

Report 393

- **Corporate Governance in the Australian Broadcasting Corporation**
- **Research Project Management CSIRO**
- **Preventing Unlawful Entry into Australian Territory**
- **DASFLEET Sale and Tied Contract**

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

Joint Committee of Public Accounts and Audit

December 2002
Canberra

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ISBN [Click **here** and type ISBN Number]



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Foreword

Report 393 is the outcome of the review by the Joint Committee of Public Accounts and Audit (JCPAA) of the Auditor-General's audit reports tabled in the fourth quarter of 2001–2002. Of the 29 audit reports reviewed, the Committee selected four for further examination.

Audit Report No. 40, *Corporate Governance in the Australian Broadcasting Corporation*; Audit Report No. 51, *Research Project Management*; Audit Report No. 57, *Management Framework for Preventing Unlawful Entry into Australian Territory*, various agencies; and Audit Report No. 63, *DASFLEET Tied Contract* were examined at public hearings in Canberra on 23 August 2002 and 20 September 2002.

Audit Report No. 40 examined ways in which the ABC aligns its strategic directions with its Charter requirements for programs broadcast on radio, television and on-line and assures itself, and Parliament, about the achievement of its Charter obligations.

The ABC admits to deficiencies in its data collection. The Committee considers that there is a particular lack of meaningful data in relation to young people, in particular those young people in Regional and Rural Australia.

The Committee considers that enhancement of data collection and analysis would assist the ABC in targeting the youth audience more effectively, particularly youth in regional and rural Australia and that more focussed data collection in rural and regional Australia would assist the ABC in planning to meet its Charter obligations in this area.

The Committee noted that the Dix report recommended the ABC adopt output budgeting in 1981. Despite this recommendation and subsequent recommendations by the ANAO output budgeting is not expected to be implemented until 2003.

The Committee concluded that the performance reporting of the ABC needs to be improved in order to enhance the ABC's accountability to Parliament and ensure fulfilment of its Charter obligations.

The performance reporting and external accountability of the ABC has been subject to scrutiny for some time. That it has taken 22 years to implement the recommendations of the Dix report, for example, indicates that there may be underlying cultural resistance to accountability which must be addressed. It is encouraging to see the ABC making positive progress in that regard. However, the Committee concluded that the ABC must devote considerable effort in improving its reporting across the board, including aligning financial and output budgeting information.

Audit Report No 51 *Research Project Management CSIRO* focused on research activities that were either formally designated as projects, or managed as projects and on relevant supporting administrative and information systems.

The Committee was concerned about the apparent lack of project management expertise throughout CSIRO. CSIRO spends more than \$700 million dollars in research and development each year and so project management is an important function for the cost effective expenditure of Commonwealth resources.

The Committee notes that many of the differences in management practices between projects are cultural differences within the various divisions of the CSIRO. A key challenge for the CSIRO is to ensure that Project Management across the organisation improves in a systematic and structured way.

The Committee considers that CSIRO needs to pay attention to establishing and implementing consistent practices across the organisation, in order to facilitate consistent and coherent project management.

The Committee was concerned by the variability in project management standards between projects. For example, the ANAO found that externally funded projects were more likely to have effective project management than internally funded projects. The Committee considers that the disparities demonstrate a lack of depth in project management skills across the CSIRO.

The Committee therefore urged CSIRO to develop clear policy guidelines for the retention of IP which are more consistent across various types of projects.

Audit Report No. 57 focused on DIMIA's management of offshore measures to prevent and detect unlawful entry into Australia and the identification of opportunities for improvement. The audit found that DIMIA's management framework would be enhanced by a more systematic and documented governance structure.

DIMIA has relied heavily on individuals in its agency and their intuitive risk management, but is developing a risk management strategy due for completion in mid 2003.

To achieve organisational objectives and better outcomes, the Committee considers that DIMIA needs to pay greater attention to framework issues, and not focus only on implementation of policy and its response to business pressures.

At the same time, the Committee is aware that DIMIA was subjected to a great deal of pressure by the recent increases in the level of unauthorised arrivals and acknowledges its effective response.

Audit Report No. 63, *DASFLEET Tied Contract*, looked at the effectiveness of Finance's management of the Commonwealth's exposure under the DASFLEET Tied Contract and reviewed the action taken by the Department of Finance and Administration (DoFA) in response to the recommendation of Audit Report No. 25 1998-99, *DASFLEET Sale*, to assess the Commonwealth's exposure under the Tied Contract.

Amongst other things, the audit found that the Commonwealth bore all the risk for the vehicles leased under the Tied Contract, and that DoFA was not in a position to effectively monitor Macquarie Fleet's performance or the Commonwealth's exposure under the Contract due to the serious issues relating to the Contract which arose almost immediately after its commencement.

