.

**3.18** Like most Australians, officials became aware of the Asian tsunami through media reports as the devastation unfolded. Immediately, 'standing arrangements' were automatically set in motion with various resources tasked in intelligence gathering and response planning. Following Australia's experience in dealing with the Bali bombings and its subsequent post-mortem, operational channels of communication were opened and the Interdepartmental Emergency Task Force (IDETF) convened.<sup>9</sup>

**3.19** Articulating the composition and mandate of the IDETF, Mr Andrew Metcalfe, Deputy Secretary, stated:

When there is any matter that requires a coordinated response by Australian government agencies, the thing called the interdepartmental emergency task force is convened, chaired by the Department of Foreign Affairs and Trade and involving the agencies that will usually have a role to play.

...

This particular task force is chaired by the Acting Secretary of the Department of Foreign Affairs and Trade and attended at a very senior level by a range of agencies. Attendees include the Chief of the Defence Force—or the vice chief—the relevant national manager in the Australian Federal Police, usually the head or deputy head of AusAID, and the list goes on.<sup>10</sup>

**3.20** Mr Metcalfe went on to discuss the critical stages of Australia's response when news of the disaster first arrived:

[W]ithin the first 24 hours there was obviously all possible information being gathered because of the multistranded issues that were associated with that—concern for the safety and welfare of Australians abroad, which very quickly moved into work particularly in Thailand; the consular response more broadly, assisting Australians who may have been affected; and consideration of the humanitarian concerns in the various countries concerned. It is obviously a matter of record as to the decisions taken by the government to very quickly provide humanitarian assistance, firstly through the Royal Australian Air Force and the Australian Defence Force and then, more broadly, through a range of agencies.<sup>11</sup>

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9 *Committee Hansard*, 14 February 2005, F&PA 56-9

10 *Committee Hansard*, 14 February 2005, F&PA 56

11 *Committee Hansard*, 14 February 2005, F&PA 57

**3.21** Mr Metcalfe informed the Committee that, on this occasion, while the task force was the primary coordination mechanism between government agencies, there were 'subsidiary groupings of officials working on particular matters'. One in particular, called the Tsunami Domestic Recovery Task Force, was responsible for dealing with the impact on Australian nationals—assisting their return home and responding to relatives' needs and enquiries.<sup>12</sup> Notwithstanding these arrangements, later involvement by Cabinet and its security committee, the Committee heard that existing process were used during the period of crisis.

**3.22** Mr Ian Kermish, First Assistant Secretary, International Division, told the Committee that after each crisis response the standing arrangements are reviewed in detail and if necessary, amended. Mr Kermish stated, for example, that:

... a real focus of the post Bali review work was the development of systems across agencies to ensure that resources—particularly staffing resources—were able to be deployed quickly and in a coordinated way to the scene of the disaster.<sup>13</sup>

**3.23** The Committee is aware, not only by the evidence given but more obviously by the time of year, that many staff across the Commonwealth had to forgo their family holidays in order to be available to respond to this disaster. The Committee is grateful for each individual's contribution during these most difficult of times.

**3.24** Senator Evans questioned whether, following the initial response, decisions to send troops to Aceh and the approval of aid packages were made by cabinet and if not, how the process worked. Mr Metcalfe said that the Prime Minister had had discussions and briefings with senior colleagues and that decisions were not made in the formal sense of cabinet convening. The relevant ministers, however, were involved in the consultation and advice process.<sup>14</sup>

**3.25** The Committee heard evidence that in formulating its decision to send troops the Government had received advice from personnel overseas and that there had also been discussion at the ministerial level with foreign counterparts:

Senator Hill—The first deployment was pretty obvious, but there was some preliminary work that we did. Our defence attache and his staff in Indonesia were very helpful, as was Ambassador Ritchie. They very quickly formed the view that assistance would be welcome. Then I had General Cosgrove phone General Sutarto, who confirmed that. I then telephoned Minister Sudarsono to ensure that the civilian authority was properly in line with the TNI's aspiration. He indicated that any assistance that we could give would be appreciated. He talked a bit about Aceh and I told him that in the first instance we proposed to send C130s with aid. From then on it grew.

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12 *Committee Hansard*, 14 February 2005, F&PA 57

13 *Committee Hansard*, 14 February 2005, F&PA 58

14 *Committee Hansard*, 14 February 2005, F&PA 59-60

Senator CHRIS EVANS—Is it fair to say that the first deployment was not actually specifically at the request of the Indonesians then? Was it a suggestion from us as to what we could send quickly?

Senator Hill—I have heard that it was suggested both ways. Our people in Jakarta were excellent and they immediately made contact. Who telephoned who first, I am not sure, but they were in very early communication with the relevant Indonesian authorities and all of that worked extraordinarily well. After that, as the days were going by, we were obviously assessing the areas of need in which the ADF could fill a gap. With the original C130s, we sent in the first medical teams and we also took in the United Nations assessment team. We fairly quickly decided that they could use our helicopters. We agreed to a deployment of four Iroquois helicopters. Then the engineering need was becoming obvious and so that led to the ultimate deployment of Kanimbla with 150 engineers and a further two Sea King helicopters. During this time we were establishing bases to sustain the force and Indonesia was very good in relation to Medan and Malaysia was very helpful in relation to Butterworth. It really worked very well and I think it was a great credit to Defence—not just those out front but those behind who played a very significant part. As I have said before—but as the issues have been raised I will mention it again—I thought the whole of the Public Service performed superbly in this instance. The fact that senior public servants did not wait to be called in I think is really of great credit to them.<sup>15</sup>

**3.26** With regard to the announced aid packages, Senator Evans sought clarification as to whether the task force was involved in formulating the response. Officials were not able to give a definitive answer, suggesting that while they were aware of the announcements being made they were unclear as to the extent that the issue was handled within the task force.

Senator CHRIS EVANS—To get back to the development of the response: the initial decision on aid was taken by the Prime Minister and the foreign affairs minister. Did the task force make recommendations on that or were you dealing pretty much with the emergency responses?

Mr Metcalfe—Those issues were discussed in the task force. Certainly the initial tranches of humanitarian assistance were essentially within the remit of the Minister for Foreign Affairs and Trade, who was discussing these issues with the Prime Minister. The development of the \$1 billion package which was announced by the Prime Minister when he was in Jakarta on 6 January—as I said earlier—was the subject of work at a very high level between Foreign Affairs, PM&C, AusAID and the Treasury and discussions the Prime Minister had with the relevant ministers.

Senator CHRIS EVANS—I will come to matters of detail now. Essentially the task force dealt with the emergency response—the humanitarian response and Australians who might have been affected. Did you deal with

the initial aid response issues as well or was that dealt with separately by the minister? Did you discuss the sort of aid?

Mr Metcalfe—I personally was not in the meetings in the first couple of days, but the sense I had was that we had a view from the Prime Minister that our response should be swift and generous. There were initial announcements of humanitarian assistance—essentially from within existing AusAID budgets. I would have to check the records to check the extent that that was discussed within the task force, but it was certainly something that was part of the work that was being done between agencies.<sup>16</sup>

**3.27** The Committee awaits further advice on notice from the department as to the extent the task force was involved in formulating the aid package.

