
The Parliament of the Commonwealth of Australia

Report 402

**Review of Auditor-General's Reports 2003-2004
First and Second Quarters**

Joint Committee of Public Accounts and Audit

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Foreword

Report 402 records the findings of the Committee's examination of six Australian National Audit Office (ANAO) performance audits selected for review by public hearing from a total of 24 reports presented by ANAO to the Presiding Officers during the first and second quarters of 2003-2004.

The reports examined were:

Audit Report No. 1, 2003-2004, Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package; Audit Report No. 4, 2003-2004 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; Audit Report No. 21 Special Employee Entitlements Scheme for Ansett Group Employees (SEESA); and Audit Report No. 24, Agency Management of Special Accounts.

In addition to reviewing these reports, the Committee has committed to a full examination of Audit Report No. 13, 2003-2004, *ATSIS Law and Justice Program*. Several public hearings across Australia have been held to review Indigenous law and justice issues. This work is ongoing so no further reference will be made to it here.

The six audit reviews in Report 402 examined respectively, the implementation of two industry assistance schemes, a statutory supervisory function, management of a private sector supply contract to government, and the audits of two areas of public sector transparency.

The Committee found that the overall efficiency of the delivery to rural communities of the AAA package — FarmBis II, Farm Help, and Farm Management Deposits (FMD) — had improved since ANAO's audit. The lead agency the Department of Agriculture, Fisheries and Forestry (AFFA) had responded to the audit by reducing FarmBis II expenses and correcting Farm Help

Performance issues. The Farm Management Deposits scheme is now operating well. The Committee found, however, that AFFA needs to recast the FMD scheme KPIs in realistic terms because they are set far too low to provide a useful reference point for judging performance.

The Special Employment Entitlements Scheme for Ansett Group Employees (SEESA) was the second industry assistance scheme examined. Shortly after the collapse of various Ansett companies in September 2001, the Government established a special entitlements scheme for eligible employees who had been stood down. The Committee found that, in most regards, the agencies involved (Department of Employment and Workplace Relations (DEWR), and Department of Transport and Regional Services) had quickly and effectively responded to the requirement to collect and distribute the assessed entitlements.

The scheme structure, however, had generated an unintended income taxation problem.

The Committee recommended that The Treasury and DEWR jointly resolve the taxation problem. This should restore the integrity of the SEESA model for possible future use in the delivery of early payments of assessed employee entitlements in the case of employer insolvency.

Two ANAO audits relating to public sector supervisory performance – the blood plasma supply contract and the supervision of certain superannuation funds - were reviewed.

The Committee was disappointed by the lackadaisical approach shown by the Department of Health and Ageing (Health) to resolving the Government's position on the Blood Plasma Fractionation Agreement extension option. Health exhibited a history of disregard for advice by ANAO and indeed, the Committee itself, to expedite the task of assessing the extension option. Further, when Health did get on with the task, it did not comply with Department of Finance and Administration guidelines.

The Committee believed that Health needed to put some extra effort into developing staff skills in competitive tendering and contracting. Those staff involved in contract management must comply with the Commonwealth Procurement Guidelines and circulars, especially with regard to value-for-money.

The Committee reviewed the performance audit by ANAO of the Australian Prudential Regulation Authority (APRA) and its supervision of funds under the *Superannuation Industry (Supervision) Act 1993*. The Committee found that, generally, APRA restructuring and its subsequent responses to the audit covered the issues identified by ANAO for attention. The Committee identified two issues requiring further clarification – taxation return lodgement and capital adequacy - and recommended attention by Australian Taxation Office and APRA respectively.

Annual performance reporting is a fundamental mechanism to achieve public sector accountability. The Committee was pleased to note that there has been a ready acceptance by agencies of the ANAO's Better Practice Guide for annual reporting. The Committee noted that agencies eagerly report achievements, but it wants reporting on unmet targets to be given equal attention.

Cost-benefit analysis is a technique that is sparingly used by agencies and the Committee felt that agencies should usefully adopt the technique in overall performance evaluations.

