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The Parliament of the Commonwealth of Australia

# Report 435

**Review of Auditor-General's Reports  
Nos. 33 (2011–12) to 1 (2012–13)**

Joint Committee of Public Accounts and Audit

November 2012  
Canberra

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## Foreword

The Joint Committee of Public Accounts and Audit (JCPAA), as prescribed by its Act, examines all reports of the Auditor-General, and reports the results of the Committee's deliberations to the Parliament. This report details the findings of the Committee's examination of five performance audits selected for detailed scrutiny from twenty four audit reports presented to Parliament by the Auditor-General between May and August 2012.

In selecting these reports, the Committee considered the issues raised, the significance of the audit findings, the arguments advanced by the audited agencies and the level of potential public interest in each report. In order to maximise the opportunity for scrutiny, the Committee decided to examine three audits by public hearing, and two others through written questions to the responsible agencies.

The findings of the selected audit reports were largely positive, but a range of areas for improvement were also identified.

Firstly, the Committee reviewed an audit on the administration of the National Partnership for Literacy and Numeracy (LNNP) – a program which funds efforts by states and territories to improve literacy and numeracy outcomes for school students, especially those who are falling behind. This audit complemented the Committee's previous work inquiring into National Funding Agreements.

While overall the LNNP appears to be having a positive impact, the evidence presented to the Committee indicated that there was still room for improvement in the design and implementation of future partnership agreements. In particular, future programs would benefit from implementation plans and reform targets being negotiated at the same time as partnership agreements are made; performance data assurance mechanisms being built into agreements; and more time being allowed in agreements for facilitation payments to take effect before

performance is assessed and reward payments made. In general, departments and their Ministers need to be more active in ensuring that the terms of National Partnership agreements are adhered to during their implementation.

Two audits reviewed by the Committee examined programs that had been fast tracked by the Government in their early stages, leading to challenges in their implementation.

The Committee's review of the Health and Hospital Fund's administration sought to clarify aspects of the process used to select projects for funding and to confirm that the ANAO's recommendations were being implemented. The audit found that due to the fast tracking of two rounds of funding, there was insufficient time for the Department of Health and Ageing to develop a clear internal strategy to inform funding priorities, leading to a reliance on states to identify their own infrastructure gaps and needs. Another particular concern was the finding that the department did not advise the Health Minister on the relative merits of the projects submitted for potential funding, an issue the Committee has raised when reviewing previous audit reports. Disappointingly, the Department of Health and Ageing's response to the Committee's questions did very little to shed light on these matters. This lack of transparency and responsiveness to Parliament can serve to reduce confidence in the quality of decisions.

The ANAO's audit of the Renewable Energy Demonstration Program (REDP) revealed that the quality of the Department of Renewable Energy, Resources and Tourism's administration was negatively impacted by a Government decision to fast track funding. Compressed timeframes contributed to lower quality grant applications and inadequate documentation by the department of decisions around project selection and probity. It appears that the accelerated demands placed on the department were the major cause of the administration shortcomings – particularly given the REDP was the then new department's first major program. Moreover, the decision to bring forward the program appears to have produced little of the espoused benefits in terms of creating jobs, stimulating the economy and 'turbo-charging' investment in renewable energy technologies.

As these two fast-tracked programs highlight, when making decisions on program implementation the Government needs to give more consideration to the capacity of agencies to manage large and complex projects in compressed timeframes while still complying with administrative requirements.

A fourth audit reviewed by the Committee dealt with the important issue of quarantine in Northern Australia. The report contained mostly positive findings, pointing to effective risk-based management of the program by the Department of Agriculture, Fisheries and Forestry. However, the report's findings highlighted a



need for better data management systems to be employed. The department could also make better use of its existing data to inform its management decisions.

Finally, following up earlier work of the JCPAA, the Committee examined an audit of Customs' processing and risk assessing of incoming international passengers at Australia's airports – activities at the front line of Australia's national security efforts. In its review, the Committee focused its attention on the automated SmartGate clearance system, which has been rolled out at airports around Australia. The audit findings suggested a more strategic approach was needed to increase SmartGate usage and to help address a gap between the planned and achieved efficiency gains from the system. The Committee heard about recent efforts by Customs to improve SmartGate clearance rates, and noted that there were encouraging signs of progress in the most recent data.

In closing, I would like to sincerely thank the Committee members and agency representatives who appeared at public hearings for their cooperative approach to the Committee's important task of scrutinising the spending of public money. I would also like to remind agencies of the importance of providing full and complete information to parliament when asked to do so. Written questions from parliamentary committees should not be seen as an inconvenience, but rather as a necessary and important obligation that gives departments an opportunity to provide additional context behind their efforts. My hope is that closer engagement with the Committee will, over time, lead to sustained improvement to the way government agencies do their business.