The audit noted that as a result of arbitration and the whole of dispute settlement completed by DoFA for the disputes with Macquarie Fleet/Macquarie Bank, the total potential exposure of the Commonwealth to possible payments to Macquarie Fleet was reduced from around \$100 million originally claimed by Macquarie Fleet to around \$50 million.

The Committee considers that the government's objective was to sell the DASFLEET business as well as the risk of that business. However, the Commonwealth bore the full risk for the vehicles leased under the Tied Contract. The Commonwealth's perception early in the sale was that the majority of the risk was being borne by Macquarie Fleet. Evidence uncovered during the audit makes it clear that Macquarie Bank viewed the arrangement from the beginning as a risk free investment. In short, Macquarie Bank had a very good understanding of the contract and Office of Asset Sales and Information Technology Outsourcing did not.

The Committee considers that the evaluation of the competing bids was flawed, and that advice from the business adviser was not reviewed. The Commonwealth ended up with a poorly constructed and complex contract and a total misunderstanding of the nature of the arrangement it was entering into. This

resulted in substantial costs to the Commonwealth in connection with the DASFLEET transaction which were not envisaged at the start of the sale process.

The Committee acknowledges that DoFA's efforts in the settlement process reduced the Commonwealth's potential exposure by a very significant amount. However, the Committee has recommended that DoFA improve its record management practices and that in future, its requests for legal opinions are in writing.

Bob Charles
Chairman



Membership of the Committee

40th Parliament

Chairman Mr Bob Charles MP

Deputy Chair Ms Tanya Plibersek MP

Members	Senator Richard Colbeck	Mr Steven Ciobo MP
	Senator John Hogg	Mr John Cobb MP
	Senator Kate Lundy (from 19/11/02)	Mr Petro Georgiou MP
	Senator Claire Moore (until 19/11/02)	Ms Sharon Grierson MP
	Senator Andrew Murray	Mr Alan Griffin MP
	Senator Nigel Scullion	Ms Catherine King MP
	Senator John Watson	Mr Peter King MP
		The Hon Alex Somlyay MP

Membership of the Sectional Committee

40th Parliament

Chairman Mr Bob Charles MP

Deputy Chair Ms Tanya Plibersek MP

Members	Senator Richard Colbeck	Mr Steven Ciobo MP
	Senator John Hogg	Mr John Cobb MP
	Senator Kate Lundy (from 19/11/02)	Mr Petro Georgiou MP
	Senator Claire Moore (until 19/11/02)	Ms Sharon Grierson MP
	Senator Andrew Murray	Mr Alan Griffin MP
	Senator Nigel Scullion	Ms Catherine King MP
	Senator John Watson	Mr Peter King MP
		The Hon Alex Somlyay MP

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List of abbreviations

ABC	Australian Broadcasting Corporation
ACS	Australian Customs Service
AFP	Australian Federal Police
ALO	Airline Liaison Officer
ANAO	Australian National Audit Office
Barings	Baring Brothers Burrows & Co., Limited
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CEO	Chief Executive Officer
CPA	Commonwealth Public Account
DAS	Department of Administrative Services
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DoFA	Department of Finance and Administration
IOM	International Organisation for Migration
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit

MOU	Memorandum of Understanding
NCA	National Crime Authority
NPV	Net Present Value
OAS	Office of Asset Sales
OASACS	Office of Asset Sales and Commercial Support
OASITO	Office of Asset Sales and IT Outsourcing
PNO(C)	Principal Migration Officers (Compliance)
PST	People Smuggling Strike Team
RBA	Reserve Bank of Australia
RWOG	Relative Whole of Government
UNHCR	United Nations High Commission for Refugees

List of recommendations

Recommendation 1

- 2.17 The Committee recommends that the Australian Broadcasting Corporation develop and implement a process for measuring performance data in urban, regional and rural Australia which provides timely and effective information in relation to its fulfilment of Charter obligations.

Recommendation 2

- 2.18 The Committee recommends that the Australian Broadcasting Corporation, as a matter of priority, develop and implement a process for using performance data to inform Corporate planning.

Recommendation 3

- 2.31 The Committee recommends that the Australian Broadcasting Corporation specifically report on its performance against Charter obligations in its annual report to Parliament.

Recommendation 4

- 3.25 The Committee recommends that the Commonwealth Scientific and Industrial Research Organisation develop and implement a consistent and coherent model of project management across the organisation.

Recommendation 5

- 3.34 The Committee recommends that the Commonwealth Scientific and Industrial Research Organisation develop and implement clear and consistent policy guidelines for the retention of intellectual property.

Recommendation 6

- 4.55 The Committee recommends that the Department of Immigration and Multicultural and Indigenous Affairs make better use of its information sources, evaluate the effectiveness of its current operations, and coordinate the sharing of information with other agencies.

Recommendation 7

- 5.117 The Committee recommends that the Department of Finance and Administration improve its record management practices with regard to dispute resolution activities.

Recommendation 8

- 5.119 The Committee recommends that in future the Department of Finance and Administration's requests for legal opinions are written requests.

