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The Parliament of the Commonwealth of Australia

# Report 408

Annual Report 2005-2006

Joint Committee of Public Accounts and Audit

October 2006  
Canberra

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# Contents

Foreword ..... v

Membership of the Committee .....ix

**1 JCPAA Purpose, Objectives and Methods of Operation..... 1**

**Introduction ..... 1**

**Committee duties ..... 1**

        Examining the financial affairs of Commonwealth authorities ..... 2

        Reviewing reports of the Auditor-General ..... 2

        Considering the operations and resources of the Audit Office ..... 2

        Improving public awareness of Committee activities ..... 3

**How the Committee operates ..... 3**

        Conduct of inquiries ..... 3

        Responses by Government to JCPAA reports ..... 4

        The Committee secretariat ..... 5

**2 Summary of activities during 2005-2006..... 7**

    Committee membership ..... 7

    Committee reports 2005-06 ..... 8

    Other Committee activities ..... 10

3	Work in Progress.....	17
	Developments in aviation security .....	17
	Inquiry into certain taxation matters .....	17
	Financial reporting and equipment acquisition in Defence.....	18
	Reviews of Auditor-General's reports.....	19
	Appendix A — Committee membership and meetings in 2005-2006 .....	21
	Appendix B — Committee expenses during 2005-2006 .....	25
	Appendix C — Responses to Committee Recommendations Received in 2005-2006 .....	27



## Foreword

I am pleased to present the 2005-2006 annual report of the Joint Committee of Public Accounts and Audit, pursuant to section 8B of the *Public Accounts and Audit Committee Act 1951* (PAAC Act). 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 report is an important accountability mechanism by which Parliament, and through it the public, can assess the Committee's performance.

In general terms, the duties of the JCPAA are to:

- examine the financial affairs of authorities of the Commonwealth, and 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 Prime Minister's 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.

During 2005-06 the Committee has fulfilled each of these responsibilities.

### Major Committee Inquiries

Unlike most other Committees, the JCPAA can initiate its own policy inquiries without permission or reference to any Minister, government or the Parliament. Each year the Committee undertakes at least one major inquiry on a topic it believes requires detailed Parliamentary scrutiny. During 2005-06 the Committee has undertaken three major inquiries.

In May 2005 the Committee resolved to review the developments in aviation security in Australia since its Report 400: *Aviation Security in Australia*, which was tabled in June 2004.

In November 2005 the Committee tabled *Report 406: Developments in Aviation Security since the Committee's June 2004 Report 400: Review of Aviation Security in Australia – An Interim Report*. The Interim Report builds on recommendations made in *An Independent Review of Airport Security and Policing for the Australian Government* by the Rt Hon Sir John Wheeler DL, which was released in September 2005.

The Committee received 81 submissions and undertook public hearings and inspections in Canberra, Sydney, Brisbane, Cairns, Darwin, Adelaide, Perth, Melbourne, Geraldton, Kalbarri, Carnarvon, Newman, Derby and Broome. The Committee has now concluded taking evidence for the inquiry and will deliver its final report in the near future.

In December 2005 the Committee resolved to inquire into a range of taxation matters. At September 2006 the inquiry had received 56 submissions and taken evidence at public hearings in Canberra, Sydney, Launceston and Melbourne. The Committee expects to report in the first half of 2007.

In March 2006 the Committee resolved to review the financial reporting and equipment acquisition of both the Department of Defence and Defence Materiel Organisation. At September 2006 the inquiry had received five submissions and conducted two public hearings in Canberra.

#### Consideration of Audit Reports

The Committee has continued a very full schedule fulfilling its responsibility to review Auditor-General's reports during 2005-06.

*Report 407: Review of Auditor-General's Reports tabled between 18 January and 18 April 2005* was tabled in August 2006. The report contains the Committee's findings and recommendations following three public hearings into five Auditor's reports. The reports were selected for special consideration from the 21 Auditor-General reports that came before the Committee during the period.

The Committee has concluded taking evidence on 16 Auditor's reports that it selected from the 59 reports it considered, which were tabled between 17 May 2005 and 16 March 2006. The Committee took evidence on the selected reports at eight public hearings. The Committee will table its considerations and recommendations on the selected reports in the near future.

#### Consider the operations and resources of the Audit Office

In May 2006, the Committee reviewed the ANAO draft budget estimates for 2006-07, and received a briefing from the Audit Office. The Auditor-General advised the Committee that the ANAO would manage within the allocated budget for 2006-07 without compromising its financial auditing function.

In my report to the Parliament on budget day 2006, I stated that the Committee was satisfied that the ANAO had sufficient budget allocation to undertake its responsibilities for 2006-07. However, the Committee notes the Auditor-General's concern at the pressures placed on his budget by the escalating costs for audit staff, and will keep this matter under review.

