

## Summary of activities during 2004-2005

### **2004 Federal election**

- 2.1 The Committee tabled three reports during 2004-05. Committee activities were curtailed by the dissolution of the 40<sup>th</sup> Parliament on 31 August 2004, and subsequent federal election in October 2004. Parliament resumed on 6 December 2004, and the JCPAA was re-appointed for the 41<sup>st</sup> Parliament. The Committee first met on 8 December 2004. One of its first decisions was to continue two inquiries that had lapsed with the dissolution of the previous Parliament.

### **Retirement of previous Chairman**

- 2.2 The previous Chairman, Mr Bob Charles MP, retired from Parliament at the dissolution of the 40<sup>th</sup> Parliament. Mr Charles had served as Chairman of the JCPAA for eight years, and as a member of Parliament since 1990.
- 2.3 Under Mr Charles' Chairmanship the Committee undertook several major inquiries, including the following reviews: aviation security in Australia; Coastwatch; the Australian Quarantine Inspection Service; the management and integrity of electronic information in the Commonwealth; contract management in the public service; corporate governance and accountability for GBEs; and Australian Government Procurement (to name but a few).
- 2.4 Another long-serving member of the Committee, Mr Petro Georgiou, paid tribute to the chairmanship of Mr Charles in the House of Representatives in August 2004:

Bob is a strong believer that fewer recommendations are better than many, and this is undoubtedly a valid perspective when you see that over 90 per cent of his committee's proposals have been adopted by the government. He has not been afraid to deliver hard-hitting and sometimes unpopular recommendations, on the basis that he would not propose something that was not worth doing. And he has not been averse to using his persuasive powers on ministers to ensure that the committee's recommendations were adopted. Bob has championed financial accountability in government in Australia, and he has assisted the development of public accountability mechanisms overseas. In particular, nations in South Asia have benefited from his assistance and advice.<sup>1</sup>

- 2.5 Mr Charles was the third-longest serving Chairman of the Committee since its inception in 1915.

## **Committee reports 2004-05**

### **Report 401, *Annual Report 2003-2004***

- 2.6 Section 8B of the PAAC Act requires the Committee to table a report on its performance each financial year. *Report 401*, tabled on 11 August 2004, reported on the Committee's activities in the 2003-2004 financial year.

### **Report 402, *Review of Auditor-General's Reports, 2003-2004, First and Second Quarters***

- 2.7 In *Report 402*, the Committee reviewed six of the 24 reports tabled by the ANAO in the first and second quarters of 2003-2004. The six reports were:
- Audit Report No. 1, *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package*;
  - Audit Report No. 4, *Management of the Extension Option Review – Plasma Fractionation Agreement*;
  - Audit Report No. 6, *APRA's Prudential Supervision of Superannuation Entities*;
  - Audit Report No. 11, *Annual Performance Reporting*;

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1 Mr Petro Georgiou MP, *House of Representatives Official Hansard*, 11 August 2004, p. 32764.

- Audit Report No. 21, *Special Employee Entitlements Scheme for Ansett Group Employees (SEESA)*; and
  - Audit Report No. 24, *Agency Management of Special Accounts*.
- 2.8 The Committee's report made seven recommendations, and was tabled on 13 August 2004. The six audit reviews examined the implementation of two industry assistance schemes, a statutory supervisory function, management of a private sector supply contract to government, and two areas of public sector transparency.
- 2.9 Five Executive Minutes were received for this report, agreeing with the Committee's recommendations. The Committee notes that it is still awaiting a response to one recommendation, arising from its review of Audit Report No. 6, *APRA's Prudential Supervision of Superannuation Entities*. This recommendation called for APRA to conduct a review of the effectiveness of new prudential provisions registered under the *Superannuation Industry (Supervision) Act 1993* and implement corrective action targeting funds deemed still to be at high risk due to inadequate capital bases. The Committee will continue to pursue this and other outstanding government responses to its recommendations.