*Consultants and consultancies – changes to the annual reporting guidelines*

**3.28** Senator Faulkner raised concerns that recent changes to the guidelines for preparing annual reports have resulted in a net loss for the transparency of reporting on consultants and consultancies.

**3.29** Senator Faulkner referred to the following extract related to the new guidelines:

Am I correct now in understanding that the requirements that apply are this:

... if a consultancy contract is let in May 2004, and the contract expires in September 2004 and expenditure under the contract is \$10,000 per month, the annual report for the 2003-04 financial year should record one consultancy contract and \$20,000 expenditure in relation to that contract. The annual report for the 2004-05 financial year should record only \$30,000 expenditure—the letting of the consultancy contract should not be included again in the number of consultancy contracts let during the 2004-05 financial year.<sup>17</sup>

**3.30** In response, Mr David Macgill, Assistant Secretary, Parliamentary and Government Branch, stated:

... the paragraph that you just read out is trying to explain to departments that if you let a contract for a consultancy service in one financial year and you spend, say, \$20,000 out of a budgeted \$100,000 in that financial year, then in that year's annual report you would indicate that you had let one contract and spent \$20,000. In the following year's annual report you would not indicate that you had let any contract in relation to that particular consultancy service but that you had spent \$80,000.<sup>18</sup>

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16 *Committee Hansard*, 14 February 2005, F&PA 61

17 *Committee Hansard*, 14 February 2005, F&PA 70

18 *Committee Hansard*, 14 February 2005, F&PA 70-1

**3.31** The reason for these changes, according to PM&C officials, was to overcome confusion with how consultancies let are recorded, as many consultants are engaged across financial years. In other words, a consultancy may be *let* during one reporting period yet total *expenditure* may go across several financial years. This, according to officials, posed a risk of double counting the actual consultancies let and the expenditure outlay for any one financial year.

**3.32** The Committee appreciates that the apparent motive for the changes is to simplify the reporting requirements and avoid confusion. However, the Committee believes that these changes have the potential to reduce transparency. Although these changes have not caused a net reduction in the disclosure of information, the concern is that individual annual reports may no longer provide an accurate indication of the total number of consultancies *in existence* during any given reporting period. To obtain an accurate assessment, second source material must be referred to; for example, previous annual reports or an agency's internet homepage.

**3.33** The Committee notes, however, that the requirements stipulate the following:

Further, more detailed, information on consultancy services is also required, either as an appendix to the report, or on request or through the Internet, as set out in Attachment C to these Requirements. This additional information requires departments to list each consultancy contract let to the value of \$10 000 or more and the total value of each of those contracts over the life of each contract. In other words, this additional information is not concerned with expenditure in the reporting year, but estimated expenditure over the life of each contract that is reported.<sup>19</sup>

**3.34** The Committee has serious concerns with the statement that 'more detailed, information on consultancy services is also required, *either as an appendix to the report, or on request or through the Internet...*' This sentence implies that further detailed information only needs to be accessible on request and not a specific requirement for appendices to annual reports.

**3.35** The Committee believes that the issue should be resolved by *requiring* annual reports to list, separately, all new consultancies let and all ongoing consultancies, with expenditure reported against each accordingly. That is, the *total* value reported when a consultancy is let, as well as the expended total of that consultancy in any given reporting period.

**3.36** Moreover, the Committee believes that all expenditure needs to be reported against its intended outcome, otherwise, the parliament's ability to scrutinise changes to the terms of any consultancy may be reduced.

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<sup>19</sup> PM&C, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act bodies*, June 2004, p.12

*Outstanding government response*

**3.37** During evidence given by the APSC, the Committee was told that the APSC had provided information to PM&C, which is the department responsible for coordinating the Government's response to the Reference Committee's 2003 report regarding members of parliament staff (MOPS). He noted that it is particularly relevant to the current inquiry into the Regional Partnerships Program:

The reason I think this needs a hurry-up is that these issues have been raised again recently with the instance of Mr Hallet and his email. That is again on the topic of how an adviser acts where there is an executive decision or where he is the intermediary either between the minister and the bureaucracy or between the minister and whoever is spending the money. It is very much an issue raised in that report.<sup>20</sup>

**3.38** Ms Barbara Belcher, First Assistant Secretary, Government Division, stated in reply that:

There has already been action to implement some of the recommendations. But you are quite right: the response is outstanding. ...I will see if that response can be sped up so you can see it soon.<sup>21</sup>

**3.39** The Committee reminds officials that the Senate has resolved that responses should be received within a three-month period after a committee report has been tabled.

**Office of the Inspector-General of Intelligence and Security**

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

- Inspector-General's opening statement covering issues of note and current activities: resourcing, current work, and warrants under the ASIO Act;
- Impact of the Flood recommendations; and
- Inquiry into the matters arising from Lieutenant Colonel Collins' redress of grievance.

**3.41** As is customary, Mr Ian Carnell, Inspector-General, opened the examination with a statement outlining significant matters relating to, or currently before, the agency. On this occasion, Mr Carnell identified three issues, the first of which went to additional resources related to:

- Funding for two new positions; and
- Investment in IT capital.

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20 *Committee Hansard*, 14 February 2005, F&PA 85

21 *Committee Hansard*, 14 February 2005, F&PA 85

**3.42** The new positions are a result of the increased workload of the agency—namely, its inspection program—and from the implementation of recommendations from the Flood review. The funding for IT is to replace depreciated office inventory.

**3.43** The second issue covered the current work of the agency. Mr Carnell stated that the 2003-04 annual report listed nine matters outstanding as of 30 June 2004. Of these, seven have been completed and the other two are close to completion. Since 1 July 2004, 20 new matters have been put before the agency; 14 of these have been finalised, with six ongoing. Mr Carnell stated that roughly half these new matters relate to 'ASIO and security checks for visa applications'.<sup>22</sup>

**3.44** Finally, the third issue went to warrants under the ASIO Act. Mr Carnell noted that as reported in the 2003-04 annual report, there were no concerns with how warrants were executed. He was pleased to inform the Committee that warrants executed post 2003-04 financial year have also been undertaken with a high level of professionalism and, as a result, he had no concerns.

*Inquiry into the matters arising from Lieutenant Colonel Collins' redress of grievance*

**3.45** The Committee questioned Mr Carnell about the lead up to, and the major issues that warranted, the re-examination of his predecessor's inquiry into concerns raised by Lieutenant Colonel Collins about intelligence matters.

**3.46** Mr Carnell told the Committee that on 15 April 2004, he received a letter from the Chief of the Defence Force together with a copy of Captain Toohey's report and related papers. On 3 May 2004, Mr Carnell wrote to the Minister for Defence with the view that the matter be re-examined. Then on 6 May 2004, the Minister made a formal request for IGIS to conduct an inquiry into a particular incident where the ADF intelligence officers attached to the INTERFET force in Dili lost access to a particular database.

