

The role and functions of the Joint Committee of Public Accounts and Audit

Introduction

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) is a committee of the Commonwealth Parliament, established pursuant to the *Public Accounts and Audit Committee Act 1951* (PAAC Act).¹
- 1.2 The PAAC Act provides for Committee members to be drawn from both the House of Representatives and the Senate. Following the 2010 Federal Election and subsequent 'Agreement for a Better Parliament – Parliamentary Reform',² the Chair of the JCPAA for the 43rd Parliament is an Independent Member of the Parliament, and the Deputy Chair a Government Member.
- 1.3 The JCPAA is one of the oldest committees in the Parliament, with its mandate essentially unchanged since 1913: to hold Commonwealth agencies to account for the lawfulness, efficiency and effectiveness with which they use public monies.
- 1.4 Committees such as the JCPAA perform a key role within a parliamentary democracy calling organisations to account for their performance, in particular their management of Commonwealth resources.

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

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

Committee duties

- 1.5 The duties of the Committee, as outlined in the PAAC Act, include:
- to examine the financial affairs of authorities of the Commonwealth;
 - to examine all reports of the Auditor-General that are tabled in the Parliament;
 - to consider the operation and resources of the Australian National Audit Office (ANAO);
 - to approve or reject any nomination for appointment of any person to the office of the Auditor-General or Independent Auditor of the ANAO;
 - to increase parliamentary and public awareness of the financial and related operations of government; and
 - 'any other duties given to the Committee ...by any other law'.³
- 1.6 In the last year, an amendment to the *Parliamentary Services Act 1999*, incorporating the Parliamentary Budget Office (PBO) into legislation, named the JCPAA as the PBO's oversight body. In many regards, the Committee's oversight duties for the PBO are similar to those undertaken in oversight of the ANAO.
- 1.7 The following section provides more detail on the Committee's specific roles and functions. Further information is also accessible on the JCPAA's website at www.aph.gov.au/jcpaa, or by contacting the Committee secretariat at jcpaa@aph.gov.au or on 02 6277 4615.

Examining the financial affairs of Commonwealth authorities

- 1.8 The PAAC Act provides that 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 allows the Committee to essentially set its own work program – a power unique amongst parliamentary committees – and ensures a high degree of autonomy from executive government.

Review of Auditor-General's reports

- 1.9 The Committee is responsible for examining all of the Auditor-General's reports on behalf of the Parliament. This process is supported by regular briefings from ANAO officers to the Committee on the findings of tabled audit reports.

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

- 1.10 Following these briefings, the Committee selects audit reports for further examination, typically where: the ANAO has been largely critical of an agency; the agency audited has a history of performance issues; or there may be a high financial or safety risk to the community.
- 1.11 Public hearings are then conducted on the selected reports with witnesses present from both the audited agency and the ANAO. Guided by the findings of the audit report, at the hearings the Committee generally focuses on determining how particular deficiencies or issues arose, as well as what actions the agency is undertaking to rectify the shortcomings identified in the audit, in particular progress on implementing the ANAO's recommendations.
- 1.12 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 include recommendations by the Committee in addition to those already presented by the Auditor-General.
- 1.13 Other committees are also able to review ANAO reports that are relevant to their area and portfolio coverage.⁴

Review of the Defence Materiel Organisation Major Projects Report

- 1.14 In addition to the review of ANAO reports referred to above, each year the JCPAA scrutinises the Defence Materiel Organisation (DMO) through examining the ANAO's annual DMO Major Projects Report (MPR).
- 1.15 The MPR was developed following requests from the 41st Parliament for the ANAO to produce an annual report on major Defence acquisition projects.⁵ The annual MPR gives the Parliament accessible, transparent and accurate information about the status of Defence's major acquisition projects, and provides a basis for longitudinal analysis of project performance.
- 1.16 Each MPR is automatically referred to the JCPAA in accordance with its statutory obligations to examine all reports of the Auditor-General. The Committee currently examines each MPR through a public hearing, and prepares a report to Parliament.
- 1.17 In support of this process, the JCPAA also annually reviews and endorses the MPR Guidelines prior to the ANAO's production of each report.

4 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.

5 Joint Committee of Public Accounts and Audit, *Report 411: Progress on equipment acquisition and financial reporting in Defence*, August 2008, p. 158; Senate Foreign Affairs, Defence and Trade References Committee, *Materiel Acquisition and Management in Defence*, March 2003, p. 79.

Consideration of the operations and resources of the ANAO

Advise on the Parliament's audit priorities

- 1.18 While the Auditor-General is given the authority to autonomously determine the work program undertaken by the ANAO,⁶ the JCPAA is responsible for determining and advising the Auditor-General of the Parliament's audit priorities.
- 1.19 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 consolidated list is then referred to the Auditor-General for consideration in the finalisation of the ANAO's work program for the proceeding financial year.
- 1.20 An Independent Auditor is tasked with auditing the ANAO's financial statements, as well as periodically conducting performance audits of the ANAO. In its role overseeing the ANAO, the Committee engages with the Independent Auditor, including providing advice on the Parliament's priorities for future audits of the ANAO.