With regard to Special Accounts, the Committee found that agencies have a long way to go in managing special accounts adequately. The ANAO audit found widespread mismanagement by agencies of their special accounts with some very big dollar amounts involved, of magnitudes the Committee found breathtaking.

There was no suggestion of fraudulent behaviour, but management could have been tighter. In this regard the Committee concluded that agencies generally require more guidance from the Department of Finance and Administration to raise the level of agency accuracy, accountability, attention-to-detail and adoption of appropriate Special Account management standards.

Bob Charles MP
Chairman



Membership of the Committee

40th Parliament

Chairman Mr Bob Charles MP

Deputy Chair Ms Tanya Plibersek MP

Members	Senator Richard Colbeck (from 14 February 2002 to 25 March 2003)	Mr Steven Ciobo MP
	Senator Stephen Conroy (from 5 February 2003 to 10 September 2003)	Mr John Cobb MP
	Senator John Hogg (to 5 February 2003 and from 10 September 2003)	Mr Petro Georgiou MP
	Senator Gary Humphries (from 25 March 2004)	Mr Alan Griffin MP
	Senator Kate Lundy (from 19 November 2002 to 1 April 2004)	Ms Sharon Grierson MP
	Senator Claire Moore (from 1 July 2002 to 19 November 2002 and from 1 April 2004)	Ms Catherine King MP
	Senator Andrew Murray	Mr Peter King MP
	Senator Nigel Scullion	The Hon Alex Somlyay MP
	Senator John Watson	

Membership of the Sectional Committee

Chair Mr Bob Charles MP

Deputy Chair Ms Tanya Plibersek MP

Members Senator Gary Humphries (1st Quarter) Mr Steven Ciobo MP (1st Quarter)

Senator Andrew Murray (2nd Quarter) Ms Sharon Grierson MP

Senator John Watson Ms Catherine King MP

Mr Peter King MP (2nd Quarter)

Committee Secretariat

Secretary Mr James Catchpole

Inquiry Secretary Mr Frederick Cook

Research Officers Mr Alex Stock

Mr Paul Shepherd

Administrative Officers Ms Maria Miniutti

Ms Jessica Butler



List of abbreviations

AAA	Agriculture—Advancing Australia
ABS	Australian Bureau of Statistics
Administrator	A person appointed personally to take charge of the affairs of a company in place of the Board of Directors.
AFFA	Department of Agriculture, Fisheries and Forestry—Australia
AGS	Office of the Australian Government Solicitor
Air Passenger Ticket Levy	A levy that applied to the purchase of air passenger tickets from 1 October 2001 to 30 June 2003.
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
ASIC	Australian Securities and Investments Commission. ASIC has responsibility for administration of the insolvency provisions of the <i>Corporations Act 2001</i> .
ATO	Australian Taxation Office
Bentleys MRI Sydney Pty Ltd	A Sydney-based private firm of chartered accountants providing accounting and related services.
<i>Better practice guide</i>	ANAO Better Practice Guide: <i>Better Practice in Annual Performance Reporting</i>

Blood Review	<i>Review of Australian Blood Banking and Plasma Product Sector</i> (also known as the Stephen Review)
BODT	Blood and Organ Donation Taskforce
CBA	Commonwealth Bank of Australia
CEI	Chief Executive's Instructions
CIOF	Certificate of Inability to Obtain Finance
Committee	The Joint Committee of Public Accounts and Audit
CPG	Commonwealth Procurement Guidelines
CRF	Consolidated Revenue Fund
CSL	CSL Limited
Customs	Australian Customs Service
DCITA	Department of Communications, Information Technology and the Arts
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DID	APRA's Diversified Institutions Division
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DOTARS	Department of Transport and Regional Services
EESS	Employee Entitlements Support Scheme
Executive Group	An executive of three APRA members appointed by the Treasurer.
Farm Help	Farm Help Supporting Families Through Change program
FarmBis II	FarmBis—Skilling Farmers for the Future program – second generation program
FHS Act	<i>Farm Household Support Act 1992</i>
Finance	Department of Finance and Administration
Finance Minister	Minister for Finance and Administration, referred to as the Finance Minister in the FMA Act
FMA Act	<i>Financial Management and Accountability Act 1997</i>