#### Increase Parliamentary and public awareness

The Committee, myself as Chair, and the secretariat have met with a number of parliamentary delegations, and made presentations to various groups of people, to promote the work of the Committee and the importance of the financial and public accountability framework.

With Mrs Bishop MP and the Secretary, I attended the Australasian Conference of Public Accounts Committee's mid-term meeting in Alice Springs from 26-28 April 2006. The main purpose of the meeting was to agree on an agenda for the next biennial ACPAC conference, to be hosted by the Committee in Canberra in April 2007.

#### Approve the appointment of the Independent Auditor

Section 8A of the PAAC Act provides for the JCPAA to approve or reject the Audit Minister's, currently the Prime Minister, recommendation for an appointment of the Auditor-General or Independent Auditor.

On 29 March 2006 the Committee unanimously agreed to endorse the nomination of Mr Geoff Wilson as Independent Auditor and wrote to the Prime Minister accordingly.

On behalf of the Committee, I thank the previous Independent Auditor, Mr Michael Coleman, whose term expired on 30 November 2005 for his oversight of the Audit Office through two terms as Independent Auditor.

I would also like to express our appreciation at the high quality of support that the Auditor-General and his staff have provided to the Committee in relation to our inquiries into audits conducted by the Australian National Audit Office.

Finally, I wish to thank my colleagues on the Committee for their hard work and commitment to the Committee during the year. On behalf of the Committee I also thank my predecessor, the Hon Bob Baldwin MP, who served as Chair from the start of the Parliament until his appointment as Parliamentary Secretary to the Minister for Industry, Tourism and Resources in February 2006.

Mr Tony Smith MP  
Chair

## **Joint Committee of Public Accounts and Audit – October 2006**

**Front row (l to r):** Mr Andrew Laming MP; Senator Fiona Nash; Senator John Hogg; Mr Tony Smith MP (Committee Chair); Ms Sharon Grierson MP (Deputy Chair); Senator John Watson; The Hon Bronwyn Bishop MP.

**Back Row (l to r):** Mr Lindsay Tanner MP; Senator Gary Humphries; Senator Andrew Murray; The Hon Jackie Kelly MP; Dr Craig Emerson MP; Mr Russell Broadbent MP; Mr Russell Chafer (Committee Secretary).

**Insert:** Dr Dennis Jensen MP; Ms Catherine King MP; Senator Mark Bishop.





## Membership of the Committee

Chair Mr Tony Smith MP (from 9/2/2006)

Mr Bob Baldwin MP (to 7/2/2006)

Deputy Chair Ms Sharon Grierson MP

Members	Senator Mark Bishop (from 10/5/2006)	Hon. Bronwyn Bishop MP (from 16/8/2005)
	Senator John Hogg	Mr Russell Broadbent MP
	Senator Gary Humphries	Ms Anna Burke MP (to 14/9/2005)
	Senator Claire Moore (to 10/5/2006)	Dr Craig Emerson MP (from 14/9/2005)
	Senator Andrew Murray	Dr Dennis Jensen MP (from 30/5/2006)
	Senator Fiona Nash (from 16/8/2005)	Hon. Jackie Kelly MP
	Senator Nigel Scullion (to 16/8/2005)	Ms Catherine King MP
	Senator John Watson	Mr Andrew Laming MP
		Hon. Alex Somlyay MP (to 16/8/2005)
		Mr Lindsay Tanner MP
		Mr Ken Ticehurst MP (to 30/5/2006)

## Committee Secretariat

Secretary	Mr Russell Chafer
Inquiry Secretaries	Ms Susan Cardell
	Ms Bronwen Jagers
	Ms Julia Searle
	Dr Glenn Worthington
Research Officers	Ms Peggy Danaee
	Ms Katie Ellis
Administrative Officers	Ms Penne Humphries
	Ms Frances Wilson
ANAO Secondees 2005-06	Ms Janna Gilbert
	Ms Natalie Whitely



# 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.<sup>1</sup> Its members are drawn from both the House of Representatives and the Senate.

## Committee 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;

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1 The PAAC Act can be viewed at: <http://www.aph.gov.au/house/committee/jpaa/act.pdf>.

- consider the operations and resources of the Audit Office;<sup>2</sup>
- approve or reject the Prime Minister's 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. This power allows the Committee to essentially set its own work program – a power unique amongst parliamentary committees – and gives it a high degree of autonomy from the executive government.

## 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 To facilitate the review process, the JCPAA receives a briefing from the ANAO on all Audit Reports, and then selects reports which raise significant accountability issues for further examination. Witnesses from the ANAO and officials from each audited agency are examined at public hearings, allowing the JCPAA to give immediate attention to recommendations of the Auditor-General, question agencies about their implementation of the recommendations, and to further scrutinise any other matters raised in the audit report in a public forum. This process enables the Committee to make timely reports to Parliament on what further action, if any, needs to be taken by agencies under review to protect the interests of the Commonwealth.

