

Report 392

Annual Report 2001–2002

Joint Statutory Committee of Public Accounts and Audit

October 2002
Canberra

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Foreword

The Committee had a very productive year in 2001-2 despite the break between Parliaments. Towards the end of the 39th Parliament the Committee experienced an unprecedented period of disharmony leading to the tabling of three dissenting reports, where there had been a total of only three such dissents in its 89 year history. Happily the 40th Parliament and the 90th year of the Committee has seen a return to a spirit of constructive co-operation with attempts to achieve shared outcomes.

Major inquiries which were completed during the financial year included Report 384, *Review of Coastwatch* an extensive examination of the Coastwatch organisation in the context of the challenges currently facing it. The report contained 14 recommendations including some with resource intensive implications for the Government, all of which were accepted in the Government Response tabled on 19 September 2002.

Report 386, *Review of the Auditor-General Act 1987* was a timely examination of the operation of the legislation after three years. It was the final review of the suite of financial framework legislation including the *Financial Management and Accountability Act* and the *Commonwealth Authorities and Companies Act* undertaken by the Committee in the previous Parliament. In Report 386, the Committee's overall finding was that the Auditor-General Act provides an effective framework for the ANAO to carry out its functions. However recommendations in the form of proposed amendments to the Act, which will enhance the power of the Auditor-General to carry out his responsibilities effectively, were accepted by the Government in their response tabled on 19 September 2002.

At its first deliberative meeting during this Parliament, the Committee moved to adopt an inquiry into independent auditing by registered company auditors, and the balance to be achieved between the need for government regulation and self-regulation by the auditing profession. The Committee's long experience with corporate governance issues affecting public administration made it the appropriate vehicle to add value to the consideration of these matters in the private sector.

Bob Charles MP
Chairman

Membership of the Committee - 39th Parliament ¹



Bob Charles MP
Chairman



David Cox MP
Vice Chairman



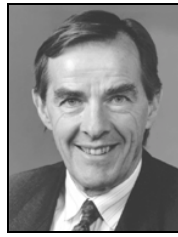
Kevin Andrews MP



Senator Helen
Coonan



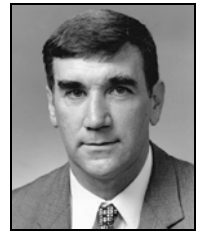
Petro Georgiou MP



Senator the Hon
Brian Gibson AM



Julia Gillard MP



Senator John Hogg



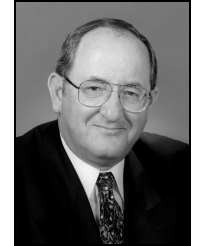
Peter Lindsay MP



Senator Andrew
Murray



Senator the Hon
Nick Sherry



The Hon Alex
Somlyay MP



Stuart St Clair MP



Lindsay Tanner MP



Kelvin Thomson MP



Senator John Watson

¹ The 21st JCPAA Committee of the 39th Parliament commenced on 10 December 1998. Members of the JCPAA of the 39th Parliament between 1 July 2001–8 October 2001 were: Bob Charles MP (Chairman), David Cox MP (Vice Chairman), Kevin Andrews MP, Petro Georgiou MP, Julia Gillard MP, Peter Lindsay MP (*replaced Mal Brough MP from 7/3/2000*), Kelvin Thomson MP (*replaced Tanya Plibersek MP from 10/4/2000*), the Hon Alex Somlyay MP, Stuart St Clair MP, Lindsay Tanner MP (*replaced Allan Griffin MP from 9/8/1999*), Senator Helen Coonan, Senator the Hon Nick Sherry (*replaced Senator the Hon Rosemary Crowley from 28/6/2001*), Senator the Hon Brian Gibson AM, Senator John Hogg, Senator Andrew Murray, Senator John Watson.

Membership of the Committee - 40th Parliament ¹



Bob Charles MP
Chairman



Ms Tanya Plibersek MP
Deputy Chair



Steven Ciobo MP



John Cobb MP



Senator Richard Colbeck



Senator the Hon
Rosemary Crowley²



Petro Georgiou MP



Alan Griffin MP



Sharon Grierson MP



Senator John Hogg



Catherine King MP



Peter King MP



Senator Andrew Murray



Senator Nigel Scullion



The Hon Alex Somlyay
MP



Senator John Watson

¹ The 22nd JCPAA Committee of the 40th Parliament commenced on 21 March 2002.

² Senator the Hon Rosemary Crowley ceased being a member of the JCPAA on 30 June 2002.

