
The Parliament of the Commonwealth of Australia

Report 425

Annual Report 2010-11

Joint Committee of Public Accounts and Audit

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Canberra

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Foreword

I am pleased to present the 2010-11 annual report of the Joint Committee of Public Accounts and Audit (JCPAA). This annual report is issued pursuant to section 8B of the *Public Accounts and Audit Committee Act 1951*, and, in effect, is an account of the activities undertaken by the newly formed JCPAA, since the commencement of the 43rd Parliament.¹

The Committee's activities throughout 2010-11 were guided by the Committee's broad set of duties, which include:

- examining the financial affairs of authorities of the Commonwealth;
- considering the operation and resources of the Australian National Audit Office (ANAO), and examining all reports of the Auditor-General that are tabled in Parliament;
- approving or rejecting any nomination for appointment of any person to the office of the Auditor-General or Independent Auditor of the ANAO; and
- increasing parliamentary and public awareness of the financial and related operations of government.

In 2010-11 the Committee published two significant reports on the Auditor-General's powers and role: *Inquiry into the Auditor-General Act 1997*; and *Role of the Auditor-General in Scrutinising Government Advertising*.² The Committee made 13 recommendations to improve the adequacy of the Auditor-General's powers for the current public sector environment. These recommendations, if fully

1 Since the annual report period aligns with the 43rd Parliament period appointment.

2 Parliament of Australia, Joint Committee of Public Accounts and Audit, *Committee activities (inquiries and reports)* <http://www.aph.gov.au/house/committee/jcpaa/reports.htm>.

implemented, will enhance the power of the Auditor-General to 'follow the dollar' ensuring that Commonwealth funding is fully accounted for and that the taxpayer is receiving value for money.

The Committee continued its ongoing reviews of ANAO reports including inquiries into audit reports on the Green Loans Program, Home Insulation Program and Direct Source Procurement.

The recommendations contained in the Committee's reports will support continued enhancements in the administration of government funds.

Other substantive work by the Committee included:

- commencement of a policy inquiry into National Funding Agreements;
- review of the 2009-10 "Major Projects Report", compiled by the Defence Materiel Organisation and the ANAO; and
- enhanced scrutiny of tax administration issues.

The JCPAA performs an important role within a parliamentary democracy. The information presented in this report shows the ongoing commitment of the Committee to ensure scrutiny of the use of public resources, to hold to account Commonwealth agencies' expenditure of public monies, and, to drive for improvements in public administration.

Robert Oakeshott MP
Chair



Membership of the Committee

43rd Parliament (2010-11)

Chair Mr Robert Oakeshott MP

Deputy Chair Mrs Yvette D'Ath MP

Members The Hon Dick Adams MP

Mr Jamie Briggs MP

Ms Gai Brodtmann MP

Mr Darren Cheeseman MP

Mr Josh Frydenberg MP

Ms Deb O'Neill MP

Ms Laura Smyth MP

The Hon Alexander Somlyay MP

Senator Guy Barnett (until 30/06/11)

Senator Mark Bishop

Senator Annette Hurley (until 30/06/11)

Senator Helen Kroger

Senator Glenn Sterle

42nd Parliament (2010-11)

Chair Ms Sharon Grierson MP

Deputy Chair Mr Petro Georgiou MP

Members	The Hon Dick Adams MP	Senator Guy Barnett
	The Hon Arch Bevis MP	Senator Mark Bishop
	The Hon Bronwyn Bishop MP	Senator David Feeney
	Mr David Bradbury MP	Senator Helen Kroger
	Mr Jamie Briggs MP	Senator Kate Lundy
	Ms Catherine King MP	
	The Hon Sussan Ley MP	
	Mr Shayne Neumann MP	

Committee Secretariat

43rd Parliament (2010-11)

Secretaries	Mr Russell Chafer (until 02/02/11)
	Mr David Brunoro (from 03/02/11)
Inquiry Secretaries	Ms Pauline Cullen (until 02/01/11)
	Ms Penny Wijnberg
	Ms Stephanie Mikac (until 29/04/11)
	Dr Narelle McGlusky (from 24/03/11)
Senior Research Officers	Dr Narelle McGlusky (until 23/03/11)
	Ms Lynette Mollard (from 28/06/11)
Research Officer	Ms Fiona Gardner
Administrative Officers	Mrs Dorota Cooley (from 01/04/11)
	Ms Katrina Gillogly (from 06/06/11)

42nd Parliament (2010-11)

Secretary	Mr Russell Chafer
Inquiry Secretaries	Ms Pauline Cullen Dr Kris Veenstra
Senior Research Officer	Dr Narelle McGlusky