## Considering the operations and resources of the Audit Office

- 1.6 In its role as the Audit Committee of the Parliament, the JCPAA has a number of responsibilities concerning the Audit Office. Under section

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2 The Australian National Audit Office (ANAO) is referred to as the Audit Office in the PAAC Act.

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. The JCPAA 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.

- 1.7 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* (the Prime Minister).
- 1.8 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

- 1.9 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 and Government responses to any recommendations contained in those reports are published on the Internet. The Committee's web site address is:  
[www.aph.gov.au/house/committee/jpaa/index.htm](http://www.aph.gov.au/house/committee/jpaa/index.htm).
- 1.10 In addition, members of the public can send submissions and requests for information electronically to: [jcpa@aph.gov.au](mailto:jcpa@aph.gov.au).

## How the Committee operates

### Conduct of inquiries

- 1.11 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 vast 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.

- 1.12 While the Committee can receive confidential submissions and take evidence in camera, the Committee prefers to take as much evidence as possible in public.
- 1.13 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

- 1.14 In all cases, the Chair 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 agency or agencies for attention. The agencies then determine whether the recommendations involve matters of Government 'policy' or whether they are of an administrative nature.
- 1.15 JCPAA recommendations that involve policy are responded to directly by the responsible Ministers. The Government has given a commitment to provide such responses within three months of the date of tabling the report.
- 1.16 Responsible agencies respond individually to recommendations of an administrative nature in the form of an Executive Minute. Executive Minutes are expected to be provided to the JCPAA through the relevant Minister or agency head within six months of the tabling of the report. Government responses and Executive Minutes are authorised for publication on the Committee's website as soon as practicable after they are received and, from this year, are tabled in the parliament in conjunction with the Committee's Annual Report. If the Committee is not satisfied with the contents of an Executive Minute, it may seek additional information by correspondence or call officials to a meeting.
- 1.17 Government responses and Executive Minutes are published on the Committee's internet site.

## The Committee secretariat

- 1.18 The Committee is supported by a full time secretariat employed by the Department of the House of Representatives. Additional advice relating to particular inquiries is obtained from appropriate officers of the Australian Public Service, notably from the Department of Finance and Administration (DOFA), and from the 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. Information on the Committee's expenses for 2005-06 is at Appendix B.





## Summary of activities during 2005-2006

### **Committee membership**

- 2.1 On 7 February 2006 the Chair of the Committee, the Hon Bob Baldwin MP, was discharged from the Committee following his appointment as Parliamentary Secretary to the Minister for Industry, Tourism and Resources. Mr Tony Smith MP was subsequently nominated to replace Mr Baldwin as a member of the Committee.
- 2.2 On 9 February 2006 Mr Smith was elected unopposed to the Chair of the Committee.
- 2.3 The following members of the Committee over the financial year were also discharged: former Committee Chair, the Hon. Alex Somlyay MP, Senator Nigel Scullion, Ms Anna Burke MP, Senator Claire Moore and Mr Ken Ticehurst MP. The following members were nominated in their each of their respective places: the Hon. Bronwyn Bishop MP, Senator Fiona Nash, Dr Craig Emerson MP, Senator Mark Bishop and Dr Dennis Jensen MP.

## Committee reports 2005-06

### Report 404, *Review of Auditor-General's Reports, 2003-2004, Third and Fourth Quarters; and First and Second Quarters of 2004-05*

- 2.4 At its first meeting following the 2004 federal election, the Committee resolved to complete a review of three ANAO reports begun in the previous Parliament, and also to undertake a program reviewing a further eight Audit Reports, selected from the 37 ANAO reports that had been presented to Parliament in the previous few months.
- 2.5 The 11 reports were:
- Audit Report No. 25, 2003–04: Intellectual Property Policies and Practices in Commonwealth Agencies;
  - Audit Report No. 34, 2003–04: The Administration of Major Programs, Australian Greenhouse Office;
  - Audit Report No. 36, 2003–04: The Commonwealth's Administration of the Dairy Industry Adjustment Package, Department of Agriculture, Fisheries and Forestry, Dairy Adjustment Authority;
  - Audit Report No. 46, 2003-04: Client Service in the Family Court of Australia and the Federal Magistrate's Court;
  - Audit Report No. 50, 2003-04: Management of Federal Airport Leases;
  - Audit Report No. 4, 2004-05: Management of Customer Debt (Centrelink);
  - Audit Report No. 5, 2004-05: Management of Standard Defence Supply System Upgrade;
  - Audit Report No. 21, 2004-05: Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2004;
  - Audit Report No. 15, 2004-05: Financial Management of Special Appropriations;
  - Audit Report No. 16, 2004-05: Container Examination Facilities (Australian Customs Service); and
  - Audit Report No. 18, 2004-05: Regulation of Non-prescription Medicinal Product.
- 2.6 Report 404 was tabled on 7 November 2005 and made 42 recommendations. The 11 audit reviews considered issues such as

grants administration; customer service; regulatory functions; management of assets; contract management; and program implementation.

