

# **Report 397**

## **Annual Report 2002–2003**

**Joint Committee of Public Accounts and Audit**

November 2003

Canberra

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## Foreword

It gives me great pleasure to present the annual report of the Joint Committee of Public Accounts and Audit, pursuant to section 8B of the *Public Accounts and Audit Committee Act 1951*. Section 8B of the Act requires the Committee to table in both Houses of Parliament a report on the Committee's performance each financial year. Tabling of the annual reports is an important accountability mechanism by which Parliament and, through it the public, can conveniently assess the Committee's performance.

Of course, the Committee's performance should be judged principally by the quality of our other reports tabled during the year and the recommendations they contain. The Committee had a productive year in 2002-2003 with the completion of 2 major inquiries: Report 391, *Review of Independent Auditing by Registered Company Auditors* and Report 394, *Review of Australia's Quarantine Function*. The Committee also tabled 2 reports with recommendations as part of its on-going statutory obligation to review all reports of the Auditor-General.

Report 391, *Review of Independent Auditing by Registered Company Auditors* was the first time the JCPAA had undertaken an inquiry into private sector issues and gave the Committee an opportunity to bring its expertise in audit and corporate governance matters to bear on the issue of audit independence generally. The report contained 13 recommendations including some with amendments to the *Corporations Act 2001*. I am pleased to note that many of the report's recommendations have been subsequently incorporated into either the Corporate Law Economic Reform Program's (CLERP) draft CLERP (Audit Reform & Corporate Disclosure) Bill or the Listing Rules of the Australian Stock Exchange.

Report 394, *Review of Australia's Quarantine Function* was an extensive review of Australia's quarantine function following the foot and mouth outbreak in the United Kingdom in February 2001. In general, the Committee believed that Australia's quarantine function is in good shape and that the additional funding allocated by the Government in the 2001-02 Budget to the quarantine function is being well spent. The Committee was particularly impressed with the enthusiasm and professionalism of quarantine personnel that it met during the inquiry and with the strategy in northern Australia of involving indigenous peoples in quarantine activities. The report contained 13 recommendations designed to enhance Australia's quarantine function.

The two other reports tabled in the year, *Report 390, Review of Auditor-Generals' Reports 2001-2002, First, Second and Third Quarters* and *Report 393, Review of Auditor-General's Reports 2001-2002, Fourth Quarter*, reflected the Committee's ongoing statutory role in reviewing the reports of the Auditor-General.

In the latter half of the financial year, the Committee announced a review of aviation security in Australia in light of several aviation security breaches. As aviation security is an ongoing concern to Australians, it is important to have in place a robust aviation security framework. The Committee believes that this is a timely inquiry and is one that has already generated widespread public interest.

Finally, I wish to thank my colleagues on the Committee, and in particular my Deputy Chair Tanya Plibersek, for their support and commitment to the Committee during the year. With Members of their calibre, I believe the Committee is in good hands.

**Bob Charles MP**

**Chairman**

## **Chairman and Deputy Chair of the Committee 2002-2003**



Bob Charles MP  
Chairman



Tanya Plibersek MP  
Deputy Chair

## **Members of the Committee – 2002-2003**



Steven Ciobo MP



John Cobb MP



Senator Richard  
Colbeck  
(until 25 March 2003)



Senator Stephen  
Conroy  
(from 5 February  
2003)



Petro Georgiou MP



Sharon Grierson MP



Alan Griffin MP



Senator John Hogg  
(until 5 February  
2003)

(Continued on page ix)





## **Members of the Committee – 2002-2003 (Continued)**



Senator Gary  
Humphries  
(from 25 March  
2003)



Catherine King MP



Peter King MP



Senator Kate Lundy  
(from 19 November  
2002)



Senator Claire Moore  
(Until 19 November  
2002)