Highlights of the Year

Reports presented

Report 382, *Review of the Auditor-General's Reports 1999-2000, Fourth Quarter*, August 2001

Report 383, *Review of the Auditor-General's Reports 2000-2001, First Quarter*, August 2001

Report 384, *Review of Coastwatch*, August 2001

Report 385, *Review of Auditor-General's Reports 2000-2001, Second and Third Quarters*, September 2001

Report 386, *Review of the Auditor-General Act 1987*, September 2001

Report 387, *Annual Report 2000-2001*, September 2001

Report 388, *Review of the Accrual Budget Documentation*, June 2002

Report 389, *Review of Auditor-General's Reports 2000-2001, Fourth Quarter*, June 2002

Responses received

Report 373, *Review of Auditor-General's Reports 1998-1999, Second Half*, - Dated 5 October 2001.

Report 379, *Contract Management in the Australian Public Service* - Dated 19 June 2001 and 14 May 2002.

Report 380, *Review of Auditor-General's Reports 1999-2000, Third Quarter*, - Dated 19 July 2001.

Report 382, *Review of Auditor-General's Reports 1999-2000, Fourth Quarter*, - Dated 7 October 2001, 11 October 2001, 22 April 2002.

Report 383, *Review of Auditor-General's Reports 1999-2000, First Quarter*, - Dated 11 October 2001, 28 February 2002 and 28 May 2002.

Report 384, *Review of Coastwatch* - Dated 19 September 2002

Report 385, *Review of Auditor-General's Reports 1999-2000, Second and Third Quarters*, - Dated 15 April 2002 and 1 August 2002.

Report 386, *Review of the Auditor-General Act 1987*, - Dated 19 September 2002

Report 388, *Review of the Accrual Budget Documentation*, - Dated 6 September 2002

Other Committee Activities

23 August 2001 - The Chairman presented a speech on '*Accountability to Government*', at the Defence CFO Conference, Canberra.

8 October 2001 - 39th Parliament was prorogued.

21 March 2002 - 22nd JCPAA was reconvened.

10 April 2002 – The Chairman presented a speech on the relationship between the Audit Office and the Committee to senior officers of ANAO at the Hyatt Hotel, Canberra.

12 June 2002 - Senator John Watson delivered a speech on '*Assessing auditing independence: A parliamentary and professional perspective*' at the New Directions in Australian Auditing and Accounting Standards Conference, in Sydney.



1

JCPAA Purpose, Objectives and Methods of Operation

Introduction

The Joint Committee of Public Accounts and Audit (JCPAA) is a committee of the Commonwealth Parliament. The Committee is established pursuant to the *Public Accounts and Audit Committee Act 1951* (the PAAC Act) and is empowered to scrutinise the monies spent by Commonwealth agencies from funds appropriated to them.

Purpose

The purpose of the JCPAA is to hold Commonwealth agencies to account for the probity, efficiency and effectiveness with which they implement policy and use public monies, and to act as audit committee of the Parliament by supporting the independence of the Auditor-General on behalf of the Parliament.

Duties

The duties of the JCPAA are described in detail in sections 8 and 8A of the *Public Accounts and Audit Committee Act 1951*. In general terms, the duties are to:

- examine the financial affairs of authorities of the Commonwealth to which the Act applies;

- review all reports of the Auditor-General that are tabled in each house of the Parliament;
- consider the operations and resources of the Audit Office;
- approve or reject, the recommendation for appointment of Auditor-General or Independent Auditor; and
- increase parliamentary and public awareness of the financial and related operations of government.

Examining the Financial Affairs of Commonwealth Authorities

Pursuant to section 8(1)(a-b, f) of the PAAC Act, the Committee may examine the accounts of the receipts and expenditure of the Commonwealth and the financial affairs of authorities to which this Act applies. The Committee may determine to inquire into, and report on, any items or matters that it thinks should be drawn to the attention of the Parliament.

Reviewing Reports of the Auditor-General

A key element of the JCPAA 's accountability work is its statutory responsibility to examine and report on audit reports tabled in Parliament by the Auditor-General, pursuant to section 8(1)(c-e) of the PAAC Act.

Early in the 38th Parliament the Committee changed its review process. Under the new procedures, the JCPAA selects reports of the Auditor-General, which raise significant accountability issues for review at 'round table' public hearings. Witnesses from the ANAO and officials from each audited agency are examined at these hearings. In the 39th Parliament and the 40th Parliament, the committee has continued this review practice.

The purpose of the quarterly hearings is to allow the JCPAA to give immediate attention to recommendations of the Auditor-General, to enable matters at issue between ANAO and agencies under scrutiny to be raised, and responded to, in public. This process enables the Committee to make timely reports to Parliament on what further action, if any, needs to be taken by departments and agencies under review to protect the interests of the Commonwealth.

The adoption of the new procedures has facilitated more timely and effective parliamentary scrutiny of audit reports. The procedures have revitalised, and focused agency attention on agency performance.

Considering the Operations and Resources of the Audit Office

In its role as the Audit Committee of the Parliament, the JCPAA has assumed additional responsibilities concerning the Audit Office. Under section 8(1)(g-i) of its Act, the Committee is required to consider the operations and resources of the Audit Office, including funding, staff and information technology. It is also required to consider reports of the Independent Auditor on operations of the Audit Office. The Committee's responsibilities extend to reporting to the Parliament on any issues arising from these considerations, on any other matter relating to the Auditor-General's functions and powers or on the performance of the Audit Office, as it sees fit.