Rob Oakeshott MP  
Chair





## Membership of the Committee

**Chair** Mr Robert Oakeshott MP

**Deputy Chair** Ms Yvette D'Ath MP

**Members** Hon Dick Adams MP

Mr Jamie Briggs MP

Ms Gai Brodtmann MP

Mr Darren Cheeseman MP

Mr Josh Frydenberg MP

Ms Deborah O'Neill MP

Ms Laura Smyth MP

Hon Alex Somlyay MP

Senator Mark Bishop

Senator Helen Kroger (30/09/10-13/09/12)

Senator Louise Pratt

Senator Anne Ruston (from 13/09/12)

Senator Dean Smith

Senator Matt Thistlethwaite

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## List of abbreviations

ACER	Australian Council for Educational Research
ACRE	Australian Centre for Renewable Energy
ANAO	Australian National Audit Office
ARENA	Australian Renewable Energy Agency
BioSIRT	Biosecurity Surveillance, Incident, Response and Tracing software application
CGGs	Commonwealth Grant Guidelines
COAG	Council of Australian Governments
CRC	COAG Reform Council
DAFF	Department of Agriculture, Fisheries and Forestry
DEEWR	Department of Education, Employment and Workplace Relations
DIAC	Department of Immigration and Citizenship
DoHA	Department of Health and Ageing
ECP	Entry Control Point
HHF	Health and Hospitals Fund
IGA FFR	Intergovernmental Agreement on Federal Financial Relations
IT	Information Technology

JCPAA	Joint Committee of Public Accounts and Audit
KPIs	Key Performance Indicators
LNNP	National Partnership Agreement on Literacy and Numeracy
NAQS	Northern Australia Quarantine Strategy
NAPLAN	National Assessment Program - Literacy and Numeracy
REC	Renewable Energy Committee
REDP	Renewable Energy Demonstration Program
RET	Department of Resources, Energy and Tourism



## List of recommendations

### 2 National Partnership Agreement on Literacy and Numeracy

#### Recommendation 1

That the Department of Education, Employment and Workplace Relations report to the Committee within six months on the progress of its implementation of the Auditor-General's Recommendation 2 regarding the development of a longer term evaluation strategy for the National Partnership Agreement on Literacy and Numeracy.

#### Recommendation 2

That, in order to help ensure the expectations of future National Partnerships are met, the Department of Education, Employment and Workplace Relations work with states and territories to develop implementation plans and reform targets at the same time as any new National Partnership agreements are developed, in accordance with advice from the Treasury.

#### Recommendation 3

That where state and territory co-investment obligations are included in the terms of current National Partnership agreements, the Department of Education, Employment and Workplace Relations take responsibility for monitoring these investments and assessing them before payments are made, even if this requires negotiating more visibility of state and territory data.

#### **Recommendation 4**

That when negotiating National Partnership agreements, the Department of Education, Employment and Workplace Relations seek external advice, potentially from the Auditor-General, on the monitoring and assurance mechanisms that should be incorporated to enable verification of performance data provided by states and territories.

#### **Recommendation 5**

That the Department of Education, Employment and Workplace Relations and the Minister for School Education ensure that sufficient time is allowed in future National Partnership agreements for facilitation payments to take effect before measuring the performance of states and territories against reform targets and making reward payments.

### **3 Administration of the Health and Hospitals Fund**

#### **Recommendation 6**

That the Department of Health and Ageing identify and action ways to apply the lessons of ANAO Recommendation 1 to its standard practices and procedures for all current and future grants programs.

#### **Recommendation 7**

That, within 6 months, the Department of Health and Ageing provide the Committee with an update on the progress of its evaluation of the Health and Hospitals Fund. The update should include how the department's evaluation framework has incorporated ANAO Recommendation 3, and any preliminary findings of the evaluation.

### **4 Administration of the Northern Australia Quarantine Strategy**

#### **Recommendation 8**

That, using information currently available, the Department of Agriculture, Fisheries and Forestry calculate and maintain inspection and seizure rates of quarantine material for areas covered by the Northern Australia Quarantine Strategy zone, and use this information to inform management decisions regarding border operations.



#### Recommendation 9

That the Department of Agriculture, Fisheries and Forestry ensure that support for Northern Australia Quarantine Strategy activities is a high priority during the continuing development of the BioSIRT database in order to address the deficiencies identified by the Australian National Audit Office and in the Joint Committee of Public Accounts and Audit's review.

### 5 Processing and Risk Assessing Incoming International Air Passengers

#### Recommendation 10

That, within six months of the tabling of this report, the Australian Customs and Border Protection Service provide the Committee with an update on its progress in developing and implementing a strategic plan for SmartGate. The response should include:

- an overview of measures introduced as part of the plan to improve SmartGate clearance numbers;
- the latest figures on the number and percentage of eligible passengers clearing through SmartGate; and
- how the year to date figures compare with the presentation and clearance targets identified in the 2012–13 Portfolio Budget Statements.