Review the annual budget of the ANAO

- 1.21 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.
- 1.22 In support of this process, the ANAO submits the draft estimates and briefs the Committee on its ability to meet its mandate within the funding envelope. The Committee then:
- is able to make formal representations to the Government on behalf of the ANAO if necessary; and
 - make 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.
- 1.23 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 restrictions to the ANAO's funding.

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

Appointment of the Auditor-General or Independent Auditor

- 1.24 The JCPAA plays an important role in the appointment of a new Auditor-General. While the Minister 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.
- 1.25 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 the ANAO's external auditor.

Oversight of the Parliamentary Budget Office

- 1.26 In August 2011, the Government tabled a response to the report of the Joint Select Committee on the Parliamentary Budget Office, agreeing that the Joint Committee of Public Accounts and Audit should 'have oversight of the Parliamentary Budget Officer and their office ... in line with similar provisions in the *Auditor-General Act 1997* (Cwlth).'⁷
- 1.27 The subsequent amendment to the *Parliamentary Services Act 1999*, incorporating the Parliamentary Budget Office (PBO) into legislation, formalised the JCPAA as the oversight body. This role includes: approving the appointment of the Parliamentary Budget Officer; considering the operations and resources of the Office; and reporting to Parliament on relevant matters relating to the PBO.

Other activities

Commissioner of Taxation hearing

- 1.28 In the 41st Parliament, the then Committee initiated an inquiry into numerous taxation matters. During the course of the inquiry the Commissioner of Taxation agreed to biannual appearances before the Committee to update the Parliament and public on recent developments in tax administration.
- 1.29 Following a decision taken at the 2011 meeting, the Committee now meets annually with the Commissioner of Taxation, and key stakeholders including the Auditor-General, the Inspector-General of Taxation, the Commonwealth Ombudsman, as well as representatives from small

7 A copy of the report of the Joint Select Committee on the Parliamentary Budget Office, and the subsequent Government response is accessible at:
http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jscpbo/index.htm

business and tax professional organisations to scrutinise the activities of the Australian Tax Office.

Annual report requirements for Commonwealth agencies

- 1.30 Annual reports of Australian Government agencies are an important source of both current performance and historical information.
- 1.31 Each year, in accordance with the *Public Service Act 1999*, draft *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* are submitted by the Department of the Prime Minister and Cabinet to the JCPAA for approval. As these provide the basis for agency reports, the Committee carefully considers any proposals to amend, add or omit any requirement.
- 1.32 The Committee considered and reported on the 2011–12 requirements as part of the Australian Public Service Annual Update.

Australian Public Service Annual Update

- 1.33 The annual meeting with the heads of key agencies responsible for public sector governance and administration provides the JCPAA with a regular opportunity to discuss whole-of-government issues and trends, and review the overall performance of the Australian Public Service (APS).
- 1.34 Previously held as a private briefing, to increase transparency, the Committee decided to open up the 2012 meeting to the public. Following the success of this format, the Committee has agreed to continue to hold the APS Annual Update as a public hearing.

Policy inquiries

- 1.35 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.
- 1.36 Over the term of the 43rd Parliament, the JCPAA has tabled reports of three major inquiries: two that assisted in scrutinising the role of the Auditor-General; and the most recent report on National Funding Agreements examining the arrangements surrounding Federal financial relations with States and Territories.

Responses to JCPAA reports

- 1.37 The JCPAA's reports can include both 'policy recommendations' and/or 'administrative recommendations'.⁸ Administrative recommendations can be implemented and decided on by the relevant affected agencies. Policy recommendations may have direct implications to existing Government policy and therefore necessitate the relevant Minister or Cabinet to respond.
- 1.38 The Government has given a commitment for responses to be provided within six months of the date of a report's tabling.
- 1.39 Upon receipt, the Committee reviews each Government response and considers:
- whether it addresses the issues raised in the report recommendations; and
 - if any further action should be taken by the Committee in regard to the Government's response.

External engagement and communication

- 1.40 The JCPAA seeks to disseminate information on its role and activities, and to contribute to enhancing public sector accountability. The Committee ensures relevant information is accessible through its website at www.aph.gov.au/jcpaa.
- 1.41 The Committee, often through the Chair, Deputy Chair and secretariat, endeavour to meet with visiting delegations, attend seminars, make presentations, and encourage regional engagement in support of the Committee's work.

Regional engagement

- 1.42 Over the last twelve months, the JCPAA has been working with the ANAO and regional parliaments on capacity building, including planning for secondments for the staff of the Indonesian and Papua New Guinea public accounts committee equivalents.

8 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>

Australasian Council of Public Accounts Committees

- 1.43 The JCPAA is an active member of the Australasian Council of Public Accounts Committees (ACPAC). ACPAC provides a forum for public accounts committees to: exchange information and opinions; consider ways to improve quality and performance in scrutinising government expenditure; and promote communication between committees and Auditors-General, experts, the media and the public.
- 1.44 Membership consists of parliamentary public accounts committees from around Australia, New Zealand, Papua New Guinea, Fiji and the Solomon Islands. ACPAC holds biennial conferences for member and interested non-member committees from the region, and smaller members-only mid-term meetings on alternate years. These conferences are a valuable opportunity to exchange views and experiences between the different jurisdictions.