**3.47** Mr Carnell stated that the main grounds for re-examination were to interview three people that had not been interviewed in the earlier inquiry and to undertake certain IT forensic work. Mr Carnell said that:

The initial interest was, I thought, to be comprehensive. There were three people who had had some involvement with the events who ought to be interviewed.

...

I did those three interviews, and I then thought the best thing I could do was to get some IT forensic work done, because the three interviews made the situation less clear. So there was then a process of getting some IT forensic work done, and I needed some expert assistance with that and was able to get help from some officers of the Defence Security Authority.

...

I thought that if we were to maintain the hypothesis that it was a result of technical failures then that would be evident somewhere in the system. That work commenced on 1 June and ran through until late August. At that point it was clear that in fact there were deliberate transactions in the system that had deprived that group of users of access.<sup>23</sup>

**3.48** Senator Evans asked Mr Carnell how he became aware of the three 'new' people. The Committee heard that the three persons had been referred to in the previous inquiry but had not been interviewed.

**3.49** Following the usual procedure under section 21 of the IGIS Act, Mr Carnell forwarded a copy of his draft report to the director of the Defence Intelligence Organisation (DIO). Responding to Senator Evans' concern regarding suggested amendments to the report from the Director of DIO—given the unusual situation where a person being affected by the report is also reviewing it in its draft form—Mr Carnell stated that:

He made some valid points and I took them into account. If you are sitting there concerned that I rolled over and was softer on him, no, I was not.<sup>24</sup>

**3.50** On 29 November 2004, Mr Carnell met with the minister to discuss the report. On the following day, with no changes arising from the meeting the day before, Mr Carnell gave his final report to the minister.

### **Office of National Assessments**

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

- ONA's response to the Committee regarding its recommendation that ONA prepare and table a declassified annual report; and
- The conflict in Iraq – statistics regarding civilian deaths

**3.52** ONA was asked about an overdue response to the Committee's recommendation, in its last report on the scrutiny of annual reports, that it prepare and table an unclassified version of its annual report in the parliament. ONA indicated that the Joint Committee on ASIO, ASIS and DSD had made a similar recommendation. Mr Peter Varghese, Director-General, stated that the matter was 'under consideration' but noted that it would be difficult to produce a 'meaningful unclassified' report for tabling as its annual report to the Prime Minister contains information on its activities and the 'performance' of foreign intelligence agencies.

**3.53** The Committee notes that ONA and ASIO share a similar mandate for the for intelligence assessment of security issues. However, ONA's responsibility is *only* external to Australia, 'to provide a broad... contextual analysis of terrorism and its

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23 *Committee Hansard*, 14 February 2005, F&PA 93

24 *Committee Hansard*, 14 February 2005, F&PA 96

impact on other countries and regions',<sup>25</sup> whereas ASIO's responsibility is both internal and external. Nonetheless, the Committee believes that ONA should be able to prepare a meaningful declassified annual report, and hopes that further meaningful consideration is given to this issue and that a formal response is provided detailing its outcome.

*The conflict in Iraq – statistics regarding civilian deaths*

**3.54** ONA was questioned about the number of civilian deaths in relation to the Iraq war and the ensuing conflict. After a lengthy discussion the Committee was able to ascertain that ONA does not possess any statistics regarding the numbers of civilian casualties, ONA is not aware of any foreign source that has such information and it appears that no such information has been sought by ONA, the Government or any of its other agencies.

### **Australian National Audit Office**

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

- The appointment process pending Mr Barrett's (Auditor-General) retirement;
- Issues arising from Audit Report No.21. 2004-05—*Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2004*, in particular:
  - Increased numbers of qualified financial statements, and
  - Breaches of section 83 of the Constitution and related Acts;
- Issues arising from Audit Report No.15. 2004-05—*Financial Management of Special Appropriations*, in particular:
  - Control mechanisms for drawing upon special appropriations,
  - Financial management arrangements regarding special appropriations, and
  - Breaches of section 81 of the Constitution and related legislation; and
- Issues arising from Audit Report No.22. 2004-05—*Investment of Public Funds*.

**3.56** Referring to findings contained in Audit Report No.21 2004-05, Senator Sherry sought an explanation for why there had been a markedly high increase in the numbers of qualified reports from the 2002-03 to 2003-04 financial years. The Committee heard that the issues were 'basically management related' and not an underlying issue of accrual accounting. For one reason or another, poor management

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25 Gyngell, A. & Wesley, M. (2003) *Making Australian Foreign Policy*, Cambridge University Press, Cambridge, p.165

has led to a 'growth in systems deteriorations and books and records in a number of major departments'.<sup>26</sup>

**3.57** Of equal concern to the Committee were the Audit Office's findings that six agencies had breached section 83 of the Constitution and related Acts, by spending money that was not appropriated by the Parliament. Mr Ian Goodwin, Group Executive Director, Assurance Audit, stated that each case related to the management of special appropriations. In essence, '[a]n appropriation would be made available and agencies would draw down against that appropriation. If they draw down in excess of the appropriation made available then in effect they breach section 83 of the Constitution'.<sup>27</sup>

**3.58** Furthermore, Mr Brian Boyd, Executive Director, Performance Audit Services Group, stated that:

Section 83 in common terms essentially has two limbs. Appropriations always have a purpose—that is a requirement. You can breach section 83 of the Constitution when you spend other than in accord with the purpose of the appropriation. Some appropriations also have a financial limit or a limit by time. You can also breach section 83 when you spend other than in accordance with those limits. Those requirements are reflected in finance ministers orders. Section 2.3 essentially requires agencies to ensure that they do not spend other than in accordance with the purpose of an appropriation or outside the limit of an appropriation.<sup>28</sup>

**3.59** Senators Sherry and Murray questioned the ANAO about available sanctions and whether overspent monies had been recovered in the instances where breaches were made. On the latter, Mr Boyd stated that in each of the six cases the overspent monies had been returned to the Commonwealth. With regard to the former, Mr Warren Cochrane, Group Executive Director, Performance Audit, told the Committee that the ANAO's duty was to audit entities and not impose penalties for failings. Mr Cochrane stated:

[The ANAO's] job is basically to look at how the department is working and whether the department is complying with the law, and [to] report on that basis. Holding a minister to account [and applying sanctions] is a matter for the parliament.<sup>29</sup>

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26 *Committee Hansard*, 14 February 2005, F&PA 114-5

27 *Committee Hansard*, 14 February 2005, F&PA 116

28 *Committee Hansard*, 14 February 2005, F&PA 117

29 *Committee Hansard*, 14 February 2005, F&PA 117

## Finance and Administration Portfolio

**4.1** The Committee took evidence from the Department of Finance and Administration, Department of Human Services and agencies of the Finance and Administration portfolio on Tuesday, 15 February 2005.