List of abbreviations

ACPAC	Australasian Council of Public Accounts Committees
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
CDS	Commonwealth Disability Strategy
JCPAA	Joint Committee of Public Accounts and Audit
MPR	Major Projects Report
PAAC Act	<i>Public Accounts and Audit Committee Act 1951</i>
PAC	Public Accounts Committee



At a glance – 2010-11

The 2010-11 financial year largely represented the commencement of work by the Joint Committee of Public Accounts and Audit (JCPAA) for the 43rd Parliament. Among its activities, the JCPAA tabled a total of five reports. Two of these reports completed major inquiries commenced by the JCPAA in the 42nd Parliament³: *Inquiry into the Auditor-General Act 1997*; and *Role of the Auditor-General in Scrutinising Government Advertising*.⁴ Another of these reports, *Review of Auditor-General's Reports Nos. 04 to 38, (2009/10)* presented the previous Committee's detailed examination of nine Auditor-General reports.⁵

The Committee made 18 recommendations across these three reports.⁶ All of the recommendations that required a response by 30 June 2011, had been submitted and completed by the appropriate agency.

Based on the recommendations of the Committee's inquiry into the *Auditor-General Act 1997*, a Private Members Bill was introduced into the Parliament to amend the powers of the Auditor-General. The *Auditor-General Amendment Bill 2011* allows for expanded jurisdiction for the Auditor-General, including the authority to 'follow the money trail from the point of receipt to the point of delivery'.⁷ The Parliament is currently debating this bill.

3 Please refer to JCPAA Report 420: *Annual Report 2009-10*, February 2011.

4 Parliament of Australia, Joint Committee of Public Accounts and Audit, *Committee activities (inquiries and reports)* <http://www.aph.gov.au/house/committee/jcpaa/reports.htm>.

5 This report was presented on behalf of the Committee of the previous Parliament, which undertook all of the public hearings.

6 Fourteen of these recommendations were included across the two major inquiry reports, while four were included in the review of the Auditor-General's reports.

7 Mr Oakeshott MP, *Auditor-General Amendment Bill 2011* – First reading, 28 February 2011.

In February 2011, the JCPAA also commenced a major inquiry into National Funding Agreements. As at 30 June, 11 submissions had been received and one public hearing had taken place with an additional four scheduled for 2011-12.⁸

8 Parliament of Australia, Joint Committee of Public Accounts and Audit, *Inquiry into National Funding Agreements*, <http://www.aph.gov.au/house/committee/jcpaa/natagree/index.htm>.

The JCPAA's role and functions

Introduction

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) is a committee of the Commonwealth Parliament, and is established pursuant to the *Public Accounts and Audit Committee Act 1951* (PAAC Act).¹ The PAAC Act provides for the Committee to be appointed at the beginning of each Parliament, with a total of 16 members – six to be appointed by the Senate and ten to be appointed by the House of Representatives. In the past the Committee Chair has been a Government member with a member of the Opposition as Deputy Chair.
- 1.2 Following the 2010 Federal Election, the 'Agreement for a Better Parliament-Parliamentary Reform', stipulated a change to the previous model, with the Chair of the Committee to be drawn from a 'member of a non-Government party or a non-aligned Member'.² Consequently, the Chairman of the JCPAA for the 43rd Parliament is an Independent Member of the Parliament, and the Deputy Chair a member of the Government.

1 The Act can be viewed at the Committee's website
<http://www.aph.gov.au/house/committee/jcpaa/index.htm>.

2 *The Australian Labor Party & the Independent Members (Mr Tony Windsor and Mr Rob Oakeshott) ('the Parties') - Agreement, 'The Committee System'*, signed 7 day of September 2010, p.6.

Procedures and powers

- 1.3 Public accounts committees are generally tasked with the ‘oversight, scrutiny and control of public funds’.³ Committees such as the JCPAA perform a key role within a parliamentary democracy of calling upon organisations to account for their performance, in particular their use of public monies. This is reflected in the Committee’s main responsibilities and activities, which are outlined in more detail in the following section.
- 1.4 The JCPAA is one of only seven statutory committees. The Act essentially provides the Committee with the power to set its own work program and determine its work priorities within the Act’s overall mandate. The Committee may report to the Parliament with any comment it thinks fit, on any items or matters concerning the financial accounts and affairs of Commonwealth authorities, any report of the Auditor-General tabled in Parliament, or, any circumstances connected with either. This power is unique among parliamentary committees and provides the JCPAA with a considerable degree of autonomy from executive government.

Committee duties

- 1.5 In general terms, the duties of the Committee are to:
- examine the financial affairs of authorities of the Commonwealth;
 - examine all reports of the Auditor-General that are tabled in the Parliament;
 - consider the operation and resources of the Australian National Audit Office (ANAO);
 - approve or reject any nomination for appointment of any person to the office of the Auditor-General or Independent Auditor of the ANAO; and
 - increase parliamentary and public awareness of the financial and related operations of government.⁴

3 Jacobs, Kerry and Jones, Kate, *Governing the Government: The Paradoxical Place of the Public Accounts Committee*, Public Sector Governance and Accountability Research Centre La Trobe University (paper presented to the 2005 Australasian Study of Parliament Group), p.2.