### **Report 403, *Access of Indigenous Australians to Law and Justice Services***

- 2.10 Report 403, *Access of Indigenous Australians to Law and Justice Services*, was tabled in Parliament on 22 June 2005. The Committee's inquiry arose out its review of the ANAO Audit Report No. 13, 2003-04: *ATSIS Law and Justice Program: Aboriginal and Torres Strait Islander Services*. The inquiry was initiated in March 2004 and lapsed with the dissolution of the House of Representatives on 31 August 2004. In December 2004, the Committee of the 41<sup>st</sup> Parliament resolved to adopt an inquiry with the same terms of reference as the previous inquiry, and to accept all submissions and evidence taken in the 40<sup>th</sup> Parliament as evidence to the new inquiry.
- 2.11 The Committee received 44 submissions, 51 exhibits, and other correspondence. The Committee held public hearings in Canberra, Sydney, Darwin, Alice Springs, Dubbo and Perth, and an inspection at Yuendumu (Central Australia) at the invitation and generous hospitality of the local community.
- 2.12 The Committee's report included 17 recommendations aimed at ensuring that indigenous people have the best access to legal resources within available resources. The recommendations called for the Federal Government to:

- extend the Family Violence Prevention Legal Services program for Indigenous men, women and children throughout regional and metropolitan Australia;
  - set clear targets for the type and level of service required from legal service providers in regards to their family, civil and criminal case loadings;
  - improve levels of coordination and cooperation between Indigenous specific and mainstream providers of legal services;
  - implement strategies to combat poor levels of staff retention in Aboriginal and Torres Strait Islander Legal Services (ATSILSs) across Australia; and
  - guarantee future providers of Indigenous-specific legal services respond to the needs of the communities they service by continuing to maintain the current numbers of community paralegal workers already established by ATSILSs in these communities.
- 2.13 As the report was tabled in June 2005, there is no government response to date.

## **Other Committee activities**

### **The operations and resources of the Audit Office**

- 2.14 Section 8 (1) (j) of the PAAC Act requires the Committee to consider draft estimates for the Audit Office. Under the Act, the Committee must make recommendations to both Houses of Parliament and to the Prime Minister on those draft estimates. This is by way of a statement by the Chair to the Parliament on budget day.
- 2.15 In May 2005, the Committee reviewed the ANAO draft budget estimates for 2005-06, and received a briefing from the Audit Office. The Committee heard that total additional funding sought by the ANAO for the period 2005-06 to 2008-9 was \$17.84 million. The increase was attributed mainly to the rising costs of contracting suitably qualified accountants and auditors to conduct financial statement audits, particularly in light of the extra work involved with auditing the Department of Defence. The ANAO also noted the cost increase associated with its lease of premises until 2009.
- 2.16 The Committee was concerned to learn that while the ANAO received additional funding to cover increased contracting costs and additional

work on the Department of Defence accounts, it did not receive \$1 million sought to boost IT audit capability, or an increase to alleviate rising rental costs.

- 2.17 However, the Auditor-General advised the Committee that the ANAO would manage within the allocated budget for 2005-06 without compromising its financial auditing function. In his report to the Parliament on budget day 2005, the Chair reported that the Committee was satisfied that the ANAO had sufficient budget allocation to undertake its responsibilities for 2005-06. However, the Chair expressed concern that the ANAO may have to curtail some of its other activities:

Any reduction ...will be at the expense of the Australian National Audit Office's discretionary products, such as cross-agency better practice guides, business support process audits and performance audits. The committee would be greatly concerned by any such reduction in the Australian National Audit Office's discretionary work. Items such as the better practice guides, which are applicable across the entire Commonwealth public sector, are a cost-efficient method of raising the standard of public administration. For example, my committee's current review of the management of special appropriations has revealed a desperate need for increased awareness of best practice across the Public Service. A decrease in such advice, and an oversight by the Australian National Audit Office for want of adequate funding, would strike the committee as a case of penny-wise and pound-foolish. The same could be said about any reduction in the Australian National Audit Office's highly successful program of around 45 to 50 performance audits annually.<sup>2</sup>

- 2.18 The Chair also urged the Government to consider favourably any proposals from the ANAO to access reserves, or undertake limited borrowings, until its lease on Centenary House expires in 2009. The Committee will discuss this further with the ANAO prior to the Additional Estimates process.