### Department of Finance and Administration (DoFA)

**4.2** Issues raised by the Committee and other senators included:

- Portfolio restructures;
- Failure to meet each outcome target;
- Ex gratia payments;
- The Future Fund;
- Public sector superannuation liability;
- Telstra sale costs;
- Telstra and Australia Post superannuation liability;
- Accountability enforcement issues;
- Matters relating to various ANAO reports;
- Composition of the Consolidated Revenue Fund;
- Alleged departmental leaks and associated investigations;
- Scoping study into the sale of Telstra;
- Public sector superannuation advice;
- DoFA input into *Draft bilateral agreement on private financing*; and
- Superannuation.

#### *Portfolio restructures*

**4.3** Dr Ian Watt, Secretary of the Department of Finance and Administration (DoFA), told the Committee that the creation of the Department of Human Services (DHS) within the Finance and Administration portfolio had no direct effect on DoFA, apart from the fact that DoFA temporarily seconded a number of officers to assist in establishing the new department.

**4.4** The Committee heard about the transfer of the 111 staff and functions of the Australian Government Information Management Office (AGIMO) from the Communications, Information Technology and the Arts portfolio to the Finance and Administration portfolio on 27 October 2004. Later, Mr John Grant, Acting General Manager of AGIMO, told the Committee that the rationale for bringing AGIMO under DoFA was twofold: first, the desire to bring the former executive agency under a

department; and second, its coordination role would be easier from within a central agency.

**4.5** AGIMO was integrated into the DoFA program and a new outcome created. The Committee is concerned that it was not made aware of the new outcome until the PAES was tabled on the afternoon of Thursday 10 February 2005 – effectively one business day before Additional estimates hearings commenced. This meant that many senators, who were in transit at the time, were not aware of the new outcome.

**4.6** Senator Sherry questioned the significant increase in DoFA staff numbers to 30 June 2004. He was told that this was caused by a growth in the functions and responsibilities of the department, for example, the role of coordinating Commonwealth construction activity, the impact of the US Free Trade Agreement, a central procurement role, direct assistance to some Pacific Island states' treasuries and finance departments and involvement in Defence procurement. The Office of Evaluation and Audit, comprising about 20 staff, was transferred from ATSIC to DoFA on 1 July 2004. Dr Watt said that the total number of departmental staff had increased from 1078 on 30 June 2004 to just under 1300 at present.

*Failure to meet each output target*

**4.7** The Committee spent time questioning the Department about failing to meet each of its four output targets in the 2003-2004 financial year. Mr Bowen, head of the Budget Group, said that this was because 'we had always had pretty tight targets' and 'if you go back into history, we have always had some difficulty in meeting those targets'.<sup>1</sup> Mr Bowen reported that DoFA is looking at ways to improve the accuracy of the estimate. Firstly, they have introduced a more collaborative model with agencies in developing estimates. They are also working very closely with agencies on their estimating models. They are also redeveloping the central budget management system. Senator Sherry asked whether this was a partial return to the old system, and was informed that it was, in terms of collecting program data at a much more detailed level.

*Ex gratia payments*

**4.8** Senator Sherry asked about ex gratia (act of grace) payments and the list tabled in response to a question on notice. He asked about a payment by Defence for \$45 million, and was informed that it was a waiver of debt owed to the Commonwealth by Australian Defence Industries, in order to remove the ongoing debt to the Commonwealth before the sale of the company. The second was a \$53 million payment by DoFA in consideration for the issue of shares in ComLand. A \$1.3 billion payment related to the early repayment of a debt from the Victorian Government to the Commonwealth government under the Commonwealth State Housing Agreement.

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1 *Committee Hansard*, 15 February 2005, F&PA 6

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It was a mechanical arrangement to effect the early repayment, because the Agreement required the Commonwealth to waive the future right to those repayments.

### *The Future Fund*

**4.9** Committee members spent time questioning the Minister for Finance and Administration, Senator The Hon Nick Minchin and DoFA witnesses about a Future Fund announced as government policy by the Treasurer, The Hon Peter Costello MP on 10 September 2004. The Treasurer described the Future Fund as an investment fund that would use future government surpluses to begin funding the Commonwealth's unfunded superannuation liabilities. DoFA witnesses refused to answer the question of whether DoFA had examined a Future Fund 'or a future type fund' internally prior to the government's announcement. The Minister defended this stance by saying that a department would not normally 'comment on or reflect upon what, if any, work may be engaged in that does not relate to existing government policy'.<sup>2</sup>

**4.10** Senator Sherry asked about the issues DoFA was examining in the context of the Future Fund. Mr Ian McPhee, General Manager of the Finance Group, advised that the issues cover a range of areas, including governance, arrangements for the new Future Fund, the accounting treatment and the nature of the surpluses required to fund the superannuation liability within the time frame specified by the government. He informed the Committee that preliminary analysis was still taking place and a cabinet submission was being developed in conjunction with Treasury, but that DoFA was not yet ready to present advice to the Minister or the Government.

**4.11** The Committee asked about the impact of a Future Fund on forward estimates. Departmental staff did not wish to speculate before a policy decision was made, but said that 'presumably there would be an impact on revenues earned by the fund and on assets retained'.<sup>3</sup> If the fund were part of the general government sector then it would contribute to the net worth of the general government sector. If it were, for example akin to a financial institution, it would be part of the Commonwealth's consolidated asset position but not part of the general government sector balance sheet. This major public policy issue had not yet been decided.

**4.12** Senator Sherry asked whether the Government's statement in the public announcement that 'future budget surpluses will be used as a source of assets' meant all future surpluses or part thereof. He also asked whether the Minister was able to identify other possible sources. The Minister said that he was unable to answer these questions until the Government had decided the nature of the fund.

**4.13** The Department was asked about the extent to which it had examined and consulted with overseas and Australian public and private sector funds. DoFA

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2 *Committee Hansard*, 15 February 2005, F&PA 9

3 *Committee Hansard*, 15 February 2005, F&PA 11

witnesses said that high level discussions had taken place with CSS and PSS board members, but not with any overseas funds, private sector fund managers or asset consultants. Dr Watt indicated although DoFA had broadly examined the possible impact on relevant forward revenue and expense estimates, there was little point in focusing on detail until the Government sets the broad architectural arrangements for the fund.

#### *Public sector superannuation liability*

**4.14** Senator Sherry asked whether DoFA had carried out a new forecast on the liabilities of the public sector superannuation fund based on the forthcoming (1 July 2005) closure of the defined benefit public sector superannuation fund to new entrants and it becoming an accumulation scheme for new entrants. He was told that actuarial calculations are carried out on a triennial basis, with the next due on 1 July 2005. Annual validations to update the liability figure are undertaken on each 30 June. However, projections were carried out approximately 12 months ago, when the policy was being developed.

#### *Telstra sale costs*

**4.15** Senator Sherry asked questions about the Opposition's 1 October 2004 request to DoFA for a costing of its policy of not proceeding with the planned sale of Telstra. DoFA declined to provide a breakdown of 'the annual figures in costing by Telstra dividends received by government, the public debt interest, the PDI impact and the sale costs'<sup>4</sup> because the Telstra Corporation Act requires DoFA to confidentially receive information in relation to dividend projections. Although witnesses agreed that these figures would most likely be released after the ANAO did a performance audit in relation to Telstra 3, they still declined to release the information to the Committee.