Senator Andrew  
Murray



Senator Nigel  
Scullion



The Hon Alex  
Somlyay MP



Senator John  
Watson



## Highlights of the Year

### Reports presented

**Report 390**, *Review of the Auditor-General's Reports 2001--2002, First, Second and Third Quarters*, August 2002

**Report 391**, *Review of Independent Auditing by Registered Company Auditors*, September 2002

**Report 392**, *Annual Report 2001–2002*, November 2002

**Report 393**, *Review of Auditor-General's Reports 2000–2001, Fourth Quarter*, February 2003

**Report 394**, *Review of Australia's Quarantine Function*, March 2003

### Responses by Government to Reports

**Report 374**, *Review of the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997* – Dated 29 November 2002

**Report 385**, *Review of Auditor-General's Reports, 1999–2000, Second and Third Quarters* – Dated 1 August 2002 and 13 January 2003

**Report 386**, *Review of Auditor-General Act 1997* – Dated 19 September 2002

**Report 388**, *Review of Accrual Budget Documentation* – Dated 6 September 2002, 14 March 2003 and 6 May 2003

**Report 389**, *Review of Auditor-General's Reports, 2000-2001, Fourth Quarter* – Dated 20 December 2002 and 31 January 2003

**Report 393**, *Review of Auditor-General's Reports, 2001-2002, Fourth Quarter* – Dated 20 June 2003, 13 August 2003, 21 August 2003 and 9 September 2003

## Other Committee Activities

**29 – 31 July 2002** – Inspection and briefings on the Fire Ant Control Program, Brisbane and operations by the Northern Australian Quarantine Strategy (NAQS) in Cairns, Thursday Island and the Torres Strait as part of the review of Australia's Quarantine Function.

**5 – 6 August 2002** – Inspections and briefings of Australian Quarantine and Inspection Service (AQIS) operations at Eastern Creek Quarantine Station, Kingsford Smith International Airport, the Port of Sydney, AQIS Headquarters and Australia Post Clyde Mail Centre as part of the review of Australia's Quarantine Function.

**4 September 2002** – Inspection and briefing at the Sandown Racecourse Quarantine Station as part of the review of Australia's Quarantine Function.

**2 - 5 February 2003** – The Chairman, Deputy Chair and Senator John Watson attended the Australasian Council of Public Accounts Committee Conference in Melbourne.

**19 - 20 May 2003** – The Chairman delivered a speech on '*Auditor independence: Review of Independent Auditing by Registered Company Auditors and new legislation*' at the New Directions in Australian Auditing Standards Conference, in Sydney.

**20 May 2003** – Inspection of Kingsford Smith International Airport, Sydney as part of the review of *Audit Report No. 26, Aviation Security in Australia*.

**24 June 2003** – Inspection of Defence Signals Directorate (DSD) Headquarters as part of the inquiry into the Management and Integrity of Electronic Information in the Commonwealth.

# JCPAA Purpose, Objectives and Methods of Operation

## Introduction

- 1.1 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. Its members are drawn from both the House of Representatives and the Senate.

## Duties

- 1.2 The duties of the JCPAA are described in detail in sections 8 and 8A of the PAAC Act. In general terms, the duties are to:
- examine the financial affairs of authorities of the Commonwealth to which the Act applies;
  - examine 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 the Auditor-General and the Independent Auditor; and
- increase parliamentary and public awareness of the financial and related operations of government.

## **Examining the Financial Affairs of Commonwealth Authorities**

- 1.3 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**

- 1.4 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.
- 1.5 Early in the 38<sup>th</sup> Parliament, the Committee changed its review process. Under the new procedures, the JCPAA selects reports of the Auditor-General for review which raise significant accountability issues at 'round table' public hearings. Witnesses from the Australian National Audit Office (ANAO) and officials from each audited agency are examined at these hearings. In the 39<sup>th</sup> Parliament and the 40<sup>th</sup> Parliament, the committee has continued this review practice.<sup>1</sup>
- 1.6 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

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1 The ANAO is referred to as the Audit Office in the PAAC Act.

action, if any, needs to be taken by agencies under review to protect the interests of the Commonwealth.

- 1.7 The adoption of the new procedures has facilitated more timely and effective parliamentary scrutiny of audit reports. The Committee also believes that the procedures have revitalised and focused agency attention on the findings of the Auditor-General.

