



Joint Committee of Public Accounts and Audit
Efficiency and Effectiveness
15 November 2019

Opening Statement by the Auditor-General

1. Good morning Chair and Committee Members.
2. Thank you for the opportunity to appear before the committee today as part of the inquiry into Efficiency and Effectiveness, based on the selected audits:
 - [No. 25 \(2018-19\)](#) *Efficiency of the Processing of Applications for Citizenship by Conferral*
 - [No. 29 \(2018-19\)](#) *Efficiency of the Investigation of Transport Accidents and Safety Occurrences*
 - [No. 38 \(2018-19\)](#) *Application of cost recovery principles*
 - [No. 42 \(2018-19\)](#) *Management of Small Business Tax Debt*
 - [No. 44 \(2018-19\)](#) *Effectiveness of the Export Finance and Insurance Corporation*
 - [No. 45 \(2018-19\)](#) *Coordination and Targeting of Domestic Violence Funding and Actions*
 - [No. 51 \(2018-19\)](#) *Farm Management Deposits Scheme*
3. The audits addressed a range of issues of interest to the parliament and Australian citizens, focusing on those two aspects of my mandate. Audit reports 25, 29 and 44 were priorities of the parliament.

Efficiency and effectiveness

4. Under the auditing standards (ASAE 3500):
 - efficiency relates to the minimisation of inputs employed to deliver the intended outputs in terms of quantity, quality and timing; and
 - effectiveness is the extent to which the intended objectives at a program or entity level are achieved.
5. Efficiency is generally relative to some standard, not absolute. Identifying a suitable reference point, benchmark or comparator is an important step in measuring efficiency. A related concept is economy, which is the acquisition of the appropriate quality and quantity of resources at the appropriate times and at the lowest cost.

6. As advised in my recent letter to the Committee, the Australian National Audit Office (ANAO) has continued to increase its coverage of efficiency in the delivery of government programs. Operating efficiently is a requirement of the *Public Governance and Accountability Act 2013* (PGPA Act) and an area that the ANAO has found is generally not measured in a way that promotes accountability for this PGPA Act requirement or provides assurance to the Executive and the Parliament that outputs are being maximised for the resources provided.
7. The primary focus of performance audits has been effectiveness. In examining effectiveness, a particular emphasis has been on risk management, governance and performance measurement within entities, and quality in policy development and service delivery. These audits have highlighted that while requiring compliance with mandated rules is necessary for good governance, proactive engagement and leadership from senior executives is necessary to establish a culture of performance and accountability.

Efficiency-focused audits' conclusions and recommendations

8. The three selected audits covering aspects of efficiency have concluded as follows.
 - ***Applications for citizenship by conferral*** have not been processed efficiently **by the Department of Home Affairs**. [Report No. 25]
 - Applications have not been processed in a time-efficient manner.
 - Applications have not been processed in a resource-efficient manner.
 - Three recommendations to the Department of Home Affairs — one disagreed, one agreed in principle and one agreed.
 - The efficiency with which the ***Australian Transport Safety Bureau investigates transport accidents and safety occurrences*** has been declining. [Report No. 29]
 - The Australian Transport Safety Bureau has established key elements of an overall framework to promote efficient investigation processes.
 - The efficiency of the Australian Transport Safety Bureau's investigation activities has declined over time both in relation to the length of time taken to complete investigations, and the amount of investigation resources required.
 - Four recommendations to the Australian Transport Safety Bureau —all agreed.
 - The Department of Health (for the Therapeutic Goods Administration), Department of Agriculture and Water Resources, and the Australian Maritime Safety Authority have each been partially effective in implementing the ***cost recovery principles of the Australian Government's cost recovery framework***. [Report No. 38]

- Each entity has scope to improve the transparency and accountability of its cost recovery arrangements.
- Each entity has scope to improve the effectiveness of its cost recovery arrangements.
- Each entity regularly engages with stakeholders on cost recovery but none have documented cost recovery engagement strategies.
- Six recommendations across the three entities —all agreed.

Effectiveness audits' conclusions and recommendations

9. The four selected audits covering aspects of effectiveness concluded as follows.

- The ***Australian Taxation Office's (ATO's) management of small business tax debt*** has been largely effective. [Report No. 42]
 - The ATO's organisational structures support the effective management of small business tax debt.
 - There are limitations on the effectiveness of the ATO's processes that support consistent management of small business tax debt.
 - The ATO's framework for monitoring and reporting of its management of small business tax debt is largely effective.
 - Two recommendations to the ATO —both agreed.
- The ***Export Finance and Insurance Corporation (Efic)*** is effectively undertaking its functions, except for its annual performance statement reporting. [Report No. 44]
 - Efic is operating within its prescribed mandate.
 - Efic effectively manages its financial and service delivery function.
 - Efic is meeting its statutory and prudential management responsibilities, however its annual performance statement reporting should be enhanced.
 - One recommendation to Efic —agreed.
- The ***Department of Social Services' effectiveness in implementing the National Plan to Reduce Violence Against Women and their Children 2010–2022*** (the National Plan) is reduced by a lack of attention to implementation planning and performance measurement.
[Report No. 45]
 - The department has established effective governance arrangements to support implementation of the National Plan.
 - The department's funding and actions taken during the Third Action Plan are aligned with the National Plan's key priorities.

- Performance monitoring, evaluation and reporting is not sufficient to provide assurance that governments are on track to achieve the National Plan's overarching target and outcomes.
 - Six recommendations to the Department of Social Services —all agreed.
- The administration of the ***Farm Management Deposits (FMD) Scheme*** has not been fully effective. [Report No. 51]
 - Largely sound advice was provided to Government on the limited extent to which the proposed changes to the FMD Scheme were expected to help achieve the Scheme's objective.
 - The ATO has undertaken minimal specific compliance activity on the FMD Scheme, reflecting its assessment that risks to revenue are low. As the policy owner of the Scheme, the Department of Agriculture should work with the ATO to be satisfied that risk assessment and compliance processes are appropriate.
 - Four recommendations across the ATO and Department of Agriculture —all agreed.

Overview of the audits' recommendations

10. The seven audits made a total of 25 recommendations aimed at strengthening the efficiency and effectiveness of the entities' administration of the audited activities. Of these, 23 were agreed, one agreed in principle and one disagreed.
11. Recommendations in the efficiency audits centred on better measures of efficiency, including developing specific indicators, setting meaningful targets, determining efficient costs and increasing transparency about costs and efficiency. Improved performance measurement was also a central theme of recommendations of the effectiveness audits, particularly better measures of progress against purpose. Other areas of focus were improved planning and risk assessment, better use of data, and strengthening quality assurance arrangements.
12. We would be happy to answer any questions the Committee may have.