#### *Telstra and Australia Post superannuation liability*

**4.16** Senator Sherry asked about the Government's 18 June 2004 announcement that it had paid out the Commonwealth's Telstra superannuation liability. Dr Watt informed the Committee that:

The government had been making a stream of payments over time and the government chose to pay out the outstanding liability as a lump sum. This came after extensive negotiations with Telstra and with the agreement of the Telstra trustees of the Telstra superannuation fund.<sup>5</sup>

**4.17** Telstra and Australia Post liabilities were both fully paid out. In the case of Telstra, the payment was \$1.433 billion; and Australia Post was \$3.125 billion. Both were cash payments, and were classified as a financing transaction. The above the line impact was not that significant: it was limited to the last payment of interest.

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4 *Committee Hansard*, 15 February 2005, F&PA 16

5 *Committee Hansard*, 15 February 2005, F&PA. 17

**4.18** Senator Sherry also asked about the accounting treatment of the payments and why they were largely treated below the line and did not impact on the budget. Dr Watt explained that as they were financing transactions (the repayment of the principal of an outstanding liability) there was no impact on the budget balance from the payments. DoFA had sought advice from the Australian Bureau of Statistics about the Government Finance Statistics treatment of these payments.

*Accountability enforcement issues*

**4.19** Senator Murray commended DoFA on its response to his questions on notice relating to procurement issues. He then expressed general concerns with accountability enforcement mechanisms in the public sector, asking:

What is the point of a department of your status, your authority, your wisdom and your expertise putting out financial guidelines and other directives to, I think, 170-plus agencies with no means of enforcement and no comprehensive means of audit—because, as you know, the Auditor-General just dips into agencies periodically on performance contracts? Isn't there a great gap between the intent of government—quality, professional intent—and the execution because you have no way of ensuring agencies' outcomes?<sup>6</sup>

**4.20** Mr McPhee agreed that there were tensions in the current system, but said that DoFA's role is to provide agencies with guidance about the financial management framework and raise awareness of systemic issues that require close attention. He also mentioned that an interventionist role for DoFA would not fit with the clear line of accountability provided by the devolved model where agency heads have a statutory responsibility to adhere to legislation and government policy.

**4.21** Senator Murray discussed the discrepancy between public sector accountability and Corporations Law, where accountability rests with the company but directors, auditors and others have specific responsibilities to sign off on compliance, which is then subject to checks by the Australian Securities and Investments Commission (ASIC). Senator Murray observed: 'We do not have an ASIC in the public sector. That is what is missing. There is no body to which you can go and make a complaint or which on its own motion will go and establish that somebody has broken the law.'<sup>7</sup>

**4.22** Senator Murray then moved on to more specific issues relating to ANAO Audit Report No. 22 2004-05, which found that six Commonwealth entities had a combined total of \$566 million in unauthorised investments – a breach of both the law and of DoFA directives. He referred again to the problem of there being no body to investigate this breach of the law and decide whether there was a case to answer, either civil or criminal. DoFA witnesses defended the accountability strengths of the

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6 *Committee Hansard*, 15 February 2005, F&PA 21

7 *Committee Hansard*, 15 February 2005, F&PA 22

devolved system, and said that it was sufficiently supported by internal audit requirements.

### *ANAO report issues*

**4.23** Senator Sherry asked whether the systemic problems identified in a number of ANAO audit reports released in the past six months were a result of the devolution of most aspects of financial management to individual agencies. Dr Watt said that with the benefit of hindsight, the changes 'have required of the Public Service a level of understanding of financial issues, which was easily underestimated. We have not had the level of financial expertise in the Commonwealth in the last number of years that we would have liked'.<sup>8</sup> Mr McPhee said DoFA was trying to be more proactive in raising agencies' awareness of particular financial management issues.

**4.24** Senator Sherry asked about the increase in qualified audit reports from four agencies in 2002-03 to 12 in 2003-04. The ANAO issues qualifications where it believes:

...the financial statements do not present a fair view of the entity's financial position, nor of the results of its operations and cashflows, as well as reducing the reader's ability to analyse, interpret and compare financial statements.<sup>9</sup>

**4.25** This increase is of concern to the Committee because it means the Committee and Parliament are less able to rely on financial statements as representing an accurate view. Mr McPhee advised that DoFA now asks agencies to provide early advice on issues which may cause qualification of accounts. Qualification of agencies' financial accounts comes to bear on DoFA because at whole of government level it consolidates agencies' accounts. Dr Watt did not believe the level of qualified reports was linked to devolution, but rather it reflected the fact that private as well as public sector auditors were now looking harder for any possible problems.

**4.26** As discussed in the ANAO section of this report, Senator Sherry again asked questions about audit reports on the financial statements of six agencies reporting breaches of section 83 of the Constitution—that is, spending public funds in excess of those appropriated by the Parliament. Mr McPhee said that DoFA viewed this as extremely serious and agencies should have internal control mechanisms to ensure this does not occur. However, DoFA had not discussed the issue with individual agencies or identified practical consequences of breaching the constitution because it believed the breaches were matters for agency CEOs to address.

**4.27** Senator Sherry asked questions about whether the 1999 devolution of responsibility for appropriations was a factor contributing to the \$47 billion in unauthorised investments identified in Audit Report No. 15 2004-05: *Financial*

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8 *Committee Hansard*, 15 February 2005, F&PA 29

9 Audit report on the consolidated financial statements, p. 43

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*management of special appropriations.* Mr Michael Culhane, Branch Manager, Finance and Banking, advised that although DoFA had not contacted agencies on this matter subsequent to the report, in April 2004 he wrote to CFOs of Financial Management and Accountability Act (FMA Act) agencies with a delegation to invest public monies in order to remind them of their responsibilities. Dr Watt suggested that many of the breaches occurred due to misunderstanding of allowed and not allowed investments under the FMA Act.

#### *Composition of the Consolidated Revenue Fund*

**4.28** Mr McPhee advised the Committee that the current Consolidated Revenue Fund (CRF) was established under the FMA Act to align with section 81 of the Constitution, which states the CRF comprises all revenues or moneys raised by the government. The previous CRF under the Audit Act was three funds: revenue, trust and loan. DoFA obtains the derived balance of the CRF by:

...to get to the balance of the CRF we actually start with the overall general government sector cash position. We then take off the agency cash balances that are held by CAC bodies. These are entities who act in their own right, and so their funds do not form part of the consolidated revenue fund. So we deduct those. We add the special public moneys to derive a balance of the CRF. To do our consolidation exercises on a monthly or annual basis, we get returns from agencies on their cash position. Some of those agencies' balances do form part of the consolidated revenue fund; some do not.<sup>10</sup>

#### *Alleged departmental leaks and associated investigations*

**4.29** Senator Faulkner asked questions about media reports regarding material allegedly leaked by DoFA staff during the 2004 election campaign. Mr Lembit Suur, General Manager of the Corporate Group, said that one incident had been referred to the Australian Federal Police (AFP) for investigation. This involved a reference by the then Opposition Leader, Mr Mark Latham, to an alleged briefing to the Minister for Finance and Administration on the family tax benefit. Another matter, involving the relative salaries of opposition and government staff members, was not currently with the AFP. However, some DoFA staff were questioned by the AFP regarding another matter involving family tax benefit information to which a number of departments had access.