## **Considering the Operations and Resources of the Audit Office**

- 1.8 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 the PAAC 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.
- 1.9 The JCPAA is also required, under section 8(1)(j-l) of the PAAC Act to consider draft estimates for the Audit Office and the level of fees determined by the Auditor-General and to make recommendations on the draft estimates to both Houses of Parliament and the Minister who administers the *Auditor-General Act 1997*.
- 1.10 Pursuant to section 8(1)(m-n) of the PAAC Act, the Committee in its role as the Audit Committee determines the audit priorities of the Parliament and advises the Auditor-General of those priorities. As the Audit Committee, members 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**

- 1.11 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: [www.aph.gov/house/committe/jpaa/index.htm](http://www.aph.gov/house/committe/jpaa/index.htm)

- 1.12 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](mailto:jcpa@aph.gov.au)

## How the Committee Operates

### Conduct of Inquiries

- 1.13 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 also taken at public hearings. 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.
- 1.14 While the Committee can receive confidential submissions and take evidence in camera, the Committee prefers to take as much evidence as possible in public.
- 1.15 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 free of charge and on the Committee's website.

### Responses by Government to JCPAA reports

- 1.16 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 recommendations made in the reports on to the responsible Minister(s) for attention.
- 1.17 JCPAA recommendations that involve matters of Government 'policy' are responded to directly by the responsible Minister(s). The Government has given a commitment to provide such responses within three months of the date of tabling the report.



- 1.18 Responsible agencies respond individually to recommendations of an administrative nature in the form of an *Executive Minute*. These individual responses replace the *Finance Minute* previously prepared by the Department of Finance and Administration (DOFA) which collated agency responses to the recommendations of each report.
- 1.19 Executive Minutes are expected to be provided to the JCPAA through the relevant Minister within six months of the tabling of the report. The Chair of the JCPAA tables Executive Minutes in the Parliament as soon as practicable after they are received.

### **The Committee Secretariat**

- 1.20 The Committee is supported by a full time secretariat. Additional advice relating to particular inquiries is obtained from appropriate officers from DOFA and from ANAO. From time to time, officials from Government departments are seconded to the secretariat. In addition, the Committee may employ consultants to provide specialist advice.



## **Summary of Reports Tabled during 2002-2003**

### **Report 390, Review of Auditor-General's Reports 2001-2002, First, Second and Third Quarters**

- 2.1 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 were:
- *Audit Report No. 3, The Australian Taxation Office's Administration of Taxation Rulings, Australian Taxation Office;*
  - *Audit Report No. 4, Commonwealth Estate Property Sales, Department of Finance and Administration;*
  - *Audit Report No. 11, Administration of the Federation Fund Programme, Various agencies; and*
  - *Audit Report No. 22, Personnel Security—Management of Security Clearances.*
- 2.2 Report 390 contains nine recommendations and was tabled on 28 August 2002.

- 2.3 No Executive Minutes to Report 390 had been received at the tabling of this annual report and the Committee is following up responses. The lack of responses to this report has also prompted the Committee to review and improve its processes for tracking the delivery and timeliness of Executive Minutes.

## **Report 391, Review of Independent Auditing by Registered Company Auditors**

- 2.4 This report, tabled on 18 September 2002, presented the JCPAA's review of Independent Auditing by Registered Company Auditors. The review arose in light of a significant number of high profile corporate failures in Australia.
- 2.5 The Committee's findings were based on a number of observations of both the audit and accounting profession and the business community, which shaped the ensuing framework of recommendations. The Committee's findings were also influenced by their longstanding involvement in corporate governance and the audit framework governing accountability in the public sector.
- 2.6 The Committee's proposed solutions were designed to address these issues and compel companies and auditors to enhance their management of corporate governance and audit independence. Rather than advocating prescriptive regulation and mandating arbitrary limits or benchmarks, the central element of the Committee's proposed reforms was to provide a framework enabling a broadening of the scope of the audit function to include, for example, corporate governance, risk management, internal control issues and other performance-type issues. To support this new framework and the process of management improvement (and to promote more transparency) the Committee also proposed an enhanced oversight role for the existing regulator, the Australian Securities and Investments Commission (ASIC).
- 2.7 The key findings and recommendations of the report include that:
- The *Corporations Act 2001* be amended:
    - ⇒ to require the Chief Executive Officer and Chief Financial Officer of a company to sign a statutory declaration that the company's financial reports comply with the *Corporations Act 2001* and are materially truthful and complete;