- 2.7 As of July 2006 nine Executive Minutes had been received for this report, agreeing with 29 of the Committee's recommendations.
- 2.8 The Committee notes that it is still awaiting a response to three recommendations, arising from its review of Audit Reports Nos. 34 and 15.
- 2.9 The Committee will continue to pursue outstanding government responses to its recommendations.

#### **Report 405, *Annual Report 2004-2005***

- 2.10 Section 8B of the PAAC Act requires the Committee to table a report on its performance each financial year. *Report 405*, tabled on 28 November 2005, reported on the Committee's activities in the 2004-2005 financial year.

#### **Report 406, *Developments in Aviation Security since the Committee's June 2004 Report 400: Review of Aviation Security in Australia – An Interim Report***

- 2.11 On 7 December 2005 the Committee tabled a brief interim report containing nine recommendations arising from evidence it had gathered to date on its further inquiry into aviation security in Australia.
- 2.12 On 21 September the Prime Minister and Minister for Transport and Regional Services released *An Independent Review of Airport Security and Policing for the Government of Australia* by the Rt Hon Sir John Wheeler and announced the Government's in principle acceptance of its recommendations.
- 2.13 Report 406 identified two areas of aviation security that were the subject of recommendations made by the Wheeler Review where specific requirements should be put forward:
- the proposed review of the *Aviation Transport Security Act 2004* (ATSA) and *Regulations 2005* (ATSR); and
  - the proposed changes to the background checking processes of application for Aviation Security Identification Cards (ASICs).
- 2.14 In February 2006 the Deputy Secretary of the Department of Transport and Regional Services wrote to the Committee providing an update of

the Government's review of ATSA and ATSR and arrangements relating to the issuing of ASICs.

## Other Committee activities

### The operations and resources of the Audit Office

- 2.15 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.
- 2.16 In May 2006, the Committee reviewed the ANAO draft budget estimates for 2006-07, and received a briefing from the Audit Office.
- 2.17 The Auditor-General identified three priority areas for which he had sought additional funding from 2006-07:
- \$2.8 million over four years for the adoption of Australian equivalents to international reporting standards and financial statement audit of the Future Fund Management Agency;
  - \$650,000 over two years for audit of financial statements of the Department of Defence; and
  - \$3.57 million over four years and \$962,000 per annum on-going for an annual audit report of major defence projects.
- 2.18 The Committee noted that the Audit Office did not receive approval for funding of an annual report on progress in major defence projects. The proposal was similarly not approved in last year's budget. In his report to the Parliament on budget day 2005, the Chair stated:
- The Committee has in recent years devoted considerable attention to the Auditor-General's reports on individual defence projects. We believe that funding the Audit Office to produce an annual audit on progress with such projects could well deliver significant benefits for both the department of defence and the Australian taxpayer. Such a report would also be in line with developments in the United Kingdom and the United States. We will assess this issue further during our current inquiry into financial reporting and equipment acquisition at the Department of Defence and in

that light may make recommendations to the parliament at a later date.<sup>1</sup>

2.19 The Chair also noted that:

the increasing requirements of auditing standards and the need to be competitive in the accounting and auditing labour market are exerting sustained cost pressures which flow through to the Audit Office's budget for 2006-07 and the out years. The cost of audit contractors has also increased, adding to the budget pressures. While the Audit Office has used contractors for many years to assist with the larger commercial audits and to manage peak workloads, the Auditor-General informed the committee that he is also using contractors for government agency work due to staff shortages. In the light of these developments, the Auditor-General has indicated that he will be reviewing his budget position and market conditions throughout 2006-07 and will inform the committee of the outcome of this review ahead of next year's budget.<sup>2</sup>

2.20 On the advice of the Auditor-General that the budget of \$64 million was sufficient for 2006-07 the Committee endorsed the proposed budget.

### Appointment of the Independent Auditor

2.21 Part 7 of the *Auditor-General Act 1997* provides for the appointment of the Independent Auditor. Sections 44(2) and 45(1) of the Act establish that the Independent Auditor:

- must audit statements of the Auditor-General in accordance with section 57 of the *Financial Management and Accountability Act 1997*;
- may at any time conduct a performance audit of the Audit Office.

2.22 Schedule 2 of the Act specifies that the appointment of the Independent Auditor will be for at least three years and not more than five years and requires that:

The [Audit] Minister [currently the Prime Minister] must not make a recommendation to the Governor-General ... unless:

- (a) the Minister has referred the proposed recommendation to the Joint Committee of Public Accounts and Audit for approval; and
- (b) the Committee has approved the proposal.