4 The duties of the JCPAA are described in detail in sections 8 and 8A of the Committee’s Act.

- 1.6 Additionally, the Committee may perform additional duties in 2011-12 regarding the proposed Parliamentary Budget Office. On behalf of the Parliament, the Committee may be responsible for the oversight of the Parliamentary Budget Officer and their office in regard to the 'annual work program, draft budget estimates, and annual report'.⁵
- 1.7 The following section provides more detail on the Committee's specific roles and functions.

The work and operation of the Auditor-General and the ANAO

Review of the Auditor-General's reports

- 1.8 The Committee is responsible for examining all of the Auditor-General's reports on behalf of the Parliament. This process is supported by regular private briefings from ANAO officers to the Committee on the findings of tabled reports.
- 1.9 Following these briefings, the Committee selects audit reports it wishes to review in more detail through conducting an inquiry. Typically, the Committee selects reports where: the ANAO has been largely critical of an agency; the agency audited has a history of performance issues; there may be a high financial or safety risk to the community; or the Committee is the clear candidate to conduct a parliamentary review.
- 1.10 Public hearings are then conducted into the selected reports with witnesses present from both the audited agency and the ANAO. The hearings are guided by the findings of the audit report, with the Committee focused on determining how particular deficiencies or issues arose, and what actions the agency is undertaking to rectify the shortcomings identified in the audit, in particular implementing the ANAO's recommendations.
- 1.11 The Committee periodically tables reports in Parliament on its reviews of Auditor-General's reports. The Committee's reports incorporate the evidence taken during public hearings and may also include recommendations by the Committee in addition to those already presented by the Auditor-General. Unlike the ANAO, the Committee is able to direct recommendations at Government policy, and at times the

5 These potential new duties are a direct outcome of the Government's response to the recommendations in the Joint Select Committee on the Parliamentary Budget Office's report *Inquiry into the proposed Parliamentary Budget Office*. The report and government response is available at <http://www.aph.gov.au/house/committee/jscpbo/report.htm>.

Committee can use the ANAO's recommendations to draw conclusions regarding broader Government administration.

- 1.12 Other committees are also able to review ANAO reports that are relevant to their area and portfolio coverage.⁶

Annual hearing on the "Major Projects Report"

- 1.13 During the course of an inquiry into Defence financial reporting and equipment acquisition, the Committee in the 41st Parliament recommended that the ANAO be funded to produce an annual report on progress in major Defence acquisition projects (based on a similar process in the United Kingdom).⁷ The development of such a report had also been previously requested by the Senate based on recommendations of its Foreign Affairs, Defence and Trade References Committee.⁸
- 1.14 One of the major drivers for the production of this annual report was that it would facilitate improved transparency and accountability around major acquisition projects. The parameters of the "Major Projects Report" (MPR) would enable both the ANAO and the Parliament to review and scrutinise major Defence projects that were in progress, and gain a broader perspective on equipment acquisition performance than was currently available.⁹ The Committee was also of the view that continuous monitoring through this review would help promote cultural change in the management of Defence projects.
- 1.15 A total of three MPRs have been released. These reports generally consist of the ANAO's assurance review of the selected Defence major acquisition projects as well as the Defence Materiel Organisation's commentary and analysis on the major projects. The Committee has held a public hearing on each of the published reports and has completed reports reviewing two of the MPRs.

6 The House of Representatives Standing Order 215(c) requires that the JCPAA be notified in writing if a House committee decides to review an Auditor-General report.

7 Joint Committee of Public Accounts and Audit, *Report 411: Progress on equipment acquisition and financial reporting in Defence*, August 2008, p. 158.

8 Senate Foreign Affairs, Defence and Trade References Committee, *Materiel Acquisition and Management in Defence*, March 2003, p. 79.

9 Joint Committee of Public Accounts and Audit, *Report 411: Progress on equipment acquisition and financial reporting in Defence*, August 2008, pp.vii-viii, xxii-xxiii, 161-175.