- ⇒ to require all publicly listed companies to have an audit committee of independent members;
  - ⇒ to require audit firms to report annually to ASIC on independence issues;
  - ⇒ to clarify the relationship between the need for financial statements to comply with accounting standards and provide a true and fair view; and
  - ⇒ to include a general statement on audit independence
- the Financial Reporting Council develop a set of corporate governance standards, which would be given legislative backing in the *Corporations Act 2001*;
  - the Australian Stock Exchange Listing Rules be amended to require additional reporting by companies;
  - ASIC explore the cost and benefits of introducing performance audits in the private sector and, in conjunction with the Australian Stock Exchange, evaluate the costs and benefits of requiring pronouncements and other disclosures under the continuous disclosure listing rule to be subject to a credible degree of assurance; and
  - a framework for protected (or whistleblower) disclosure be established in the *Corporations Act 2001*, including clear accountability mechanisms over the administration and management of disclosures.

2.8 Central to this report was the need for directors and auditors to certify that accounts both comply with Australian accounting standards and also represent a true and fair representation of a company's affairs. There was much confusion in the evidence provided to the Committee on this very important issue. The Committee's recommendation in this regard would clarify the Corporations Act and ensure that accounts not only comply with Australian Accounting standards but also represent a true and fair view of a company's financial affairs.

2.9 The Committee also considered that reform in the area of auditors' liability was important in order to ensure there was an appropriate balance between the risks associated with auditing and ensuring the public interest was protected and maintained. The three main areas of reform identified as being needed were:

- that the principle of *joint and several liability* be replaced with the principle of *proportional liability*, so as to provide a more equitable basis for allocating damages;
  - that *the Corporations Act 2001* be amended so that audit firms can operate within limited liability structures; and
  - that a cap for professional liability claims be introduced in order to limit the quantum of damages which can be awarded against auditors.
- 2.10 In addition, the Committee was particularly attracted to the idea of Independence Boards within audit/accounting firms as proposed by Professor Keith Houghton. At the time of the report's tabling, one of the 'Big Four' had proceeded with implementation of Professor Houghton's proposal, one was considering implementation and one believed it achieves the same outcomes in a slightly different manner.
- 2.11 It is significant that this was the first time the JCPAA had undertaken an inquiry into private sector issues. Nevertheless, the JCPAA has a long history of actively seeking to strengthen the role and independence of the Commonwealth auditor as an essential agent of government accountability to the Parliament and ensuring good corporate governance in the public sector. This inquiry was an opportunity for the Committee to bring its expertise in audit and corporate governance matters to bear on the issue of audit independence generally.
- 2.12 The Government indicated that it would formally respond to Report 391 once the Corporate Law Economic Reform Program (CLERP) No. 9 as been finalised (sometime after November 2003).<sup>1</sup>

## Report 392, Annual Report, 2001–2002

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1 Parliamentary Secretary to the Treasurer, Senator the Hon Ian Campbell to Chairman of the Joint Committee of Public Accounts and Audit, 3 February 2003.

## Report 393, Review of Auditor-General's Reports 2001–2002, Fourth Quarter

- 2.13 The Committee reviewed four of the 29 reports tabled by the Auditor-General in the fourth quarter of 2001—2002. The four reports were:
- *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; and*
  - *Audit Report No. 63, Management of the Dasfleet Tied Contract.*
- 2.14 Report 393 made eight recommendations and was tabled on 12 February 2003.
- 2.15 The following Executive Minutes have been received for this report:
- From the Australian Broadcasting Corporation (ABC) supporting **Recommendation 1** that the ABC develop and implement a process of measuring performance data in urban, regional and rural Australia which provides timely and effective information in relation to its fulfilment of Charter obligations;
  - From the ABC supporting **Recommendation 2** that the ABC, as a matter of priority, develop and implement a process for using performance data to inform corporate planning;
  - From the ABC supporting **Recommendation 3** that the ABC specifically report on its performance against Charter obligations in its annual report to Parliament;
  - From the Minister for Science fully supporting **Recommendation 4** that the Commonwealth Scientific and Industrial Research Organisation (CSIRO) develop and implement a consistent and coherent model of project management across the Organisation;
  - From the Minister for Science supporting with qualification **Recommendation 5** that the CSIRO develop and implement clear and consistent policy guidelines for the retention of intellectual property;
  - From the Minister of Immigration and Multicultural and Indigenous Affairs supporting **Recommendation 6** that the Department of Immigration and Multicultural and Indigenous