The JCPAA is also required, under section 8(1)(j-l), to consider draft estimates for the Audit Office and the level of fees determined by the Auditor-General and to make recommendations to both Houses of Parliament and the Minister who administers the *Auditor-General Act 1997* on the draft estimates.

Pursuant to section 8(1)(m-n) of the PAAC Act, another new responsibility for the Committee arising out of its role as the Audit Committee is to determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities. It must also determine the audit priorities of the Parliament for audits of the Audit Office and advise the Independent Auditor of those priorities.

Improving Public Awareness of Committee Activities

Information about the JCPAA is available on the Internet. The Committee's web site contains background information on the Committee and its members; details of current inquiries; advice on how to make submissions to the Committee and on appearing as witnesses at public hearings. Copies of recent JCPAA reports are published on the Internet. The Committee's web site address is: <http://www.aph.gov.au/house/committe/jpaa/index.htm>

In addition, members of the public can send submissions and requests for information through electronic mail. The committee's e-mail address is: jcpa@aph.gov.au

How the Committee Operates

Conduct of Inquiries

The Committee normally advertises its inquiries in the national media and on the Internet and invites interested individuals and organisations to make written submissions. Oral evidence is taken at public hearings (although in certain circumstances witnesses may request that evidence be given in camera). The majority of hearings are open to the public and interested parties can obtain verbatim transcripts of the public hearings free of charge or access them on the Internet.

The Committee presents the findings of its inquiries in reports, which are tabled in both houses of Parliament. Copies are distributed to all witnesses and Commonwealth agencies with a responsibility for matters raised in the reports. The reports are also available to the public through the Commonwealth Bookshop and the Internet.

Consideration of JCPAA reports

In all cases, the Chairman of the JCPAA refers reports of the Committee to the Minister for Finance and Administration once they have been tabled in the Parliament. The Minister for Finance and Administration then refers the matter(s) on to the responsible Minister(s) for attention. The Department of Finance and Administration may need to consult with relevant agency(s) in the first instance.

Government Responses to reports

JCPAA recommendations that involve matters of Government 'policy' are addressed by way of a separate Government Response through the responsible Minister(s). The Government has given a commitment to provide a response within three months from the date of tabling the report.

An *Executive Minute* is the means by which responses are provided to 'administrative' matters raised in a report of the JCPAA. This replaces the *Finance Minute* previously prepared by the Department of Finance and Administration for all Committee reports.

The response to administrative matters (the *Executive Minute*) is expected to be provided to the JCPAA, through the relevant Minister, within six months of tabling of a report. The Chairman of the JCPAA tables the *Executive Minute* in the Parliament as soon as practicable after it is received.

Many JCPAA reports are reviews of Auditor-General reports. These JCPAA reports make recommendations mostly of an administrative nature. For these reports, agencies should respond individually to the Committee by an Executive Minute, through their responsible Minister.

JCPAA recommendations applying across portfolios will require a single coordinated response on administrative matters.

The Committee Secretariat

The Committee is supported by a full time secretariat. Additional advice relating to particular inquiries is obtained from appropriate officers from the Department of Finance and from the Australian National Audit Office. From time to time officials from Government departments are seconded to the secretariat. In addition, the Committee may employ consultants to provide specialist advice.



2

Summary of Reports Tabled and Other Activities

Report 382, Review of Auditor-General's Reports 1999-2000, Fourth Quarter

The report reviewed three of the sixteen reports tabled by the Auditor-General in the fourth quarter 1999-2000. The three reports were:

- *Audit Report No. 40, Tactical Fighter Operations;*
- *Audit Report No. 42, Magnetic Resonance Imaging Services – effectiveness and probity of the policy development processes and implementations;*
- *Audit Report No. 46, High Wealth Individuals Taskforce.*

Report 382 contains four administrative recommendations.

Executive Minutes received for this report, tabled on 28 August 2001, were dated:

- *7 October 2001*, supporting recommendations 2 and 3 on developing contract management guidelines for Department of Health and Aged Care staff;
- *11 October 2001*, supporting recommendation 1 that the ANAO conduct a follow-up audit on Air Force management of the fast-jet pilot workforce;
- *22 April 2002*, supporting recommendation 4 that the Australian Taxation Office make further efforts to promote greater public awareness of the High Wealth Individuals Taskforce's activities and achievements.

Report 383, Review of Auditor-General's Reports 2000-2001, First Quarter

The report reviewed four of the 11 reports tabled by the Auditor-General in the first quarter 2000-2001. The four reports were:

- *Audit Report No. 8, Amphibious Transport Ship Project;*
- *Audit Report No. 9, Implementation of Whole-of-Government Technology and Infrastructure Consolidation and Outsourcing Initiative;*
- *Audit Report No. 10, AQIS Cost-Recovery Systems, Australian Quarantine and Inspection Service;*
- *Audit Report No. 11, Knowledge System Equipment Acquisition Projects in Defence.*

Report 383 contains five administrative recommendations.