Advise the Auditor-General on the Parliament's audit priorities

- 1.16 While the Auditor-General is given the authority to autonomously determine the work program undertaken by the ANAO,¹⁰ the Committee is responsible for determining and advising the Auditor-General of the Parliament's audit priorities. This activity represents the Parliament's engagement with the development of scrutiny strategies. Through this process the Parliament directly presents its views, on areas of public administration it is interested in seeing examined, to the Auditor-General.
- 1.17 As part of the identification of the Parliament's priorities, the JCPAA seeks input from all other parliamentary committees, asking advice on any programs or functions within their portfolio they believe should be audited. The Committee first ensures that the suggested topics are appropriate (for example that the ANAO is not being asked to comment on the merits of Government policy) and then collates these suggestions along with other areas it wishes to identify. This list is referred to the Auditor-General for consideration in the finalisation of the ANAO's work program for the proceeding financial year.

Review the annual budget of the ANAO

- 1.18 Under the PAAC Act the Committee is required to consider 'draft estimates' for the ANAO and the level of fees determined by the Auditor-General. In support of this process, the ANAO usually provides a series of briefings to the Committee. With the provision of this information, the Committee is able to make formal representations to the Government on behalf of the ANAO if necessary.
- 1.19 In the first instance, the Committee typically corresponds with the Special Minister of State for the Public Service and Integrity on the draft estimates. This is followed by the Committee making a statement to both Houses of Parliament on budget day, expressing the Committee's opinion as to whether the ANAO has been given sufficient funding to perform its functions.¹¹
- 1.20 The intention of this process and the Committee's power in considering the draft estimates for the ANAO is to dissuade governments from attempting to influence the Auditor-General through unjustified restrictions to the ANAO's funding.

10 *The Auditor-General Act 1997, Part 3 – The Auditor-General.*

11 *Joint Committee of Public Accounts and Audit, Report by the Joint Committee of Public Accounts and Audit on the 2011-12 Draft Estimates for the Audit Office, 10 May 2011, available from, <http://www.aph.gov.au/house/committee/jcpaa/reports.htm>.*

Responsibilities and powers for the appointment of the Auditor-General or Independent Auditor

- 1.21 The JCPAA plays an important role in the appointment of a new Auditor-General. While the Special Minister of State for the Public Service and Integrity is responsible for nominating and recommending to the Governor-General a new Auditor-General, this proposal must first be approved by the Committee on behalf of the Parliament.
- 1.22 The Committee is given 14 days within receipt of the nomination to either: approve or reject the nomination by absolute majority; or seek an extension of time of 30 days. If a decision is not reached within this period, the PAAC Act provides that it will therefore be taken as an approval of the nomination.
- 1.23 Similarly, the Committee also approves or rejects any nomination for the position of the Independent Auditor of the ANAO. The Independent Auditor is appointed from the private sector on a part-time basis to serve as an external auditor to the ANAO. The Independent Auditor is tasked with auditing the ANAO's financial statements and periodically conducts performance audits of the ANAO following consultation with the Committee.

Other activities

Conducting policy inquiries

- 1.24 The Committee also on occasion, exercises its power to undertake policy inquiries. These inquiries may arise either from findings of the Auditor-General or at the initiative of the Committee.
- 1.25 Over the last four parliaments, the JCPAA has undertaken 13 major inquiries – with just over half initiated by the Committee, five commenced due to findings of ANAO reports, and one commenced following a proposal by the then Minister for Finance and Administration.

Biannual hearings – Commissioner of Taxation

- 1.26 In the 41st Parliament, the Committee initiated an inquiry into numerous taxation matters. During the course of the inquiry the Commissioner of Taxation agreed to appear before the Committee at two public hearings each year to update the Parliament and public on recent developments in tax administration.

- 1.27 Since these hearings were initiated, eight have been held. These public hearings are typically preceded by private briefings from tax law academics and interest groups.
- 1.28 While previous hearings increased scrutiny of the administration of the Australian Taxation Office (ATO), in 2011, the Committee considered that public scrutiny would be better served if a Committee report was produced from these proceedings. Accordingly, a report was tabled in the Parliament in July 2011. This report is discussed further in Chapter 2.

Annual report requirements for Commonwealth agencies

- 1.29 Annual reports of Commonwealth departments are an important accountability tool, particularly to the Parliament. Primarily, annual reports outline departments' performance in relation to services provided and are required to be prepared in accordance with the detailed *Requirements for Annual Reports*. The Requirements state that among other things, annual reports should provide, '...sufficient information and analysis for the Parliament to make a fully informed judgement on departmental performance'.¹²
- 1.30 The draft Requirements are prepared by the Department of the Prime Minister and Cabinet and prior to publication, the JCPAA is responsible for their approval. This document is updated annually to reflect changes to reporting requirements which may have occurred in areas such as legislation, policies, or recommendations from the ANAO.

Responses to JCPAA reports

- 1.31 The JCPAA's reports can include both 'policy recommendations' and/or 'administrative recommendations'. While administrative recommendations¹³ can be implemented and decided on by the relevant affected agencies, policy recommendations may have direct implications to existing Government policy and necessitate the Minister or Cabinet to respond.

