

## Introduction

### Background to the review

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) has a statutory duty to examine all reports of the Auditor-General that are presented to the Australian Parliament, and report the results of its deliberations to both Houses of Parliament. In selecting audit reports for review, the Committee considers:
- the significance of the program or issues raised in audit reports
  - the significance of audit findings
  - the arguments advanced by the audited agencies
  - the public interest arising from the report
- 1.2 On 25 September 2014, the Committee considered Australian National Audit Office (ANAO) performance reports Nos 32-54 of 2013-14. The Committee selected five reports for further review and scrutiny at public hearings:
- Audit Report No. 42 (2013-14), *Screening of International Mail*, Department of Agriculture, and Australian Customs and Border Protection Service
  - Audit Report No. 43 (2013-14), *Managing Compliance with Environment Protection and Biodiversity Conservation Act 1999 Conditions of Approval*, Department of the Environment
  - Audit Report No. 48 (2013-14), *Administration of the Australian Business Register*, Australian Taxation Office, Australian Securities and Investments Commission, and Department of Industry
  - Audit Report No. 50 (2013-14), *Cyber Attacks: Securing Agencies' ICT Systems*, across agencies

- Audit Report No. 52 (2013-14), *Multi-Role Helicopter Program*, Department of Defence and Defence Materiel Organisation
- 1.3 Public hearings for the reports were held on:
- 23 October 2014 (Audit Reports Nos 43 and 48)
  - 24 October 2014 (Audit Reports Nos 50 and 52)
  - 30 October 2014 (Audit Report No. 42)
- 1.4 The Committee also resolved to seek answers from the Department of Human Services (DHS) to a number of questions regarding the findings of ANAO Report No. 40 (2013-14), *Trials of Intensive Service Delivery*. Committee comments on Audit Report No. 40 (2013-14) are below.

## The Committee's report

- 1.5 This report of the Committee's review of a number of audit reports draws attention to key issues raised in the original reports, as well as at public hearings and in agency submissions. Where appropriate, the Committee has commented on unresolved or contentious issues, and made recommendations.<sup>1</sup>
- 1.6 The report is structured as follows:
- Chapter 2: Audit Report No. 42 2013-14, *Screening of International Mail*, Department of Agriculture, and Australian Customs and Border Protection Service
  - Chapter 3: Audit Report No. 43 2013-14, *Managing Compliance with Environment Protection and Biodiversity Conservation Act 1999 Conditions of Approval*, Department of the Environment
  - Chapter 4: Audit Report No. 48 2013-14, *Administration of the Australian Business Register*, Australian Taxation Office, Australian Securities and Investments Commission, and Department of Industry
  - Chapter 5: Audit Report No. 50 2013-14, *Cyber Attacks: Securing Agencies' ICT Systems*, across agencies
  - Chapter 6: Audit Report No. 52 2013-14, *Multi-Role Helicopter Program*, Department of Defence and Defence Materiel Organisation
- 1.7 The following appendices provide further information:
- Appendix A – List of submissions
  - Appendix B – List of public hearings and witnesses

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<sup>1</sup> Note on references: references to the Committee *Hansard* are to the proof *Hansard*. Page numbers may vary between the proof and official *Hansard* transcript.

- 1.8 Each chapter of this report should be read in conjunction with the relevant ANAO report.

## **Performance Audit Report No. 40 (2013-14) Trials of Intensive Service Delivery**

- 1.9 As discussed above, the Committee resolved to seek answers from DHS to a number of questions regarding the findings of ANAO Report No. 40 (2013-14), *Trials of Intensive Service Delivery*. The Committee received the department's response to its questions on 17 November 2014.<sup>2</sup>

### **Committee review**

- 1.10 The ANAO found that the administration of the intensive service delivery trials by DHS was generally effective, but noted that the trials were closed early. The audit report stated that, on 15 January 2014, the Minister for Human Services agreed to the department's proposal for the early closure of the two trials, to assist the department to achieve savings associated with the Efficiency Dividend.<sup>3</sup>

- 1.11 The ANAO commented on the circumstances regarding the early closure of the trials, describing this course of action as 'not consistent with the purpose of the new policy measure or the Efficiency Dividend,' and stating that:

In the absence of agreement by Cabinet or senior Ministers, it is unusual that an agency would truncate a program funded as a new policy measure to delivery savings to contribute to meeting the Efficiency Dividend.<sup>4</sup>

- 1.12 In its submission, DHS refuted the ANAO's assessment, assuring the Committee that:

The decision to cease the trials early was made in accordance with guidance from the Department of Finance, and is consistent with the Government's policy agenda to identify and realise efficiency improvements in departmental expenditure and to seek more efficient means of carrying out government business.<sup>5</sup>

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2 See Department of Human Services, *Submission 9*.

3 Australian National Audit Office (ANAO), Audit Report No. 40 (2013-14) *Trials of Intensive Service Delivery*, p. 13.

4 ANAO, Report No. 40 (2013-14), p. 17.

5 Department of Human Services (DHS), *Submission 9*, p. 6.

- 1.13 DHS justified its actions, stating that the objectives of the trials had been met:

The department considered that the objectives of the trials to test service delivery models were achieved and there was no further value for money in continuing the trials.<sup>6</sup>

- 1.14 DHS assured the Committee that the department had considered ‘various forms of guidance and advice from the Department of Finance (Finance)’ in relation to early closure of the two trials. This included ‘advice regarding the use of departmental appropriations, the Budget Process Operational Rules, guidance in relation to the application of the efficiency dividend, and advice direct from Finance officials.’<sup>7</sup>

### Committee comment

- 1.15 The Committee encourages clarity, transparency and consistency regarding the use of public monies and supports the ANAO and the Auditor-General’s role in upholding these values. As such, the Committee feels that any concerns raised by the ANAO should be carefully considered by the Committee.
- 1.16 The Committee notes DHS’ assurances that the decision to close the trials early was taken in accordance with guidance from the Department of Finance and is consistent with the Government’s policy agenda. However, the Committee remains concerned by the ANAO describing DHS’ action as ‘unusual’ and inconsistent with the purpose of the efficiency dividend.
- 1.17 The Department of Finance is responsible for the review and maintenance of policy and guidance regarding the efficiency dividend. The Committee believes that it is important to reconcile the understanding of the intention of the efficiency dividend with the measures that agencies may or should take in order to meet the efficiency dividend.

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6 DHS, *Submission 9*, p. 2.

7 DHS, *Submission 9*, p. 3.

**Recommendation 1**

1.18 The Committee recommends that the Department of Finance review and update its guidance regarding the application of the efficiency dividend so that:

- policy and guidelines regarding the efficiency dividend are clearly outlined in a single dedicated document
- there is clarity and consistency regarding the intention of the efficiency dividend and the measures that agencies may or should take to meet the efficiency dividend