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1 Mr Tony Smith MP, *House of Representatives Hansard*, 9 May 2006, p. 37.

2 Mr Tony Smith MP, *House of Representatives Hansard*, 9 May 2006, p. 38.

- 2.23 Section 8A of the PAAC Act provides for the JCPAA to approve or reject the Audit Minister's recommendation for an appointment of the Auditor-General or Independent Auditor. Under the PAAC 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.
- 2.24 The term of the previous Independent Auditor, Mr Michael Coleman, expired on 30 November 2005 having been reappointed to the position following his initial appointment on 22 March 1999.
- 2.25 On 23 March 2006 the Prime Minister wrote to the Chair of the Committee, nominating Mr Geoff Wilson of KPMG as the new Independent Auditor.
- 2.26 On 29 March 2006 the Committee considered the Prime Minister's nomination, and conducted a telephone interview with Mr Wilson (who was overseas). The Committee unanimously agreed to endorse the nomination of Mr Wilson as Independent Auditor and wrote to the Prime Minister accordingly.
- 2.27 Although the Committee had no reservations regarding the appropriateness of Mr Wilson for the position, there were reservations about the late receipt by the Committee of the nomination.
- 2.28 The Committee is concerned at the lateness of the nomination on two grounds:
- failure to appoint an Independent Auditor over any considerable period of time may expose the Auditor-General to perceptions and claims that, while he is charged with maintaining accountability, his office is unaccountable; and
  - a late nomination could prevent the Committee from taking full consideration of the proposed appointment.
- 2.29 The Committee notes that it expressed concerns about the lateness of the nomination for Auditor-General in its *Annual Report 2004-2005*, where it also foreshadowed discharging its responsibility in relation to the Independent Auditor:
- While the Committee had every confidence in the suitability of Mr McPhee for the position [of Auditor-General], 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.

On this point, the Committee is similarly obliged to approve any nomination for the position of Independent Auditor ... The Committee is due to fulfil this role in late 2005.<sup>3</sup>

- 2.30 The Committee urges the Government to ensure that, when possible, advice for future nominations to the offices of Auditor-General and Independent Auditor are made in a timeframe that allows the proper discharge of the Committee's responsibilities in giving due consideration to the candidates.
- 2.31 On 10 May 2006 the Chair of the Committee wrote to the Secretary of the Department of Prime Minister and Cabinet, Dr Peter Shergold AM, expressing the Committee's wishes to fulfil its role in the selection process for the appointment of the Independent Auditor and Auditor-General and requested that in future it receive:
- written advice (prior to the selection process being conducted) on the process proposed to be used to seek expressions of interest, including the selection criteria for the position; and
  - written advice on all applicants, which the Committee would accept on a confidential basis, and the reasoning behind the selection of the candidate eventually put forward to the Committee.

### Audit priorities of the Parliament

- 2.32 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 February the Chair wrote to all other parliamentary committees, inviting them to submit audit priorities for possible inclusion in the ANAO's 2006-07 audit program. Following responses from Committee chairs, the JCPAA advised the ANAO that the Parliament's audit priorities for 2006-07 included:
- the Child Support Agency;
  - the Family Court of Australia;
  - funding and resources available to meet objectives of national parks, conservation reserves and marine protected areas;

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3 JCPAA, *Annual Report 2004-2005*, paras. 2.27-2.28.



- efficiency and effectiveness of Australian Health Care Agreements;
- efficiency and effectiveness of the Australian Electoral Commission's employment practices and quality control;
- the National Capital Authority;
- recruitment and retention practices in the Department of Defence;
- tendering and contracting processes for personal equipment by the Defence Materiel Organisation;
- protection of critical habitat and listed threatened species under the *Environment Protection and Biodiversity Act 1999*; and
- operation and effectiveness of the Special Access Scheme administered by the Therapeutic Goods Administration.

### Annual report guidelines for Commonwealth agencies

- 2.33 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*.
- 2.34 On 21 June 2006 the committee approved the draft requirements for 2005-06 annual reports for release to agencies.
- 2.35 There were only minor changes to the requirements the Committee had approved for the previous year, principally to formatting and dates. The Committee notes the Prime Minister's advice that next year's draft requirements will incorporate more substantial changes arising from the ANAO's January 2006 report *Reporting Expenditure on Consultants*, which the Committee examined at public hearings on 22 May and 14 June 2006.