Executive Minutes received for this report, tabled on 30 August 2001, were dated:

- *11 October 2001*, supporting recommendation 5 that the ANAO conduct a follow-up audit into Defence's IT personnel strategies;
- *28 February 2002*, supporting recommendations 2, 3 and 4 to improve the Australian Quarantine and Inspection Service's risk management in fee-setting, to align fees charges with servicing costs where cost effective to do so, and to conduct a cost-benefit analysis of the non-meat EXDOC system project;
- *28 May 2002*, supporting recommendation 1 that all internal audit reports be reviewed by the Defence Audit Committee and provided to relevant internal stakeholders.

Report 384, Review of Coastwatch,

The review arose from the Committee's statutory obligation to review reports of the Auditor-General including *Audit Report 38, 1999–2000, Coastwatch—Australian Customs Service*.

The Committee's report can be seen as comprising three parts:

- a review of Coastwatch itself;
- a discussion of the various the challenges facing Coastwatch; and
- whether, in the light of these challenges, a Coastwatch type organisation is the best option for the future.

During the inquiry the Committee has seen at first hand Coastwatch operations in its National Surveillance Centre in Canberra and during inspection visits across northern Australia. Public hearings were held in Canberra, Melbourne and Brisbane.

The Committee came to the view that recent changes prompted by a Prime Minister's Task Force review in 1999 have resulted in an organisation, which is functioning well and using its resources appropriately. However the Committee believed Coastwatch needed a clear statement from the Government, in the form of a publicly released charter, setting out what the Government regards as its expectations for Coastwatch.

The Committee tested the Auditor-General's criticisms of the performance measures for Coastwatch and developed a model-balanced scorecard for Coastwatch by which its performance could be measured. The Committee is also critical of the information about Coastwatch provided to Parliament by Customs at Budget time, for Additional Estimates and in the Customs annual report.

The Evidence provided by Coastwatch's clients, did not support the view that Coastwatch, as a program within Customs, was too close to Customs to the detriment of services provided. From this and other evidence, the Committee concluded that the relationship between Coastwatch and its clients was sound. This was no doubt assisted by the practice of seconding a serving uniformed Australian Defence Force officer to be the Director General of Coastwatch. The Committee recommended this practice continue. Coastwatch-client relations have also been assisted through the development of memoranda of understanding (MOUs) between Coastwatch and its clients. The Committee noted that some MOUs were yet to be completed and recommended these should be finalised.

The Committee found that the challenges faced by Coastwatch were wide ranging and demanding. The report discusses the challenges of the unauthorised arrival of suspected illegal immigrants, illegal fishing, the movement of people across the Torres Strait, and the issue of unauthorised air movements in northern Australia.

The Committee believed that Coastwatch was performing well in detecting and coordinating the interception of illegal entry vessels in northern and north-western waters. Coastwatch easily detected these boat people because they did not attempt to arrive covertly. Consequently, providing additional resources to Coastwatch or creating a coastguard would not stem the tide. The solution was to prevent people illegally setting out for Australia. To this end, the Committee was satisfied that the then Department of Immigration and Multicultural Affairs was making every effort to enter into MOUs with Australia's neighbours to thwart the people smugglers.

Regarding illegal fishing, the Committee considered that in northern and north-western waters Coastwatch's performance was limited by its ability to intercept the vessels it has detected, while in the Southern Ocean the limiting factor was one of actually detecting illegal fishers. The Committee made a number of recommendations aimed at improving Coastwatch's performance in these areas.

The issue of unauthorised air movements (UAMs) was raised by the Auditor-General and the Committee sought to ascertain whether the threat was real, and which agency should be responsible for addressing the issue. The Committee believed that UAMs do not currently pose a threat, but made a series of recommendations designed to place Australia in a strong position should a UAM threat materialise. The Committee concluded that Customs was the agency that should take primary responsibility, but because UAMs pose a threat of national significance, Defence should be intimately involved in the contingency planning recommended by the Committee. Allowing Customs to assume responsibility and Defence to respond to UAM incursions may require amendments to legislation.

The Committee evaluated various models for a future coastwatch function, including that represented by the current Coastwatch. The criteria used by the Committee was whether the model provides better use of scarce resources and whether it would result in improved performance. The Committee concluded that the current Coastwatch represented the best value for money. Indeed, Coastwatch could be regarded as an outsourced coastguard—its core function of coordination being retained, while its assets and the risks associated with asset ownership (performance, maintenance, repair and replacement) being borne by other entities. Such an arrangement allowed flexibility in a world of changing threats and rapidly developing technology.