Affairs (DIMIA) make better use of its information sources, evaluate the effectiveness of its current operations, and coordinate the sharing of its information with other agencies;

- From the Minister of Finance and Administration agreeing in principle with **Recommendation 7** that the Department of Finance and Administration (DOFA) improve its records management practices with regard to dispute resolution activities; and
- From the Minister of Finance and Administration agreeing in principle with **Recommendation 8** that in future, DOFA's requests for legal opinions are written requests.

2.16 The Committee is pleased to note that all its recommendations were agreed to or, at the very least, agreed to in principle. The acceptance of the recommendations demonstrates that the Committee plays an important value-adding role in reviewing the implementation by agencies of recommendations made by the Auditor-General.

## Report 394, Review of Australia's Quarantine Function

2.17 This report, tabled on 5 March 2003, presented the JCPAA's review of Australia's quarantine function. The review arose from the Committee's statutory obligation to review reports of the Auditor-General, in this case *Audit Report 47 2000-01, Managing for Quarantine Effectiveness* which was tabled in June 2001.

2.18 Following the foot and mouth disease outbreak in the United Kingdom in February 2001, the Government provided in the 2001-02 Budget almost \$600m over 4 years to strengthen Australia's defence against the introduction of exotic pests and diseases.

2.19 The Committee sought to reassure the Parliament that the Auditor-General's recommendations have been carried through, and that the additional funds allocated to the quarantine function were being well spent.

2.20 In general, the Committee believed Australia's quarantine function was in good shape and the additional funding was being appropriately used. It is not possible for Australia to adopt a zero risk stance as regards quarantine so there will be incursions of exotic pests and diseases from time to time. The Committee believed Australia is well placed to meet those threats.



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- 2.21 The report is in four parts; firstly a review of the parameters within which Australia must operate as a member of the World Trade Organisation (WTO); secondly a review of border operations; thirdly a review of Australia's quarantine preparedness; and finally a review of efforts to educate stakeholders and the public, and maintain awareness of quarantine issues.
- 2.22 In the report the Committee made thirteen recommendations designed to enhance Australia's quarantine function.
- 2.23 No Executive Minute or Government Response to Report 394 had been received at the tabling of this annual report. The Committee understands that the Government is continuing to consider the recommendations.



## Work in Progress

### Introduction

- 3.1 This section provides a brief description of Committee inquiries and other activities active as at June 30 2003.

### Review of Auditor-General's Reports, 2002-2003, First, Second & Third Quarters

- 3.2 The Committee reviewed eleven of the 29 reports tabled by the Auditor-General in the first, second and third quarters of 2002—2003. The eleven reports were:
- *Audit Report No. 2, Grants Management;*
  - *Audit Report No. 3, Facilities Management at HMAS Cerberus;*
  - *Audit Report No. 7, Client Service in the Child Support Agency: Follow-up Audit;*
  - *Audit Report No.18, Management of Trust Monies;*
  - *Audit Report No.19, The Australian Taxation Office's Management of its Relationship with Tax Practitioners;*

- *Audit Report No.20, Employee Entitlements Support Scheme;*
  - *Audit Report No.23, Physical Security Arrangements in Commonwealth Agencies;*
  - *Audit Report No. 25, Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2002;*
  - *Audit Report No. 26, Aviation Security in Australia;*
  - *Audit Report No. 27, Management of Commonwealth Guarantees, Warranties, Indemnities and Letters of Comfort; and*
  - *Audit Report No. 28, Northern Territory Land Councils and the Aboriginal Benefit Account.*
- 3.3 Public hearings were held in March, April and May 2003 in Canberra. An inspection of Kingsford Smith International Airport was also conducted in May as part of the review of *Audit Report No. 26, Aviation Security in Australia.*
- 3.4 At the end of the reporting period, the Committee was deliberating on its findings. The report of this review, Report 396, *Review of Auditor-General's Reports, 2002-2003, First, Second and Third Quarters* was tabled in Parliament on 8 October 2003.