### Speeches and meetings with delegations

- 2.36 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 2005-06 the Chair, Deputy Chair and Secretary made the following speeches and presentations:

<i>Role of the JCPAA (Committee Secretary)</i>	Department of Finance Administration officials	August 2005
<i>Role of the JCPAA (Mr Bob Baldwin MP, Chair and Committee Secretary)</i>	Delegation from Ghana	September 2005
<i>Role of the JCPAA (Committee Secretary)</i>	Responsible Parliamentary Government course	September 2005
<i>Role of the JCPAA (Mr Bob Baldwin MP, Chair and Committee Secretary)</i>	KPMG representatives undertaking a comparative study of Australasian Public Accounts committees	September 2005
<i>Role of the JCPAA (Mr Bob Baldwin MP, Chair and Committee Secretary)</i>	Delegation from Ghana	October 2005
<i>Role of the JCPAA and the process of re-opening the aviation security inquiry (Mr Bob Baldwin MP, Committee Chair)</i>	CPA workshop, Cook Islands.	October 2005
<i>Role of the JCPAA (Committee Secretary)</i>	Delegation from Indonesia	November 2005
<i>Role of the JCPAA (Committee Secretary)</i>	Overseas public servants undertaking an anti-corruption course, Monash University	November 2005
<i>Role of the JCPAA (Deputy Chair and Committee Secretary)</i>	Delegation from the Indonesian Board of Audit	February 2006
<i>Role of the JCPAA (Mr Tony Smith MP Committee Chair, Senator Watson and Committee Secretary) 40 officials from developing countries</i>	Overseas officials studying Public Accounts Committees, La Trobe University	February 2006
<i>Role of the JCPAA (Committee Secretary)</i>	"Inside Committees" presentation to House of Representatives staff	April 2006
<i>Role of the JCPAA (Committee Secretary)</i>	Delegation from Papua New Guinea's Department of Finance.	May 2006
<i>Role of the JCPAA (Committee Secretary)</i>	Visitor from Bangladesh	May 2006
<i>Introductory remarks on the Auditor-General (Mr Tony Smith MP, Committee Chair)</i>	Auditor General's House of Representatives Briefing	June 2006

## ACPAC Conference

- 2.37 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.
- 2.38 The Chair, Mrs Bishop MP and the Secretary attended ACPAC's mid-term meeting in Alice Springs from 26-28 April 2006. The main purpose of the meeting was to agree on an agenda for the next biennial ACPAC conference, to be held in Canberra in the first half of 2007.

- 2.39 It was agreed that the theme for the next ACPAC conference would be 'Challenges Facing Contemporary Public Accounts Committees'. The following agenda items were agreed:
- the relationship between Public Accounts Committees (PACs) and the Executive;
  - the impact of devolution on financial, project and risk management in public sector agencies;
  - the role of Auditors-General and PACs as government functions are outsourced to the private sector; and
  - the relationship between PACs and Auditors-General.
- 2.40 It was also agreed that the conference would consider recent developments in accounting issues of relevance to the public sector, including progress on the Financial Reporting Council's review of sector-neutral accounting standards and the Generally Accepted Accounting Principles/Government Finance Statistics convergence project.



## Work in Progress

- 3.1 The Committee has had a full program of inquiry activity and other business. As well as the official inquiries, the Committee uses its regular meetings to receive private briefings on a range of subjects relevant to public administration and accountability. The Committee's current inquiry activities are detailed below.

### **Developments in aviation security**

- 3.2 The Committee continued its reopened inquiry into aviation security in Australia. In addition to the inspections and hearings held last year in Sydney, Brisbane, Cairns, Darwin, Adelaide and Perth, the Committee visited Melbourne, Geraldton, Kalbarri, Carnarvon, Newman, Derby and Broome.
- 3.3 The inquiry has received submissions from 81 individuals and organisations, and 17 exhibits. The Committee will report in the second half of 2006.

### **Inquiry into certain taxation matters**

- 3.4 On 7 December 2005 the Committee resolved to inquire into a range of taxation matters.
- 3.5 The terms of reference for the inquiry consist of two parts. Part A reviews the administration by the Australian Taxation Office (ATO) of the *Income Tax Assessment Act 1936* and 1997 (including the amendments contained in

the *Tax Laws Amendment (Improvements to Self Assessment) Bill (No. 2) 2005*) with particular reference to compliance and the rulings regime, including the following:

- the impact of the interaction between self-assessment and complex legislation and rulings;
- the application of common standards of practice by the ATO across Australia;
- the level and application of penalties, and the application and rate of the General Interest Charge and Shortfall Interest Charge; and
- the operation and administration of the Pay As You Go system.

3.6 Part B of the inquiry reviews the application of the fringe benefit tax regime, including any 'double taxation' consequences arising from the intersection of fringe benefits tax and family tax benefits.

3.7 The Committee has held public hearings in Canberra, Sydney, Melbourne and Launceston.

3.8 At September 2006 the inquiry had received submissions from 56 individuals and organisations, and 27 exhibits.

## **Financial reporting and equipment acquisition in Defence**

3.9 On 1 March 2006 the Committee resolved to review the financial reporting and equipment acquisition of both the Department of Defence and Defence Materiel Organisation with particular attention to:

- progress in implementing Defence's financial remediation plans, relative to international best practice;
- progress in implementing the Kinnaird Reforms, relative to international best practice;
- Australia's relative achievements in procurement and financial reform relative to international best practice; and
- progress in Defence's adoption of international business accounting standards relative to international best practice.