The Committee's report was accompanied by a dissent, which presented a minority view that an Australian Coastguard was the best way forward.

The Government Response received on 19 September 2002 agreed with all 14 recommendations.

Report 385, Review of Auditor-General's Reports 2000–2001, Second and Third Quarters

The report reviewed three of the eighteen reports tabled by the Auditor-General in the second and third quarters 2000-2001. The three reports were:

- *Audit Report No.16, Australian Taxation Office Internal Fraud Control Arrangements;*
- *Audit Report No. 22, Fraud Control in Defence;*
- *Audit Report No. 26, Defence Estate Facilities Operations.*

Report 385 contains five administrative recommendations.

Executive Minutes received for this report, tabled on 20 September 2001, were dated:

- *15 April 2002*, supporting recommendation 3 to develop a systemic capacity to identify fraudulent activity and areas of risk.
- *15 April 2002*, supporting recommendations 4 and 5 that Defence facilitate the consolidation of Regional Estate Centre activities fully onto Defence Estate Management System, and that Defence review performance indicators for the Defence Estate Organisation to encourage essential management and financial skills.
- *1 August 2002*, supporting recommendation 1 that the ANAO in its preparation of a better practice guide on fraud control, develop sub-categories of fraud for the purpose of fraud reporting to provide a better understanding of the nature and significance of various types of fraudulent activity.

Report 386, *Review of the Auditor-General Act 1987*

The success of Australia's democracy owes much to the ability of the Parliament to scrutinise and hold executive government to account. This is a key feature of successful parliamentary democracies.

The Auditor-General, as an independent officer of the Parliament, plays a key role in the accountability framework by supporting the Parliament in its scrutiny function.

It is essential that the legislation underpinning the Auditor-General function is current and provides the Australian National Audit Office (ANAO) with sufficient powers and privileges to scrutinise the administration of government agencies.

The *Auditor-General Act 1997* (the Act) came into effect on 1 January 1998. The Act provides for the Joint Committee of Public Accounts and Audit (JCPAA) to examine the budget estimates of the ANAO and to make recommendations to Parliament on the proper resourcing of the office. In addition, the JCPAA determines the audit priorities of the Parliament and advises the Auditor-General of those priorities.

The role of the JCPAA provides for a stronger and practical relationship between the Auditor-General and the Parliament.

Other features of the Act include a number of provisions that strengthen the Auditor-General's role as external auditor of Commonwealth agencies, authorities and companies and their subsidiaries. The Act provides the Auditor-General with a comprehensive mandate to conduct, with some limited exceptions, financial statement and performance audits of all government entities.

In view of the Committee's significant legislative responsibilities to guard the independence of the Auditor-General it was considered timely to

conduct a review of the Act. The overall finding is that the Act provides an effective framework for the ANAO to carry out its functions. The Committee has identified the following legislative amendments that will further enhance the Act:

- subsection 19(3) should be amended to provide the Auditor-General with the power to circulate extracts of draft reports where necessary;
- amendments to subsection 37(4) to ensure that it reflects the original intentions set out in the Explanatory Memorandum. The amendment will remove ambiguity in the event that the Attorney-General issues a certificate requiring certain information to be omitted from a public report;
- amendments to subsection 15(2) to provide the Auditor-General with the power to provide a copy of a completed report to a Minister who has a special interest in the report;
- amendment to subsection 19(4) to provide for the Auditor-General to include agency comments, in full, in a final report; and
- the Committee has resolved that, as part of its power to review and change the Annual Report Guidelines, it will require government agencies to include in their Annual reports:
 - a list showing all contracts by name, value, and the reason why the standard access clause, which provides the Auditor-General with access to the premises of Commonwealth contractors, was not included in the contract.

The Committee is confident that these proposals will enhance the *Auditor-General Act 1997* and will ensure that the Australian National Audit Office can continue to perform efficiently and effectively.

The Government Response received on 19 September 2002 agreed with Recommendations 2, 4 and 5 and agreed in part with Recommendation 3.

Report 387, *Annual Report, 2000–2001*

Report 388, *Review of the Accrual Budget Documentation*

The Committee has had a long-term interest in accrual accounting matters. In 1995 in *Report 341, Financial Reporting for the Commonwealth*, the Committee recommended that the first accrual budget for the Commonwealth be introduced for the 1999–2000 year. This occurred.

The accrual budget documentation primarily comprises the Budget papers, portfolio budget statements (PBSs), and agency annual reports. The information they contain is used to ensure government activities are transparent and accountable by allowing Parliamentarians and the public to

see the real cost of delivering benefits to the Australian community (outcomes) and agency goods and services (outputs). The real cost includes indirect costs such as corporate overheads, depreciation and maintenance, and the opportunity cost of capital.

Report 388 examines the structure of the outcomes and outputs framework, the continuity of financial and performance information, the level of detail in the PBSs, the appropriateness of performance information, and various accounting issues.