### **Review of Auditor-General's Reports, 2002-2003, Fourth Quarter**

- 3.5 The Committee will review three of the 26 tabled by the Auditor-General in the fourth quarter of 2002—2003. The three reports are:
- *Audit Report No. 42, Managing Residential Aged Care Accreditation;*
  - *Audit Report No 51, Defence Housing and Relocation Services; and*
  - *Audit Report No 55, 2002-2003, Goods and Services Tax Fraud Prevention and Control.*
- 3.6 At 30 June 2003, public hearings were yet to be scheduled. The Committee expects to table the report of its review in early 2004.

### **Inquiry into the Draft Financial Legislation Amendment Bill**

- 3.7 On 12 February 2003, the Committee announced its inquiry into the Draft Financial Legislation Amendment Bill under the following terms of reference:

The Joint Committee of Public Accounts and Audit will inquire into the draft Financial Framework Legislation

Amendment Bill to determine whether the Bill makes an appropriate contribution to improving the financial framework and reporting of the Commonwealth public sector, including in relation to:

- alignment of financial management provisions and practices with the *Financial Management Legislation Amendment Act 1999*;
- consolidation of approval powers in relation to money raising, investments and guarantees by, and for, specific entities that are legally separate from the Commonwealth; and
- information to be included in determinations of the Finance Minister under the Financial Management and Accountability Act 1997 that establish Special Accounts.

3.8 A public hearing was held on 7 March 2003 in Canberra and as of 30 June 2003, the Committee was still deliberating on its findings.

3.9 The report for this inquiry, Report 395, *Inquiry into the Draft Financial Legislation Amendment Bill* was tabled in Parliament on 20 August 2003.

## **Inquiry into the Management and Integrity of Electronic Information in the Commonwealth**

3.10 On 23 October 2002, the Committee announced its inquiry into the Management and Integrity of Electronic Information in the Commonwealth under the following terms of reference:

The Committee shall inquire into and report on the potential risks concerning the management and integrity of the Commonwealth's electronic information.

The Commonwealth collects, processes and stores a large amount of private and confidential data about Australians. This information is held by various Commonwealth agencies and private bodies acting on behalf of the Commonwealth. For example, the Australian Taxation Office keeps taxpayer records, the Australian Electoral Commission keeps electoral roll information and Centrelink keeps social security, family and health information. The Committee is concerned that the Commonwealth's electronic information is kept securely and in a manner that ensures its accuracy.

In conducting its inquiry the Committee will consider:

- the privacy, confidentiality and integrity of the Commonwealth's electronic data;
  - the management and security of electronic information transmitted by Commonwealth agencies;
  - the management and security of the Commonwealth's electronic information stored on centralised computer architecture and in distributed networks; and
  - the adequacy of the current legislative and guidance framework.
- 3.11 Public hearings were held in March, April and June in Canberra and Sydney and as at 30 June 2003, the Committee was still deliberating on its findings.
- 3.12 In September 2003, the Committee resolved to hold a further public hearing in response to certain instances of computer theft from Commonwealth premises. The Committee expects to table the report of this inquiry in late 2003.

## Review of Aviation Security in Australia

- 3.13 In May 2003, the Committee held a public hearing to review, among other audits from the Auditor-General, an audit review of Aviation security in Australia.<sup>1</sup>
- 3.14 Following this public hearing, the Committee was prompted to extend its review of the audit report into a broad inquiry under expanded terms of reference as a result of a number of concomitant aviation security breaches in Australia.
- 3.15 Accordingly, on 5 June 2003, the Committee announced its review of aviation security in Australia under the following terms of reference:

As part of its statutory responsibility to examine reports from the Auditor-General, the Joint Committee of Public Accounts and Audit is expanding its review of *Audit Report No. 26, 2002-2003, Aviation Security in Australia, Department of Transport and Regional Services* to inquire and report on:

- regulation of aviation security by the Commonwealth Department of Transport and Regional Services;
- compliance with Commonwealth security requirements by airport operators at major and regional airports;

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<sup>1</sup> Auditor General, *Audit Report No. 26, 2002-2003, Aviation Security in Australia, Department of Transport and Regional Services*. See also JCPAA, *Report No. 396, Review of Auditor General's Reports, 2002-2003, First, Second & Third Quarters*

- compliance with Commonwealth security requirements by airlines;
- the impact of overseas security requirements on Australian aviation security;
- cost imposts of security upgrades, particularly for regional airports;
- privacy implications of greater security measures; and
- opportunities to enhance security measures presented by current and emerging technologies.

3.16 As at 30 June 2003, public hearings were yet to be scheduled. The Committee expects to table the report of its inquiry in the first half of 2004.

Bob Charles MP  
Chairman  
5 November 2003







## **Appendix A—Committee Meetings and Hearings in 2002-2003**

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### **General Business of the Full Committee 40<sup>th</sup> Parliament**

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#### **Membership**

Mr Bob Charles MP (Chairman)	Senator Richard Colbeck (until 25/03/03)
Ms Tanya Plibersek MP (Deputy Chair)	Senator Stephen Conroy (from 05/02/03)
Mr Steven Ciobo MP	Senator John Hogg (until 05/02/03)
Mr John Cobb MP	Senator Gary Humphries (from 25/03/03)
Mr Petro Georgiou MP	Senator Kate Lundy (from 19/11/02)
Ms Sharon Grierson MP	Senator Claire Moore (until 19/11/02)
Mr Alan Griffin MP	Senator Andrew Murray
Ms Catherine King MP	Senator Nigel Scullion
Mr Peter King MP	Senator John Watson
The Hon Alex Somlyay MP	

<b>Public Hearings in 2002-2003</b>	<b>0</b>
<b>Private Meetings in 2002-2003</b>	<b>17</b>

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**Review of Auditor-General's Reports Sectional Committee**  
**40<sup>th</sup> Parliament**

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**Membership**

Mr Bob Charles MP (Chairman)	Senator Richard Colbeck (until 25/03/03)
Ms Tanya Plibersek MP (Deputy Chair)	Senator Stephen Conroy (from 05/02/03)
Mr Steven Ciobo MP	Senator John Hogg (until 05/02/03)
Mr John Cobb MP	Senator Claire Moore (until 19/11/02)
Mr Petro Georgiou MP	Senator Andrew Murray
Ms Sharon Grierson MP	Senator Nigel Scullion
Ms Catherine King MP	Senator John Watson
Mr Peter King MP	

**Public Hearings in 2002-2003** **5**

**Private Meetings in 2002-2003** **1**

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**Review of Independent Auditing by Registered Company Auditors**  
**Sectional Committee**  
**40<sup>th</sup> Parliament**

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**Membership**

Mr Bob Charles MP (Chairman)	Senator Andrew Murray
Ms Tanya Plibersek MP (Deputy Chair)	Senator John Watson
Mr Steven Ciobo MP	
Ms Sharon Grierson MP	
Mr Alan Griffin MP	
Mr Peter King MP	
The Hon Alex Somlyay MP	

**Public Hearings in 2002-2003** **2**

**Private Meetings in 2002-2003** **3**

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**Delegation Visit to Thailand sponsored by the Centre for Democratic Institutions,**  
**July 2003**  
**40<sup>th</sup> Parliament**

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**Delegation**

Mr Bob Charles MP (Chairman)	Senator John Hogg
Mr Alan Griffin MP	Senator John Watson
The Hon Alex Somlyay MP	

**Private Meetings in 2002-2003** **2**

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## **Appendix B—Committee Expenses during 2002–2003**

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 Output Group 2 (Committee Services and Parliamentary Relations) in the Department of the House of Representatives.

The Committee's administrative expenses for 2002–2003 in accrual terms were \$70 312. This included expenditure on: advertising; catering; consultants; publishing; 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 \$16 450 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*.