FMA Regulations	<i>Financial Management and Accountability Regulations 1997</i>
FMD	Farm Management Deposits
GST	Goods and Services Tax
Health	Department of Health and Ageing
Health Minister	Minister for Health and Ageing, referred to as the Health Minister in the FMA Act
ICT	Information and Communication Technology
Insolvency	Situation where an individual or a business is unable to pay debts as and when they fall due for payment.
JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key Performance Indicator
McColl Review	A broad ranging view of the Rural Adjustment Scheme undertaken in 1996
MOU	Memorandum of Understanding
NBA	National Blood Authority
NHT	Natural Heritage Trust of Australia
NHT Act	<i>Natural Heritage Trust of Australia Act 1997</i>
OECD	Organisation for Economic Co-operation and Development
PAIRS	APRA's Probability And Impact Rating System for regulated financial entities
PBS	Portfolio Budget Statements
PFA	Plasma Fractionation Agreement
PM&C	Department of Prime Minister and Cabinet
PSA	<i>Public Service Act 1999</i>
SAF	Small APRA Fund
SEES Pty Ltd	A company established by Bentleys MRI, Sydney, to undertake work under contract for DEWR to implement SEESA.
SEESA	Special Employee Entitlements Scheme for Ansett group employees

SEESA Deed	A deed of agreement between the Government and the Ansett Administrators
SID	APRA's Specialised Institutions Division
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SOARS	APRA's Supervisory Oversight And Response System for regulated financial entities
Steering Committee	Steering Committee for the Future of Plasma Fractionation and Diagnostic Products Arrangements
Stephen Review	<i>Review of Australian Blood Banking and Plasma Product Sector</i> (also known as the Blood review)
Treasury	Department of the Treasury



List of recommendations

2 Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package

Recommendation 1

The Department of Agriculture, Fisheries and Forestry–Australia assemble a rigorous set of Key Performance Indicators for the Farm Management Deposits scheme that consist of credible administrative performance targets.

3 Management of the Extension Option Review - Plasma Fractionation Agreement

Recommendation 2

The Department of Health and Ageing develop staff skills and understanding of the guidelines relating to Competitive Tendering and Contracting set down by the Department of Finance and Administration.

The National Blood Authority take account of the Commonwealth Procurement Guidelines.

Recommendation 3

The Secretary of the Department of Health and Ageing ensure that improvements occur in contract management, and that contract management staff comply with the Commonwealth's Procurement Guidelines and circulars as well as any related Chief Executive's Instructions.

4 APRA's Prudential Supervision of Superannuation Entities

Recommendation 4

The Australian Taxation Office review those superannuation funds that have switched from Australian Prudential Regulation Authority supervision to Australian Taxation Office supervision, to ensure that all have lodged taxation returns appropriately.

Recommendation 5

The Australian Prudential Regulation Authority conduct a review of the effectiveness of the new prudential provisions with respect to capital adequacy of superannuation funds 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.

6 Special Employee Entitlements Scheme for Ansett Group Employees (SEESA)

Recommendation 6

The Department of the Treasury, in conjunction with the Department of Employment and Workplace Relations, resolve the income tax uncertainty experienced by the private sector administrator of the Special Employee Entitlements Scheme for Ansett Group Employees (SEESA) prior to any future use of the SEESA model.

7 Agency Management of Special Accounts

Recommendation 7

The Department of Finance and Administration raise the level of agency accountability for their Special Accounts by developing appropriate Special Account management standards to complement the *Finance Guidelines for the Management of Special Accounts*.

For each Special Account they administer, agencies be required to report annually to the Department of Finance and Administration that they have complied with these standards.