The report examined the links between the various components of the framework in a sample of agencies. The Committee acknowledged that with any new system there would be a period of adjustment. However, while the Committee was satisfied that agencies had endeavoured to achieve consistency, it considered there was still room for improvement.

One area, which needed work, was that of cross-portfolio information. The Committee believed that some agency outcomes were so broad and far reaching as to be in effect outcomes shared with other agencies. The Committee considered these shared outcomes should be identified and recommended that agencies with shared outcomes should determine a lead agency with prime responsibility for the outcome. However, all involved agencies should identify and report on their contribution to the outcome in their PBS and annual report.

The Committee considered two aspects of continuity—the provision of timely information and the year by year continuity of information. Timeliness of information could be enhanced by the provision of earlier annual reports and the Committee recommended that the tabling of agency annual reports be brought forward by one month to the end of the first quarter of the subsequent financial year.

Where outputs span several years of funding, the Committee believed consistency was particularly important. Unfortunately, when changes occur, sometimes only a simple statement that there has been a change appears in the documentation. The Committee considered this was insufficient and unacceptable. Agencies needed to explain the nature of the change and how stakeholders could compare the previous format to the current format. There also needed to be an explanation of the underlying reasons for the change and the implications for the funding of agency programs.

The Committee found that some agency outcome statements did not provide enough detail because they were too highly aggregated to describe agency objectives in a meaningful way. This prevented Parliament adequately assessing proposed resource allocation and agency performance. The Committee found this was particularly the case with Defence, which had a single broad ranging outcome. The Committee recommended that agency outcome statements should provide more detail. Where agencies

have a single broad ranging outcome, or a small number of highly aggregated outcomes, intermediate outcomes should be identified.

The Committee found that the level of disaggregation of agency departmental outputs provided in PBS and annual reports also varied widely. The Committee considered there would be considerable benefit in agencies providing more disaggregated output information to support transparency and accountability for performance. The Committee therefore strongly encouraged the Department of Finance, in consultation with relevant Parliamentary Committees, to identify and make available to the Parliament, agencies, and the public, examples of better practice where agencies had provided appropriately disaggregated outcomes and outputs information in a cost-effective manner.

The Committee received evidence that while forward estimates information by outcomes and outputs was not currently included in the PBSs, the information was available and in fact was being provided by one agency in an appendix to its PBS. The Committee concluded there would be benefit in all agencies providing such information in their PBSs.

The Committee believed a practical and informative performance information framework was an integral element of the new outcomes and outputs budget framework as it enabled the understanding and monitoring of agency outcomes and outputs. Agency progress in this area was patchy and indeed the Committee noted examples of performance measures that did not provide a target against which performance could be measured. The Committee recommended that agency performance measures in the PBSs must always be accompanied by a comparative standard. Agencies should report their performance against this comparative standard in their annual reports, with a discussion if actual performance significantly varies from that expected.

The Committee was satisfied that the guidance advice Finance and the ANAO provided to agencies was at an appropriate level. However, it was important to determine whether this guidance was adopted or had some other positive outcome. The Committee therefore considered Finance and the ANAO should monitor the improvements shown by agencies. Further, the Committee recommended that Finance and the ANAO develop performance measures with targets for the advice they provide.

The Committee noted that the *Charter of Budget Honesty* required the Government publish a Final Budget Outcome (FBO) report within three months of the end of the financial year. However, the Committee discovered that the FBO was not audited. The reason given was that auditing the FBO would compromise its timeliness and end of year usefulness. Nevertheless, the Committee concluded that the information in the FBO was sufficiently important to warrant an audit to provide additional assurance.

The Committee concluded that the overall structure of the accrual budget documentation framework was sound. However, continuous refinement would be necessary which would take a number of years. The Committee reiterated its keen interest in accountability and noted this interest would be maintained into the future.

An *Executive Minute* received from ANAO on 6 September 2002 agreed with Recommendations 7 and 10.

Report 389, Review of Auditor-General's Reports 2000–2001, Fourth Quarter

The report reviewed four of the twenty-two reports tabled by the Auditor-General in the fourth quarter 2000-2001. The four reports were:

- *Audit Report No. 33, Australian Defence Force Reserves;*
- *Audit Report No. 34, Assessment of New Claims for the Age Pension by Centrelink;*
- *Audit Report No. 35, Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension;*
- *Audit Report No. 43, Performance Information for Commonwealth Financial Assistance under the Natural Heritage Act.*

Report 389 contains four administrative recommendations.

No Executive Minute to this report has been received to date.

Work in Progress

Introduction

This section provides a brief description of Committee inquiries and other activities that are active as at June 30 2002.