3.10 At September 2006 the inquiry had received five submissions and conducted two public hearings in Canberra.

## Reviews of Auditor-General's reports

- 3.11 At June 2006, the Committee was undertaking reviews of three 'batches' of Auditor-Generals reports.
- 3.12 The first review of reports of the Auditor-General consists of reports presented in Parliament between 18 January 2005 and 18 April 2005. The review includes the following reports:
- Combined review of Audit Report No. 22, Investment of Public Funds and Report No. 42, Commonwealth Debt Management;
  - Audit Report No. 30, Regulation of Commonwealth Radiation and Nuclear Activities; and
  - Audit Report No. 31, Centrelink's Customer Feedback Systems-Summary Report (ANAO Report Nos. 32-36 inclusive) and Audit Report No 40, The Edge Project.
- 3.13 The Committee held three public hearings in August and September of 2005 in support of the review. The Committee subsequently tabled its report of the review (*Report 407*) in September 2006.
- 3.14 The second review consists of Auditor-General's reports presented in Parliament between 17 May 2005 and 18 August 2005. This review includes the following reports:
- Audit Report No. 45, Management of Selected Defence System Program Offices;
  - Audit Report No. 50, Drought Assistance;
  - Audit Report No. 51, DEWR's oversight of Job Network services to job seekers;
  - Audit Report No. 58, Helping Carers: the National Respite for Carers Program, Department of Health and Ageing;
  - Audit Report No. 3, Management of the M113 Armoured Personnel Carrier Upgrade Project, Department of Defence; and
  - Audit Report No. 6, Implementation of Job Network Employment Services Contract 3.
- 3.15 The Committee held three public hearings in February 2005 and March 2005 in support of this review.
- 3.16 A third review, of Auditor-General's reports tabled between 25 August 2005 and 16 March 2006, includes the following reports:

- Audit Report No. 11, BSP Senate Order for Departmental and Agency Contracts;
- Audit Report No. 17, Administration of the Superannuation Lost Members Register;
- Audit Report No. 21, Audits of the Financial Statements of Australian Government Entities for the period ended 30 June 2005;
- Audit Report No. 23, IT Security Management;
- Audit Report No. 27, Management and Reporting on Expenditure on Consultants;
- Audit Report No. 28, Management of Net Appropriation Agreements
- Audit Report No. 29, Integrity of Electronic Customer Records;
- Audit Report No. 31, Roads to Recovery;
- Audit Report No. 32, Tender for Detention Centre Contract; and
- Audit Report No. 34, Advance Passenger Processing.

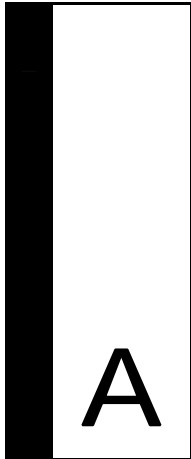
3.17 As of July 2006 the Committee had held five public hearings to review these reports.

3.18 The Committee will table a combined report on these reviews in late 2006.

**Tony Smith MP**  
**Chair**







## Appendix A — Committee membership and meetings in 2005-2006

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### General Business of the Full Committee

#### Membership 1 July 2005 to 30 June 2006

Mr Tony Smith MP (Chair) (from 9/2/2006)	Senator Mark Bishop (from 10/5/2006)
Mr Bob Baldwin MP (Chair) (to 7/2/2006)	Senator John Hogg
Ms Sharon Grierson MP (Deputy Chair)	Senator Gary Humphries
The Hon Bronwyn Bishop MP (from 16/8/2006)	Senator Claire Moore (to 10/5/2006)
Mr Russell Broadbent MP	Senator Andrew Murray
Ms Anna Burke MP (to 14/9/2005)	Senator Fiona Nash (from 16/8/2005)
Dr Craig Emerson MP (from 14/9/2005)	Senator Nigel Scullion (to 16/6/2005)
Dr Dennis Jensen MP (from 30/5/2006)	Senator John Watson
The Hon Jackie Kelly MP	
Ms Catherine King MP	
Mr Andrew Laming MP	
The Hon Alex Somlyay MP (to 16/8/2005)	
Mr Lindsay Tanner MP	
Mr Ken Ticehurst MP (to 30/5/2006)	

#### Public Hearings in 2005-2006

The full Committee held no public hearings during this period (see Sectional Committees below)

#### Private meetings in 2005-2006

23

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**Sectional Committee: Aviation Security**

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**Membership 1 July 2005 to 30 June 2006**