12 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports: for departments, executive agencies and FMA Act bodies*, 8 July 2011, p.4, see http://www.dPMC.gov.au/guidelines/docs/annual_report_requirements_2010-11.pdf.

13 See Department of Finance and Deregulation, *Joint Committee of Public Accounts and Audit Reports: A guide for Agencies when preparing a response*, available from, <http://www.finance.gov.au/financial-framework/governance/joint-committee-of-public-accounts-and-audit.html>.

- 1.32 Administrative responses are addressed by way of an Executive Minute, and are expected to be provided by the responsible Minister to the Chair of the JCPAA within six months of the report being tabled. Policy recommendations are addressed by way of a separate Government response from the responsible Minister(s) to the Chair of the JCPAA. The Government has also given a commitment for these responses to be provided within six months of the date of a report's tabling.

Engagement with other public accounts committees

Australasian Council of Public Accounts Committees (ACPAC)

- 1.33 The JCPAA is a member of the Australasian Council of Public Accounts Committees (ACPAC). ACPAC is the governing body which oversees the arrangements for the biennial conference of Public Accounts Committees (PACs) and like committees in the Australian states and territories, New Zealand, Papua New Guinea and the Solomon Islands.
- 1.34 ACPAC's biennial conferences are an opportunity to exchange knowledge and share experiences between the different jurisdictions. The last biennial conference was held in Perth, Western Australia in April 2011 and was the 11th Biennial Australasian Council of Public Accounts Committees Conference. Representations from the Committee included the Deputy Chair and the Committee Secretary.

Summary of activities for 2010-11

- 2.1 The following section details the activities of the Committee for 2010-11, including:
- tabled Committee reports;
 - other major Committee activities; and
 - inquiries in progress (as at 30 June 2011).

Tabled Committee reports

Reviews of Auditor-General reports

- 2.2 In December 2010, the Committee tabled a report¹ reviewing in detail nine Auditor-General's reports.² The audit reports reviewed covered a wide range of programs and agencies, these reports were:
- *Administration of Grants by the National Health and Medical Research Council* (Audit Report No. 07 2009-10);
 - *The Australian Taxation Office's Implementation of the Change Program: a strategic overview* (Audit Report No. 08 2009-10);

1 Joint Committee of Public Accounts and Audit, *Report 418 – Review of Auditor-General's Reports Nos. 04 to 38 (2009/10)*, available from http://www.aph.gov.au/house/committee/jcpaa/auditgen1_10/report.htm.

2 This report concluded the previous Committee's examination of 37 audit reports presented to the Parliament by the Auditor-General between September 2009 and May 2010. The Committee selected nine reports for further scrutiny at public hearings conducted between March and June 2010.

- *Processing of Incoming International Air Passengers* (Audit Report No. 10 2009-10);
- *AusAID's Management of the Expanding Australian Aid Program* (Audit Report No. 15 2009-10);
- *The National Broadband Network Request for Proposal Process* (Audit Report No. 20 2009-10);
- *Administration of Climate Change Programs* (Audit Report No. 26 2009-10);
- *Coordination and Reporting of Australia's Climate Change Measures* (Audit Report No. 27 2009-10);
- *Management of the AusLink Roads to Recovery Program* (Audit Report No. 31 2009-10); and
- *Building the Education Revolution – Primary Schools for the 21st Century* (Audit Report No. 33 2009-10).

2.3 The report contained four recommendations directed to the relevant agencies.

2.4 As at 30 June 2011, the Committee was finalising its review of the 26 Auditor-General's reports tabled between May and November 2010. The Committee selected five reports for further scrutiny at public hearings conducted in March 2011. The audit reports examined were:

- *Conduct by Infrastructure Australia of the First National Infrastructure Audit and Development of the Infrastructure Priority List* (Audit Report No. 02 2010-11);
- *The Establishment, Implementation and Administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program* (Audit Report No. 03 2010-11);
- *Green Loans Program* (Audit Report No. 09 2010-11);
- *Direct Source Procurement* (Audit Report No. 11 2010-11);
- *Home Insulation Program* (Audit Report No. 12 2010-11).

2.5 The report completing this review was tabled in July 2011 and contained four recommendations, with the majority addressing issues raised through the Committee's examination of the direct source procurement audit.

Reviews of Major Projects Reports

- 2.6 In May 2011, the Committee tabled its review of the third ANAO/Defence Materiel Organisation "Major Projects Report" (MPR) 2009-10.³ The Committee's report incorporated ongoing issues raised as part of the review of the pilot 2007-08 MPR, and also provided discussion on the Auditor-General's major findings in relation to the 2008-09 MPR.⁴
- 2.7 As part of its inquiry into the 2009-10 MPR, the Committee received four submissions and held a public hearing, with evidence given by representatives from the ANAO and the Defence Materiel Organisation.
- 2.8 The report contained nine recommendations that included: further development to the Major Projects Report Work Program; enhancements to the presentation of project level data in the report; and additional analysis to be provided to the Committee to inform future improvements.