### Retirement of the previous Auditor-General

- 2.19 Early in 2005 the Committee was informed that the then Auditor-General, Mr Pat Barrett AO, intended to retire in May 2005. Mr Barrett was appointed Auditor-General for the Commonwealth of Australia on 2 May 1995 (the end of his term under the *Auditor-General Act 1997*). Prior

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2 Mr Bob Baldwin MP, *House of Representatives Hansard*, 10 May 2005, p. 38.

to his appointment as Auditor-General, he had served in Senior Executive positions in the Australian Public Service since 1972 in a range of departments and authorities and as Chair and/or Member of a number of high level public service committees, including as Trustee on three Commonwealth Superannuation Boards of Trustees.

2.20 Mr Barrett was awarded the insignia of Member of the Order of Australia (AM) for his contribution to public administration in the 1992 Australia Day Honours List. He was awarded the insignia of Officer of the Order of Australia (AO) in the 2003 Queen's Birthday Honours List for service to the promotion of good governance in the public sector.

2.21 The Committee notes that Mr Barrett could be said to be the first truly independent Auditor-General - it was during Mr Barrett's tenure that the *Auditor-General Act 1997* was enacted (following a 1996 report by the Committee), marking a new era for the ANAO. The Act established the Auditor-General as an independent officer of the Parliament; gave him more autonomy over the budget of the ANAO; and gave him a mandate to audit all Commonwealth entities (previously the Auditor could only conduct an audit where a Minister or the JCPAA so requested). In announcing the Committee's endorsement of Mr Barrett's replacement at Auditor-General, the Chairman commented:

During Mr Barrett's time, the Audit Office has proven to be a vital instrument through which government agencies and departments have been held accountable to the parliament.<sup>3</sup>

2.22 The Committee would also like to acknowledge the contribution to the ANAO of Mr Oliver Winder, Deputy Auditor-General, who also retired in May 2005.

### Selection of the new Auditor-General

2.23 As mentioned above, the *Auditor-General Act*, which sets out the Auditor-General's responsibilities, was enacted in 1997. The Act established the Auditor-General as an "independent officer of the Parliament" with a 10-year term, and stipulated that the Audit Minister (currently the Prime Minister), when nominating a new Auditor-General, must not recommend an appointment to the Governor-General unless the proposed recommendation has been approved by the JCPAA.

2.24 Section 8A of the *Public Accounts and Audit Committee Act 1951* provides for the JCPAA to approve or reject the Audit Minister's recommendation for

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3 Mr Bob Baldwin MP, *House of Representatives Hansard*, 10 March 2005, p. 57.

an appointment of the Auditor-General or Independent Auditor. Under the Act, the JCPAA must decide on the Audit Minister's recommendation within 14 days of receiving it, or make a request for more time to consider the proposal. The final deadline for consideration is 44 days after initially receiving the recommendation. If the Committee does not make a decision on a proposal by the required time, the Committee is taken to have approved the proposal.

- 2.25 On 1 March 2005 the Prime Minister wrote to the Chair of the Committee, nominating Mr Ian McPhee as the new Auditor-General. On 7 March 2005 the Committee considered the Prime Minister's nomination, and conducted a telephone interview with Mr McPhee (who was overseas on business for DOFA, his then employer). The Committee unanimously agreed to endorse the nomination of Mr McPhee as Auditor-General and wrote to the Prime Minister accordingly.
- 2.26 On 10 March 2005 the Chair reported to the House of Representatives the Committee's endorsement of the appointment. Senator Watson made a similar report to the Senate.
- 2.27 This was the first occasion since the introduction of the *Auditor-General Act 1997* that the JCPAA has been involved in the selection of an Auditor-General. While the Committee had every confidence in the suitability of Mr McPhee for the position, there were reservations about the late receipt by the Committee of Mr McPhee's nomination, particularly given that Mr Barrett's retirement had been known for some time, and the consequent pressure on the Committee to make an immediate decision on the nomination.
- 2.28 On this point, the Committee is similarly obliged to approve any nomination for the position of Independent Auditor (an external auditor of the Audit Office appointed, on a part-time basis, for a renewable three-year term). The Committee is due to fulfill this role in late 2005. The Committee has written to the Prime Minister indicating that it will require: detailed advice on the process used to call for expressions of interest; the selection criteria for the position; details of all the applicants; and the reasoning behind the selection of the candidate eventually put forward to the Committee.