**4.30** The Committee heard that as part of its regular security reviews, DoFA had engaged expert agencies such as ASIO, DSD and the Protective Security Coordination Centre (PSCC) to advise on IT security, physical security and document security. Senator Faulkner asked whether a security review had been initiated in response to these matters. Mr Suur told the Committee that Mr Len Early, a former deputy secretary of the Department of Finance, had been engaged to carry out the broad review of security procedures, because he was independent of the department yet had

the requisite knowledge of how the department operates. Dr Watt said that the review did not go out to tender, rather it was offered to Mr Early by DoFA.

**4.31** Senator Faulkner saw as an "accountability minus" DoFA witnesses' and the Minister's refusal to disclose the hourly or weekly rate being paid to Mr Early, particularly given the fact that the Finance and Administration portfolio has been forthcoming with such information in previous estimates hearings. Dr Watt said that DoFA will release the amount paid to Mr Early in its annual report after the review is completed.

#### *Telstra scoping study*

**4.32** Senator Sherry inquired about the forthcoming scoping study on the sale of Telstra. Mr Simon Lewis, General Manager of the Asset Management Group, advised that the tender had been advertised, and a provider had been engaged for process advisory services. The process adviser, Sparke Helmore, would ensure the process is conducted fairly and equitably. Business adviser, legal adviser and communications and market research adviser appointments were yet to be made, and it is expected that the scoping study will conclude by mid-2005. Senator Sherry asked how the study would help determine how an appropriate return for taxpayers on the sale of Telstra could be achieved, but DoFA said it was not yet able to provide this information because the structure and scope of the report had not yet been determined.

#### *Public sector superannuation advice*

**4.33** The Committee heard that the combined PSS and CSS fund was approaching \$13 billion. Given that the PSS fund becomes an accumulation fund from 1 July for new employees, Mr Steve Gibbs, Chief Executive Officer, advised that ComSuper had carried out some broad estimates on the size of the accumulation plan component within the PSS. Actuarial projections of the PSS longer-term liabilities given the closure of the defined benefit (DB) and accumulation had been carried out to 2013 and departments had been advised of the projections. The Committee heard that current fund management costs are 0.25 of one per cent in one fund and 0.26 of one per cent in the other, which is low compared to superannuation funds in the private sector, largely due to economies of scale. The total of fund management and administrative costs comes to 0.41 of one per cent.

#### *Draft bilateral agreement on private financing*

**4.34** Senator Sherry asked whether DoFA had provided comment on a draft DoTARS document relating to Auslink, given that DoFA has broad policy responsibility for private financing initiatives. Ms Susan Page, Division Head, Industry, Education and Infrastructure Division, advised that DoFA and the other central agencies had been consulted on the draft agreements between the Australian Government and the States and Territories setting out the conditions for AusLink land transport funding. DoFA comments related to establishing performance indicators and reporting requirements for specific purpose payments.

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*Ministerial and Parliamentary Services (MAPS)*

**4.35** Senator The Hon Eric Abetz, Special Minister of State, made a brief opening statement acknowledging the services of Mr John Gavin, who retired in October 2004 after an outstanding career in the public service and 32 years in various incarnations of the administration portfolio. The Committee joined him in his sentiments about Mr Gavin's long and meritorious service.

**4.36** Senator Faulkner questioned the Minister about the definition of 'voting information' in circular 2004/43 – *change to members' printing entitlement – inclusion of voting information*. Senator Abetz said that it covered information such as how to vote cards. Senator Faulkner was dissatisfied with the broadness of the definition and said that it represented: '...a very significant change to what, acceptably, can be distributed by sitting members in an election campaign.'<sup>11</sup>

**4.37** Ms Jan Mason, General Manager, Ministerial and Parliamentary Services, said:

As the minister mentioned earlier, there are many shades of grey with various entitlements. The department has given general guidance in a publication that we produced after the last election, which advises that parliamentarians need to be careful in their use of entitlements to ensure that it not only complies with the letter of the entitlement but also should be publicly defensible. If there is an element of doubt about whether the use of the entitlement may be publicly defensible then our general guidance would be to advise our clients to reflect carefully before accessing entitlements at Australian government expense for that purpose.<sup>12</sup>

**4.38** Senator Faulkner asked about the number of approvals for electorate office relocations since the election. Mr John Edge, Branch Manager, Account Management advised that there have been 19 in principle approvals for relocation, and two actual approvals (where new premises have been identified).

**4.39** The Committee asked about media allegations of a breach of the code of conduct by Minister De-Anne Kelly's former staff member Mr Ken Crooke in relation to the declarations of interest of ministerial staff. Ms Mason said that MAPS asks to be advised when a statement of private interest is lodged by a staff member, but does not receive a copy of the statement. MAPS records did not show that Mr Crooke had lodged a declaration, although this does not mean a declaration was not lodged with the Minister.

**4.40** The Committee was advised that MAPS had been informed of a total of 46 private interest declarations that had been lodged between 1 October and 10 November. Senator Faulkner also requested statistics for 1 September and 1 October

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11 *Committee Hansard*, 15 February 2005, F&PA 59

12 *Committee Hansard*, 15 February 2005, F&PA 61

2004. Ms Mason advised that there were 409 ministerial staff in total required to lodge declarations, and a reminder was sent to ministers in December 2004 and there were plans to make it a regular reminder.

**4.41** Senator Faulkner asked about process issues in calculating and reviewing MOP staff superannuation and leave entitlements, and signalled his intention to follow up a particular case privately with Dr Watt and Ms Mason.

### **Department of Human Services**

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

- Concerns about which committee the department and agencies appear before in estimates;
- Administrative and operational effects post portfolio restructure; and
- Comments made by Mr Alby Schultz MP about the Child Support Agency.

**4.43** Being the first time the new department has appeared at estimates, the Committee welcomed the department and congratulated Ms Patricia Scott on her appointment as Secretary. Ms Scott took the opportunity to make the following opening statement outlining the department's aims and role:

The Department of Human Services was established in October 2004 to ensure efficient and effective delivery of social and health related services, including financial assistance to the Australian community. The department brings together under one umbrella six diverse agencies, which collectively deliver payments and services worth over \$80 billion each year. The core department is small and strategic. Its role is to direct, coordinate and broker improvements to service delivery. The agencies deliver their services in line with their legislation and customer service charters. The six agencies are Centrelink, the Health Insurance Commission, the Child Support Agency, Health Services, CRS Australia and Australian Hearing.