Policy inquiry reports

- 2.9 The Committee completed two major policy inquiries in 2010-11. These were its inquiry into the Auditor-General's role in scrutinising government advertising and review of the *Auditor-General Act 1997*.
- 2.10 In conducting the inquiry of the Auditor-General's role in government advertising, the Committee received 26 submissions and held eight public hearings with oral evidence provided by 23 witnesses. While this inquiry began in the 42nd Parliament, it was resumed by the JCPAA in the 43rd Parliament and a subsequent report was released in March 2011 containing one recommendation.⁵ The Government's response to the recommendation is due by September 2011.
- 2.11 For its inquiry into the *Auditor-General Act 1997*, the Committee received 19 submissions and held four public hearings with oral evidence provided by witnesses from three separate agencies/bodies. The Committee tabled a report in December 2011 which contained 13 recommendations. Recommendations included to: enhance the Auditor-General's role in

3 Joint Committee of Public Accounts and Audit, *Report 422 – Review of the 2009-10 Defence Materiel Organisation Major Projects Report*, available from, <http://www.aph.gov.au/house/committee/jcpaa/defenceannual0310/index.htm>.

4 A public hearing was held in March 2010 to review the 2008-09 *Major Projects Report*, however a report was not released prior to the 2010 federal election.

5 Joint Committee of Public Accounts and Audit, *Report 421 – Inquiry into the role of the Auditor-General in scrutinising government advertising campaigns*, available from, <http://www.aph.gov.au/house/committee/jcpaa/govtad/index.htm>.

‘reviewing the adequacy of agencies’ performance indicators’; and giving the Auditor-General the ‘authority to follow the dollar’.⁶

- 2.12 A Private Members Bill has been introduced into Parliament by the current Chair of the Committee, Mr Oakeshott which reflects the report’s recommendations.

Other reports

- 2.13 In July 2011, the Committee also issued a report *Eighth biannual hearing with the Commissioner of Taxation*. This report was based on the evidence presented in the eighth biannual hearing in March 2011, and submissions received from the Australian Taxation Office (ATO).⁷ The report addressed four key themes the Committee considers important regarding administration of the ATO: service standards; compliance; policy development; and external scrutiny.
- 2.14 The Committee made nine recommendations to the ATO across these areas including:
- enhanced reporting against the ATO’s Service Standards; and
 - reporting to the JCPAA on complaints handling and compliance activities and the ATO’s responses to recommendations made by external scrutiny bodies such as the ANAO.

Other major Committee activities

Audit priorities of the Parliament

- 2.15 In April 2011, the Committee received the ANAO’s draft audit work program for 2011-12. The JCPAA forwarded the draft program to all other parliamentary committees, in order to assist it in determining the audit priorities of the Parliament.

6 Joint Committee of Public Accounts and Audit, *Report 419 – Inquiry into the Auditor-General Act 1997*, available from, <http://www.aph.gov.au/house/committee/jcpaa/agact/report.htm>.

7 Joint Committee of Public Accounts and Audit, *Report 424 Eighth biannual hearing with the Commissioner of Taxation*, June 2011, available from, <http://www.aph.gov.au/house/committee/jcpaa/taxationbiannual0311/index.htm>.

- 2.16 Following the JCPAA's deliberations and other committees' responses, the JCPAA suggested the following priorities, drawn from the Auditor-General's proposed work program:⁸
- Detention Centres – Quality of Service and Contract Management.
 - Project Overlander – LAND 121;
 - Deployment and Management of Australia-based Staff Overseas and Business Continuity Management at Overseas Missions;
 - Live Animal Exports;
 - Management of Aid to Indonesia; and
 - Management of the Delivery of Aid through partner Government Systems.
- 2.17 Further, the JCPAA expressed support for audits to cover the following cross-portfolio issues:
- Performance Reporting against the New Financial Framework;
 - Freedom of Information;
 - Procurement;
 - Internal Audit; and
 - Evaluation.

Statement on draft estimates for the ANAO

- 2.18 In February 2011, the JCPAA received the ANAO's 2011-2012 budget estimates, and were briefed by the Auditor-General in March 2011. On budget day the Chair of the Committee made a statement to the House on the adequacy of the ANAO's appropriation⁹ with a corresponding statement later delivered in the Senate.
- 2.19 On behalf of the Committee, the Chair noted the Auditor-General's advice that while the ANAO faced a number of cost pressures the Auditor-General was 'conscious of the overall pressures on the Government's budget'. In summary, the Auditor-General advised that the appropriation for the year ahead would be sufficient to 'discharge his statutory obligations and planned audit work plan for 2011-12'.