Mr Tony Smith MP (Chair) ( from 9/2/2006)	Senator John Hogg
Mr Bob Baldwin MP (Chair) (to 7/2/2006)	Senator Claire Moore (to 10/5/2006)
Ms Sharon Grierson MP (Deputy Chair)	Senator Andrew Murray (from 15/2/2006)
The Hon Bronwyn Bishop MP (from 17/8/2005)	Senator Fiona Nash (from 17/8/2005)
Mr Russell Broadbent MP	Senator John Watson
Ms Anna Burke MP (to14/9/2005)	
Ms Catherine King MP	
Mr Andrew Laming MP	
The Hon Alex Somlyay MP (to 10/8/2005)	
Mr Ken Ticehurst MP (to 30/5/2006)	

**Public Hearings in 2005-06** **19**

**Private Meetings in 2005-06** **6**

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**Sectional Committee: Review of Auditor-General's Reports**

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**Membership 1 July 2005 to 30 June 2006**

Mr Tony Smith MP (Chair) (from 9/2/2006)	Senator John Hogg
Mr Bob Baldwin MP (Chair) (to 7/2/2006)	Senator Claire Moore (to 10/5/2006)
Ms Sharon Grierson MP (Deputy Chair)	Senator Fiona Nash (from 30/3/2006)
The Hon Bronwyn Bishop MP (from 17/8/2005)	Senator John Watson
Mr Russell Broadbent MP	
Ms Anna Burke MP (to 14/9/2005)	
Dr Craig Emerson MP (14/9/2005)	
The Hon Jackie Kelly MP	
Ms Catherine King MP	
Mr Andrew Laming MP	
Mr Alex Somlyay MP (to 10/8/2005)	
Mr Lindsay Tanner MP	

**Public Hearings in 2005-2006** **20**

**Private Meetings in 2005-2006** **1**

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### Sectional Committee: Certain Taxation Matters

#### Membership 7 December 2005 to 30 June 2006

Mr Tony Smith MP (Chair) (from 9/2/2006)	Senator Gary Humphries
Mr Bob Baldwin MP (Chair) (to 7/2/2006)	Senator Andrew Murray
Ms Sharon Grierson MP (Deputy Chair)	Senator John Watson
The Hon Bronwyn Bishop MP	
Dr Craig Emerson MP	
Ms Catherine King MP	

<b>Public hearings in 2005-2006</b>	<b>1</b>
<b>Private meetings in 2005-2006</b>	<b>1</b>

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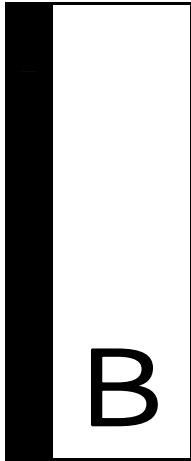
### Sectional Committee: Defence Acquisition and Reporting

#### Membership 1 March 2006 to 30 June 2006

Mr Tony Smith MP (Chair)	Senator Mark Bishop
Ms Sharon Grierson MP (Deputy Chair)	Senator John Hogg
Mr Russell Broadbent MP	
Dr Dennis Jensen MP	
The Hon Jackie Kelly MP	

<b>Public hearings in 2005-2006</b>	<b>1</b>
<b>Private meetings in 2005-2006</b>	The Sectional Committee held no private meetings during this period

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## Appendix B — Committee expenses during 2005-2006

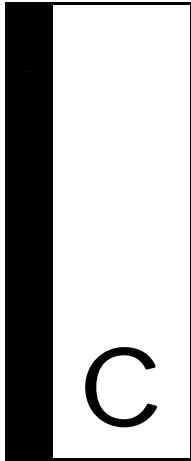
Although the Committee is a statutory committee, it does not receive a separate appropriation. The Committee is funded from the appropriation made to the Department of the House of Representatives. The Committee's annual budget for administrative and staff salary costs is a component of Output Group 2 (Committee Services and Interparliamentary Relations) in the Department of the House of Representatives.

The Committee's administrative expenses for 2005-06 were \$51,737. The main components of this expenditure were:

- \$27,842 on travel expenses (flight and accommodation costs for secretariat staff supporting inquiries; and aircraft charter and vehicle hire in support of the aviation security inquiry);
- \$19,782 on office services, predominantly newspaper advertising of inquiries and printing (principally external printing of the Committee's reports); and
- \$3,196 on office requisites in support of the Committee's secretariat.

The Committee operated within its administrative budget for the financial year.

The Chair of the Committee received an allowance of \$17,790 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*.



## Appendix C — Responses to Committee Recommendations Received in 2005-2006

Report	Government response	
	Responded to	Awaiting responses
Report 403: Access of Indigenous Australians to law and Justice Services	17	None
Report 404	39	3
Report 405	None	None
Report 406	9	None