The Department of Human Services aims to foster a new level of collaboration, recognising the individual characteristics of each agency and drawing on their collective expertise. Working with the agencies, the department can play a role to ensure that how a service is delivered is considered when new government policies are being planned. In this way, we seek to ensure that these services are delivered in an efficient, timely and sympathetic way. The Prime Minister has set out some early priorities for the department. They are to increase participation in the work force by improving the flow of clients from Centrelink to the Job Network, to have speedier referrals for injured workers to rehabilitation support and to further develop a client focused network across the government agencies.<sup>13</sup>

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*Administrative and operational effects post portfolio restructure*

**4.44** As part of the new administrative arrangements both the Child Support Agency and CRS Australia—formally stand alone agencies—have now been subsumed within the Department of Human Services as separate outputs. The Committee was informed that the day-to-day operations of both are not affected by this amalgamation and that the staffs from both now work within the Department of Human Services.

### **Centrelink**

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

- Administrative and operational changes following the portfolio shift;
- Customer services—CSO scripts; and
- Local liaison officers (LLOs).

**4.46** The Committee heard that there had been minimal changes as a result of the portfolio shift. Mr Jeff Whalan, Chief Executive Officer, said that perhaps the most significant change relates to purchaser-provider arrangements. Mr Whalan stated that:

The greater change has been created by the admin order changes with other departments ... our previous major policy purchaser was the Department of Family and Community Services. Under the new admin order changes, responsibility for participation has transferred to DEWR, so instead of being a smaller customer they are now a much larger customer. DEST now has responsibility for the Youth Allowance for our young people who are studying. It is those changes that have had a bigger impact, but there has been little impact at the moment.<sup>14</sup>

*Customer services—CSO script*

**4.47** As part of Centrelink's new mandate to increase the 'economic participation' of its customers—'lifting the number of referrals of people who approach Centrelink to the Job Network'<sup>15</sup>—customer service officers (CSO) have been provided with scripts to assist them in determining appropriate courses of support. For the benefit of senators in attendance, a copy of the script and guidelines were tabled.

**4.48** Senator Wong queried whether the script tabled was the only versions in use by CSOs post October 2004, given that the document tabled was inscribed 'V2' suggesting that this was a second version of the script. Mr Whalan stated that 'it was the only version issued nationally'.<sup>16</sup> However, Ms Carmel McGregor, General

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14 *Committee Hansard*, 15 February 2005, F&PA 112

15 *Committee Hansard*, 15 February 2005, F&PA 113

16 *Committee Hansard*, 15 February 2005, F&PA 115

Manager, Participation, said that Centrelink was aware that the Penrith customer service centre had, 'with the best of intentions',<sup>17</sup> developed its own methods for generating referrals. Officials said that when it came to their attention it was immediately withdrawn. Ms McGregor went on to say that:

We emphasised that that [the script] is the preferred set of words and that was because of the key messages at the time. Invariably, if a customer interjects I would suspect that we would respond to that. Our call centre network relies heavily on scripts, so this is not anything new. But it does allow for a bit of human intervention, too, if there is a good interaction going between the customer and the customer service officer. But the central messages are to be maintained.<sup>18</sup>

## **Health Insurance Commission**

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

- Changed administrative arrangements;
- Medicare enrolment file;
- Medicare rebate recovery program;
- Abortion clinics; and
- Charging practices of obstetricians.

**4.50** As with the new department and other agencies merged into the Finance and Administration portfolio, officials indicated that the HIC had not undergone any major changes as a result of the portfolio shift. To this end, Ms Catherine Argall, Managing Director, stated that:

Apart from the actual changes to the administrative arrangements orders, the nature of the functions of the Health Insurance Commission and our operations has not changed at all. Historically, we have had a very strong relationship with our key policy agency, the Department of Health and Ageing, and that very strong relationship is being maintained and developed further.<sup>19</sup>

### *Medicare enrolment file*

**4.51** The Committee heard that work was currently being done in relation to the Medicare enrolment file (database), to enable it to collect more information. Mr Louie Andreatta, Manager, Medicare and DVA, stated that:

...the new consumer directory, which has been under development for a number of years, will replace our existing enrolment file, which has some

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17 *Committee Hansard*, 15 February 2005, F&PA 115

18 *Committee Hansard*, 15 February 2005, F&PA 115

19 *Committee Hansard*, 15 February 2005, F&PA 120

deficiencies. At present it is not capable of being changed in a timely fashion. It is in old technology—20 years old, as was mentioned. We are now moving it onto a new IT platform which will allow us to capture more information onto that file, which will then allow us to deliver better services, make changes and introduce new initiatives in a more timely fashion.<sup>20</sup>

### *Medicare rebate recovery program*

**4.52** Senator Lyn Allison sought clarification over whether the HIC Medicare rebate recovery program had been suspended in relation to people who were victims of child physical and sexual abuse while they were wards of the state in Tasmania. Ms Argall said that the government is reviewing its policy in this area and that while the review is underway the HIC has suspended taking action in relation to recoveries. Ms Argall also indicated that the review was not expected to take a long time. As soon as the outcome of the review is known, the suspension will be lifted.<sup>21</sup>

### **Australian Hearing**

**4.53** Senator McLucas asked Australian Hearing to provide the Committee with a brief synopsis of the Voluntary Clinical Bonus Scheme, which has now been in operation for six months. Ms Anther Green, Managing Director, provided the following overview:

Australian Hearing has 80 per cent of its work in the private sector, where clients come and choose from amongst a whole range of providers. It is common practice across the whole private sector to offer the clinician a bonus payment, which we call a top-up, on the sale of a hearing aid. That means the government has a subsidised range of hearing aids, and if the client's needs are such that a more advanced form of technology is needed then it is common practice across the whole industry to offer clinicians some form of bonus on that sale.

There is currently a manpower shortage in Australia, and indeed almost across the world, in audiologists and without that payment we just cannot compete for salary recompense packages that would keep staff. Our arrangements are very stringent and they are very modest compared to the private sector. People do not get the payment until the client has kept the device for some considerable time and not returned it. In other words, it has been an appropriate device for their particular needs.<sup>22</sup>

### **Acknowledgements**

**4.54** The Committee expresses its appreciation of the service provided by the secretariat, broadcasting and transcription services provided by the Department of

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20 *Committee Hansard*, 15 February 2005, F&PA 121

21 *Committee Hansard*, 15 February 2005, F&PA 122

22 *Committee Hansard*, 15 February 2005, F&PA 126

Parliamentary Services and the service provided by the Black Rod's Office and Committee Room attendants in preparing the rooms and providing refreshments for members and witnesses during the hearing.

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

**Next hearings—Budget estimates 2005-06**

**4.56** By resolution of the Senate, the Committee is scheduled to consider the budget estimates for the 2005-06 financial year from Monday, 23 through Friday 27 May 2005.

**4.57** While the Committee endeavours to follow the usual convention relating to the order of appearance of witnesses, it reminds ministers, departments and agencies that they need to be prepared to be available on the above days.