8 ANAO, *Audit Work Program July 2011*, <http://www.anao.gov.au/Publications/Audit-Work-Program>.

9 See <http://www.aph.gov.au/house/committee/jcpaa/budgetspeeches/budgetstatement11.pdf>.

- 2.20 With this opinion, the Committee endorsed the proposed budget for the ANAO. The Chair also noted however, that based on the Auditor-General's advice regarding the impact of potential amendments to the *Auditor-General Act 1997*, the Committee would expect the Auditor-General to seek additional budget supplementation in the proceeding financial year, to cover the ANAO's extended mandate.

Annual report requirements for Commonwealth agencies

- 2.21 The 2010-11 *Requirements for Annual Reports for Departments, Executive Agencies and Financial Management and Accountability Act (FMA Act) Bodies* was approved by the Committee on 8 July 2011. These Requirements included three significant amendments from the previous year, which related to: the Commonwealth Disability Strategy (CDS); social inclusion reporting; and Freedom of Information.¹⁰ For example, Commonwealth agencies and *Financial Management and Accountability Act* bodies are no longer required to report in detail on the implementation of the CDS in their annual reports, due to the coverage of the CDS under the broader goals of the National Disability Strategy.

Briefing on public sector governance issues

- 2.22 In recent years, the Committee has set-up private briefings with key representatives from the Australian Public Service (APS) to help inform the Committee of the latest initiatives and/or reforms to drive improvements within the public service. Generally these briefings are attended by the Australian Public Service Commissioner, who plays a central role in evaluating the performance of the APS and helping to build its capability, along with the Secretaries' of the Department of the Prime Minister and Cabinet and the Department of Finance and Deregulation, and the Auditor-General.
- 2.23 The last meeting was held in August 2009. No briefing occurred in 2010, but one had been scheduled for August 2011.

Engagement with the Independent Auditor

- 2.24 In its role overseeing the ANAO, the Committee also engages with the Independent Auditor of the ANAO. In doing so, the Committee can

¹⁰ Department of the Prime Minister and Cabinet, *Requirements for Annual Reports: for departments, executive agencies and FMA Act bodies*, 8 July 2011, p. i, available from, http://www.dpmc.gov.au/guidelines/docs/annual_report_requirements_2010-11.pdf.

inform the Independent Auditor of the Parliament's priorities for future audits of the ANAO. At times, the JCPAA also examines the Independent Auditor's reports of the ANAO.

- 2.25 The eighth review by an independent auditor into the ANAO, *Planning and Scoping of Performance Audits by the Australian National Audit Office*,¹¹ was presented to the Parliament in June 2011. This was undertaken by the current Independent Auditor of the ANAO, Mr Geoff Wilson (Chief Executive Officer of KPMG Australia) who has been responsible for the last three performance audits of the ANAO.
- 2.26 The audit's objective was to consider the process for planning and scoping performance audits within the ANAO. The audit found that these activities both at the annual performance audit program level and the individual performance audit level were being undertaken in an 'efficient and effective manner'¹² and did not include any formal recommendations. The report did, however, identify suggested improvements at the individual audit planning and scoping level.

Engagement with other parliaments and organisations

- 2.27 The Committee seeks to disseminate information on its role and activities and to contribute where it can to enhancing public sector accountability. Accordingly, the Committee's Chair and secretariat endeavour to make presentations to seminars and visiting delegations where relevant.
- 2.28 In April 2011, the Committee's Deputy Chair, Mrs Yvette D'Ath gave an update at the Australasian Council of Public Accounts Committee's (ACPAC) 11th Biennial conference in Perth on the work of the Committee since the last conference.¹³ The Deputy Chair also represented the Committee at the ACPAC 2011 Council meeting, held concurrently with the conference.

11 Mr Geoff Wilson, *Planning and Scoping of Performance Audits by the Australian National Audit Office (June 2011)*, available from, <http://www.anao.gov.au/AboutUs/~media/34F737FCB85147398A00C2E8FBB0BDDA.pdf>.

12 Mr Geoff Wilson, *Planning and Scoping of Performance Audits by the Australian National Audit Office (June 2011)*, p. 14, available from, <http://www.anao.gov.au/AboutUs/~media/34F737FCB85147398A00C2E8FBB0BDDA.pdf>.

13 The Clerk Assistant (Committees) from the Department of the House of Representatives also delivered a presentation, *Engaging the community: the experience of the House of Representatives' Committee Office*.

Inquiries in progress (as at 30 June 2011)

2.29 As at 30 June 2011, the Committee continued its reviews of Auditor-General reports, in addition to a policy inquiry into National Funding Agreements.