### **Audit priorities of the Parliament**

- 2.29 Under Section 8 (m) of the PAAC Act, the Committee must determine the audit priorities of the Parliament and advise the Auditor-General on those priorities. In January 2005 the Chairman of the Committee wrote to the chairs of all Parliamentary committees, seeking input on the Parliament's

audit priorities for 2005-06. Following responses from the Committee chairs, the JCPAA advised the ANAO that the Parliament's audit priorities for 2005-06 included:

- managing for quarantine effectiveness;
- a number of issues related to migration procedures;
- protection of critical habitat and listed threatened species;
- administration of the Commonwealth-State Disability Agreement;
- management of Broadcasting Spectrum;
- the health workforce, rural health and indigenous health;
- AQIS's review of the list of plants prohibited from import under the Quarantine Act;
- the National Capital Authority;
- the Industrial Relations Commission;
- experience of Disability Support Pension recipients;
- Australian Pesticides and Veterinary Medicines Authority;
- Biosecurity Australia;
- indigenous legal aid funding; and
- funding of the Office of the Federal Privacy Commissioner.

2.30 In July 2005 the ANAO advised of its response to the Parliament's requests. The ANAO agreed to undertake audits in line with many of the Parliament's requests, or noted that audits already underway or scheduled for 2005-06 would cover the areas of interest. For several of the Parliament's requests the ANAO indicated that it would consider scheduling audits at some time in the future. The ANAO's full response is at Appendix D.

### Annual report guidelines for Commonwealth agencies

2.31 The *Public Service Act 1999* requires that annual reports of Commonwealth agencies be prepared in accordance with guidelines approved on behalf of the Parliament by the JCPAA. These guidelines are known as the *Requirements for Annual Reports*.

2.32 In June 2005 the Committee approved the draft *Requirements for Annual Reports*, which had been provided by the Department of Prime Minister and Cabinet. The Committee was pleased to note that the Requirements

had been amended to incorporate Senate committee recommendations on reporting of consultancies; ANAO recommendations in relation to reporting of performance pay; and an increase in the threshold for reporting of government contracts from \$2000 to \$10,000.

## Speeches and meetings with delegations

2.33 The Committee is keen to disseminate information on its functions, work program, and role in public sector accountability. Accordingly, the Committee, its Chair and Secretariat participate in conferences and symposia discussing public sector accountability, and often make presentations on the Committee and its activities. During 2004-05 and subsequently the Chair and Secretary made the following speeches and presentations:

<i>The growing role of the CFO in the Public Sector</i> (Mr Charles MP, Chairman of the Committee in the 40 <sup>th</sup> Parliament)	Public Sector Reporting Symposium 2004	July 2004
Presentation (Secretariat senior staff)	Institute of Chartered Accountants	July 2004
<i>Links between the JCPAA and the Auditor-General</i> (Secretariat senior staff)	Australian National University overseas students	August 2004
<i>The role of the JCPAA</i> (Committee secretary)	Anti-corruption course	November 2004
<i>The Effect of Performance Indicators on the Public Service</i> (Mr Baldwin MP, Chairman)	Australian Council of Public Accounts Committees Conference	February 2005
<i>The role of the JCPAA</i> (Committee Chairman)	Commonwealth Parliamentary Association workshop on the role of government and oppositions, Fiji	August 2005
<i>The role of the JCPAA</i> (Committee secretary)	Department of Finance and Administration	August 2005

2.34 During 2004-05 the Chair and Committee Secretary and other staff also met with delegations of parliamentary members and officials from the following nations: Asian region; Tanzania and Bangladesh; China; Canada; and Germany.

## ACPAC Conference

2.35 The Australasian Council of Public Accounts Committees (ACPAC) meets biennially, and comprises members and staff of public accounts and audit committees of the Commonwealth, each Australian State and Territory, and the New Zealand, Papua New Guinea and Fiji parliaments.

2.36 The 8<sup>th</sup> Biennial Conference of ACPAC was held in Brisbane in February 2005. Two Committee members, and the Committee Secretary, attended

the conference. The Chair delivered a speech entitled *Effect of Performance Indicators on the Public Sector*.

- 2.37 The Chair volunteered the JCPAA to host the next full ACPAC conference, scheduled for 2007.