Review of Auditor-General's Reports, 2001-2002, First, Second & Third Quarters

The Committee reviewed four of the 38 reports tabled by the Auditor-General in the first, second and third quarters of 2001—2002. The four reports are:

- Audit Report No. 3, Performance Audit, reviewing *The Australian Taxation Office's Administration of Taxation Rulings* Australian Taxation Office
- Audit Report No. 4, Performance Audit, reviewing *Commonwealth Estate Property Sales* Department of Finance and Administration
- Audit Report No. 11, Performance Audit, reviewing *Administration of the Federation Fund Programme* Various agencies
- Audit Report No. 22, Protective Security Audit, *Personnel Security—Management of Security Clearances*

A public hearing was held on 31 May 2002 in Canberra. At 30 June 2002, the Committee was deliberating on its findings.

Review of Auditor-General's Reports, 2001-2002, Fourth Quarter

The Committee reviewed four of the 29 reports tabled by the Auditor-General in the fourth quarter of 2001—2002. The four reports are:

- Audit Report No. 40, Performance Audit, reviewing *Corporate Governance in the Australian Broadcasting Corporation*, Australian Broadcasting Corporation
- Audit Report No. 51, Performance Audit, reviewing *Research Project Management*, Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- Audit Report No. 57, Performance Audit, reviewing *Management Framework for Preventing Unlawful Entry into Australian Territory*, Department of Immigration and Multicultural and Indigenous Affairs
- Audit Report No. 63, Performance Audit, *Management of the Dasfleet Tied Contract*, Department of Finance and Administration

At 30 June 2002, Public Hearings were scheduled in Canberra for August and September 2002.

Review of Australia's Quarantine Function

Following issues raised in Audit Report No. 47, 2000–2001, *Managing for Quarantine Effectiveness*—Department of Agriculture, Fisheries and Forestry—Australia, the Committee on 27 June 2001, resolved to review the efficiency and effectiveness of Australia's quarantine function.

In particular the Committee will focus on:

- the coordination of AQIS with other border control agencies;
- the identification of potential risks to Australia and the application of resources to meet those risks;
- the impact of international agreements on quarantine activities, including any proposed free trade negotiations;
- the operations of AQIS that are beyond Australia's borders;
- AQIS border operations;
- monitoring and surveillance within Australia for breaches of the quarantine barrier;
- the development of import risk analyses;
- opportunities to increase public awareness of, and involvement in quarantine issues; and
- any other issues raised by Audit Report No. 47, 2000–2001, *Managing for Quarantine Effectiveness*.

At 30 June 2002, Public Hearings were scheduled for Canberra, Brisbane, Sydney and Melbourne in July, August and September 2002. Inspections will also take place in Brisbane, the Torres Strait, Sydney and Melbourne in July, August and September 2002.

Review of Independent Auditing by Registered Company Auditors

On 4 April 2001 the Committee announced its inquiry into independent auditing by registered company auditors under the following terms of reference:

With the spate of recent noteworthy corporate collapses both within Australia and overseas, the Joint Committee of Public Accounts and Audit wishes to explore the extent to which it may be necessary to enhance the accountability of public and private sector auditing.

In particular, the Committee is keen to determine where the balance lies between the need for external controls through government regulation, and the freedom for industry to self-regulate.

Public Hearings were held in Canberra on 21 June and 28 June 2002. At 30 June 2002, Public Hearings were scheduled for Sydney and Melbourne in July 2002.

Bob Charles MP
Chairman
October 2002



Appendix A—Committee Meetings and Hearings in 2001-2002¹

General Business of the Full Committee—39th Parliament

Membership

Bob Charles MP (Chairman)
David Cox MP (Deputy Chair)
Kevin Andrews MP
Senator Helen Coonan
Senator the Hon Rosemary Crowley
(from 12/10/00 till 28/6/2001)
Petro Georgiou MP
Senator the Hon Brian Gibson AM
Julia Gillard MP
Senator John Hogg
Peter Lindsay MP (from 7/3/00)
Senator Andrew Murray
Senator the Hon Nick Sherry (from
28/6/00)
The Hon Alex Somlyay MP
Stuart St Clair MP
Lindsay Tanner MP (from 9/8/99)
Kelvin Thomson MP (from 10/4/00)
Senator John Watson

Public Hearings in 2001-2002: 0
Private Meetings in 2001-2002: 4

General Business of the Full Committee—40th Parliament

Membership

Bob Charles MP (Chairman)
Tanya Plibersek MP (Deputy Chair)
Steven Ciobo MP
John Cobb MP
Senator Richard Colbeck
Senator the Hon Rosemary Crowley
Petro Georgiou MP
Sharon Grierson MP
Alan Griffin MP
Senator John Hogg
Catherine King MP
Peter King MP
Senator Andrew Murray
Senator Nigel Scullion
The Hon Alex Somlyay MP
Senator John Watson

Public Hearings in 2001-2002: 0
Private Meetings in 2001-2002: 7

¹ The 39th Parliament was in existence until 8 October 2001. The 40th Parliament was opened on 12th February 2002, with the 22nd JCPAA convened on 21 March 2002.