Review of the Auditor-General's reports

2.30 As at 30 June 2011, the Committee was reviewing the following four Auditor-General's reports:

- *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010* (Audit Report No. 22 2010-11);
- *Digital Education Revolution Program – National Secondary Schools Computer Fund* (Audit Report No. 30 2010-11);
- *Maintenance of the Defence Estate* (Audit Report No. 41 2010-11); and
- *Management of Student Visas* (Audit Report No. 46 2010-11).

2.31 These were selected from 31 audit reports presented to the Parliament between November 2010 and May 2011. A report completing the review of these reports is expected to table late in 2011.

Policy inquiry: National Funding Agreements

2.32 In February 2011, the Joint Committee of Public Accounts and Audit commenced a review of the operation of funding agreements between the Commonwealth and State and Territory Governments, including the National Agreements entered into under the *Intergovernmental Agreement on Federal Financial Relations*. The inquiry addresses four terms of reference.¹⁴

2.33 The Committee took evidence at one public hearing in 2010-11 (with additional public hearings scheduled for the remainder of 2011). Eleven submissions had been received as at 30 June 2011. Witnesses included representatives from various stakeholders including the Auditor-General, the National Disability Services ACT and the Independent Schools Council of Australia. The inquiry is likely to be completed and a report tabled by the Committee in late 2011.

14 The terms of reference for this inquiry can be found at <http://www.aph.gov.au/house/committee/jcpaa/natagree/tor.htm>.

Robert Oakeshott MP

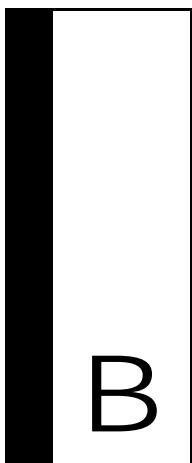
Committee Chair



Appendix A – Committee meetings 2010-11

The Committee held 15 meetings in 2010-11. The meeting time of the Committee totalled 23 hours and 36 minutes, with all meetings held in Parliament House, Canberra.

Meeting date	Meeting details
18 November 2010	Private meeting, including the election of the Chair and Deputy Chair for the 43 rd Parliament
24 November	Private meeting, private briefing from ANAO on recently tabled audit reports
10 December	Private meeting
9 February 2011	Private meeting
28 February	Private meeting, private briefing and public hearing on <i>2009-10 Major Projects Report</i>
2 March	Private meeting, private briefing and public hearing – review of audit reports
4 March	Private meeting, private briefing and public hearing – Biannual Hearing with the Commissioner of Taxation
21 March	Private briefing and public hearing – review of audit reports
23 March	Private meeting, private briefing from ANAO (including on its 2011-12 budget submission) and public hearing – review of audit reports
29 April	Private meeting
25 May	Private meeting, private briefing for inquiry into National Funding Agreements
1 June	Private meeting, private briefing for inquiry into National Funding Agreements
15 June	Private meeting
22 June	Private meeting, private briefing from ANAO on recently tabled audit reports
24 June	Public hearing – inquiry into National Funding Agreements



Appendix B – Committee expenses 2010-11

The Committee secretariat's annual budget for staff remuneration and administrative costs forms part of the appropriation made to the Department of the House of Representatives.

Total expenses by the Committee's secretariat for 2010-11 were approximately \$527 420 (salaries and on-costs, including employer superannuation contributions).¹

The Committee's administrative expenses for 2010-11 totalled approximately \$13 742. The breakdown of these expenses is:

- \$7195 on printing and publishing services;
- \$1116 on catering for meetings and hearings;
- \$2479 on flights, accommodation and incidental travel expenses for secretariat staff supporting Committee activities;²
- \$2207 on office supplies; and
- \$745 on other incidental expenses.

The Chair and Deputy Chair of the Committee receive an additional salary of 16 per cent and eight per cent respectively, of a Member's basic salary in

1 The secretariat also supported the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry during 2010-11. The figure for secretariat staffing expenses for the JCPAA excludes an estimation of expenses devoted solely to the House committee.

2 As with other parliamentary committees, members' travel on Committee business is funded by the Department of Finance and Deregulation. Details of parliamentary entitlements administered by the Department are published at www.finance.gov.au/publications/parliamentarians-reporting/index.html

recognition of the responsibilities of their positions.³ The amount of the allowance is determined by the Remuneration Tribunal and paid by the Department of the House of Representatives pursuant to the *Remuneration and Allowances Act 1990*. These amounts have not been included in the above figures (due to the separate financial administrative systems used).

3 Remuneration Tribunal, *Parliamentarians*, 'Determination 2010/16 Parliamentary Office Holders-Additional salary, available from, <http://www.remtribunal.gov.au/federalParliamentarians/default.asp?menu=Sec5&switch=on>.