**Senator Brett Mason**

**Chair**

## **Appendix 1**

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

#### **Parliamentary departments**

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

#### **Prime Minister and Cabinet Portfolio**

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

#### **Finance and Administration Portfolio**

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



## Appendix 2

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<sup>1</sup> Page numbers correspond to the proof *Hansards*. Sometimes there are slight variations with the final version

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## **Appendix 3**

**Correspondence from the President of the Senate  
(Senator Calvert) relating to the progress with  
implementing the Podger Report recommendations.**



PRESIDENT OF THE SENATE

PARLIAMENT HOUSE  
CANBERRA

Senator Brett Mason  
Chairman  
Finance and Public Administration Committee  
The Senate  
Parliament House  
CANBERRA ACT 2600

25 FEB 2005



Dear Senator Mason

During the estimates hearings for the Department of Parliamentary Services (DPS) on 14 February 2005 Senator Faulkner asked me about draft terms of reference for the proposed Joint Library Committee.

At the hearing, I made clear that I have not seen any draft terms of reference but was aware that there was a rough working document, prepared in the Speaker's office last year in anticipation of the passage of the amendments to the *Parliamentary Service Act 1999* then before the Parliament. That bill lapsed at the end of the 40<sup>th</sup> Parliament.

The document has no status other than the basis for something which our advisers thought the Speaker and I might have put before the Library Committee for their consideration, once the legislation was through. I attach a copy of the rough working document referred to during the hearings. You will note that this draft document suggests it was to be considered at a Library Committee meeting, but in the event it was not put on the agenda for that meeting.

I also take this opportunity to detail some of the chronology of steps taken in relation to the Parliamentary Library following the report by the then Parliamentary Service Commissioner, Mr Podger, of September 2002 (tabled in the Senate on 23 October 2002).

It is important to note that, whilst the resolutions passed by the two Houses (in the House of Representatives on 14 August 2003 and in the Senate on 18 August 2003) drew substantially on Mr Podger's Report, they were also informed by deliberations of the Library Committee, the Senate Standing Committee on Appropriations and Staffing and by discussions between Senators and Members and the Presiding Officers. Accordingly, the resolutions are in parts different from what Mr Podger recommended.

Following receipt of that Report, the Presiding Officers undertook extensive consultation with party leaders and minor party and Independent Senators and Members. The Report was also circulated widely in the Parliament House community and the Presiding Officers sought responses from all affected individuals.

The Senate Standing Committee on Appropriations and Staffing decided to consider the Report and, with the permission of the Presiding Officers, were given access to all responses the President or the Speaker had received in response to their earlier invitation to all occupants of Parliament House.

The Appropriations and Staffing Committee held seven meetings on the Report from the period 13 November 2002 to 18 June 2003.

At the 18 June 2003 meeting, the President submitted, for the Committee's consideration, a resolution to be put before the Senate. The resolution did not bind any committee member but proposed the abolition of the three joint parliamentary departments then in existence and their replacement with a single 'Department of Parliamentary Services'.

The resolution also went on to support the Presiding Officers in certain endeavours. To assist your Committee I will list each relevant clause, together with a comment about progress to date.

<p><b>That the independence of the Parliamentary Library be reinforced by strengthening the current terms of reference of the Library committees of both Houses of Parliament</b></p>
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The current Senate Library Committee has only one broad term of reference, provided for in Senate Standing Order 20(2):

The committee may consider any matter relating to the provision of library services to senators.

Similarly, the current House of Representatives Library Committee has one term of reference, provided for in House Standing Order 217(a):

A library committee shall be appointed to consider any matter about the provision of library services to Members referred to it by the House or the Speaker.

The then Speaker and I felt it appropriate to strengthen the Library Committee in two ways. First, by explicitly providing for the Committee in the Parliamentary Service Act and, secondly, once the amendments to the Act are law, setting the committee on a more appropriate footing by establishing it as a Joint Library Committee, rather than the *ad hoc* arrangement now existing where the Senate and House Library committees meet together in informal session.

The new Bill explicitly refers to the Library Committee (Item 3) and provides that the new statutory Parliamentary Librarian shall report to the Library Committee as required but at least once every financial year (Item 8).

**That amendments be introduced to the *Parliamentary Service Act 1999* to provide for a statutory position of Parliamentary Librarian within the new joint service department and conferring on the Parliamentary Librarian direct reporting responsibilities to the Presiding Officers and to the Library committees of both Houses of Parliament**

The Bill was introduced on 21 June 2004. It provides for the statutory position of Parliamentary Librarian and for that person to have direct reporting responsibilities to the Presiding Officers and to the Library Committee. The Bill goes further to provide that the Parliamentary Librarian must formally report each year, and that report is to be included in the Annual Report of the Department of Parliamentary Services.

**That resources and services to be provided to the Parliamentary Library in the new joint service department be specified in an annual agreement between the Departmental Secretary and the Parliamentary Librarian, approved by the Presiding Officers following consideration by the Library Committee of both Houses of Parliament**

The Bill provides for an annual agreement between the Departmental Secretary and the Parliamentary Librarian on the resources to be provided, and that that agreement must be approved by the Presiding Officers after receiving advice from the Library Committee about the contents of the agreement.

\* \* \* \* \*

On 22 March 2004 the Library Committee considered drafting instructions relating to the proposed Parliamentary Librarian.

On 24 March 2004 I made a detailed statement in the Senate on the Parliamentary Library and related matters.

On 3 June 2004 I wrote to all Senate party leaders and minor party and Independent Senators setting out the proposed bill.

On 26 August 2004 I again wrote to Senate party leaders, minor party and Independent Senators reporting on discussions in the Library Committee and the Appropriations and Staffing Committee on the Bill and advising of certain amendments which had been agreed would be moved in the Committee stage to provide that the Parliamentary Librarian and the staff supporting the Librarian may be known as the 'Parliamentary Library' (within DPS) and slightly broadening the mandatory qualifications for a person appointed Parliamentary Librarian.

On 15 February 2005 I wrote to Senate party leaders, minor party and Independent Senators advising my intention to re-introduce the Bill.

\* \* \* \* \*

As President, I have neglected neither the letter nor the spirit of the resolution passed by the Senate on 18 August 2003 insofar as the Library is concerned. I have not only acted consistently with that resolution, but indeed have taken additional steps to strengthen the Parliamentary Librarian's position.

I plan to re-introduce the Bill in the same form as it was in the 40<sup>th</sup> Parliament. If passed, this will cement the role of the Parliamentary Librarian (and the Library) in a way which has not existed since the Library was established in 1901. In particular, the Parliamentary Librarian will have functions and obligations spelt out in legislation, viz:

To provide high quality information, analysis and advice to Senators and Members in support of their parliamentary and representational roles;...

and it will be explicitly provided that the Librarian and his or her supporting staff must perform this function:

- In a timely, impartial and confidential manner;
- Maintaining the highest standards of scholarship and integrity;
- On the basis of equality of access for all Senators, Members, parliamentary committees and staff acting on their behalf; and
- Having regard to the independence of Parliament from the executive government of the Commonwealth.

These principles have developed over the last 104 years to be the guiding credo of the Parliamentary Library, and it is my intention that they now be enshrined in legislation.

I hope that this letter is of assistance to your Committee.

Yours sincerely



(Paul Calvert)