Auditor-General's Reports Sectional Committee—39th Parliament

Membership

Bob Charles MP (Chairman)
David Cox MP (Deputy Chair)
Petro Georgiou MP
Senator the Hon Brian Gibson AM
Julia Gillard MP
Peter Lindsay MP
Senator Andrew Murray
The Hon Alex Somlyay MP
Lindsay Tanner MP

Public Hearings in 2000-2001: 0
Private Meetings in 2000-2001: 1

Inquiry into the Accrual Budget Documentation—39th Parliament

Membership

Bob Charles MP (Chairman)
David Cox MP (Deputy Chair)
Senator the Hon Rosemary Crowley
(until 28/6/01)
Senator the Hon Brian Gibson
Senator John Hogg
Senator Andrew Murray
Lindsay Tanner MP
Senator John Watson

Public Hearings in 2001–2002: 0
Private Meetings in 2001–2002: 0²

Review of Coastwatch-39th Parliament

Membership

Bob Charles MP (Chairman)
David Cox MP (Deputy Chair)
Petro Georgiou MP
Senator the Hon Brian Gibson AM
Senator John Hogg
Peter Lindsay MP
The Hon Alex Somlyay MP
Stuart St Clair MP
Senator John Watson

Public Hearings in 2001–2002: 0
Private Meetings in 2001–2002: 0¹

Review of the Auditor-General Act 1997—39th Parliament

Membership

Bob Charles MP (Chairman)
David Cox MP (Deputy Chair)
Kevin Andrews MP
Julia Gillard MP
The Hon Alex Somlyay MP
Senator Helen Coonan
Senator the Hon Rosemary Crowley
(until 28/6/01)
Senator Andrew Murray
Senator John Watson

Public Hearings in 2001–2002: 0
Private Meetings in 2001–2002: 1

¹ All Public Hearings and Private Meetings for the Review of Coastwatch Sectional Committee were held in the 2000-2001 Financial Year.

² A Public Hearing for the Inquiry into the Accrual Budget Documentation Sectional Committee was held in the 2000-2001 Financial Year.

Auditor-General's Reports Sectional Committee—40th Parliament

Membership

Bob Charles MP (Chairman)
 Tanya Plibersek MP (Deputy Chair)
 Steven Ciobo MP
 John Cobb MP
 Senator Colbeck
 Senator the Hon Rosemary Crowley
 Petro Georgiou MP
 Sharon Grierson MP
 Alan Griffin MP
 Senator John Hogg
 Catherine King MP
 Peter King MP
 Senator Andrew Murray
 Senator Nigel Scullion
 The Hon Alex Somlyay MP
 Senator John Watson

Public Hearings in 2001-2002: 2
 Private Meetings in 2001-2002: 2

Review of Australia's Quarantine Function—40th Parliament

Membership

Bob Charles MP (Chairman)
 Tanya Plibersek MP (Deputy Chair)
 John Cobb MP
 Senator Richard Colbeck
 Alan Griffin MP
 Catherine King MP
 Senator Nigel Scullion
 Hon Alex Somlyay MP
 Senator John Watson

Public Hearings in 2001–2002: 0
 Private Meetings in 2001–2002: 1

Inquiry into the Accrual Budget Documentation—40th Parliament

Membership

Bob Charles MP (Chairman)
 Ms Tanya Plibersek MP (Deputy Chair)
 Ms Sharon Grierson MP
 Senator John Hogg
 Mr Peter King MP
 Hon Alex Somlyay

Public Hearings in 2001–2002: 0
 Private Meetings in 2001–2002: 1

Review of Independent Auditing by Registered Company Auditors — 40th Parliament

Membership

Bob Charles MP (Chairman)
 Tanya Plibersek MP (Deputy Chair)
 Steven Ciobo MP
 Senator the Hon Rosemary Crowley
 Alan Griffin MP
 Peter King MP
 Senator Andrew Murray
 Hon Alex Somlyay MP
 Senator John Watson

Public Hearings in 2001–2002: 2
 Private Meetings in 2001–2002: 0



Appendix B—Committee Expenses during 2001–2002

Although the Committee is a statutory committee, it does not receive a separate appropriation. The Committee is funded from the appropriation made to the Department of the House of Representatives. The Committee's annual budget for administrative and staff salary costs is a component of Program 2 (Committee Support) in the Department of the House of Representatives.

The Committee's administrative expenses for 2001–2002 in accrual terms were \$55 877. This included expenditure on: advertising; catering; consultants; conference fees for committee members and staff; publishing; salary, travel and accommodation costs for staff; and miscellaneous expenditure. The Committee operated within its administrative budget for the financial year.

The Chairman of the Committee received an allowance of \$15 810 in recognition of the responsibilities of the position. The amount of the allowance is set by the Remuneration Tribunal and paid by the Department of the House of Representatives pursuant to the *Remuneration and Allowances Act 1990*.