

Report 390

- **Administration of Taxation Rulings**
- **Commonwealth Estate Property Sales**
- **Administration of the Federation Fund Program**
- **Personnel Security—Management of Security Clearances**

Review of Auditor-General's Reports
2001–2002
First, Second and Third Quarters

Joint Committee of Public Accounts and Audit

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Foreword

Report 390 is the outcome of the review by the Joint Committee of Public Accounts and Audit (JCPAA) of the Auditor-General's audit reports tabled in the first, second and third quarters of 2000–2001. Of the 38 audit reports reviewed, the Committee selected four for further examination.

Audit Report No. 3, *The Australian Taxation Office's Administration of Taxation Rulings*; Audit Report No. 4, *Commonwealth Estate Property Sales*, Department of Finance and Administration; Audit Report No 11, *Administration of the Federation Fund Program*, various agencies; and Audit Report no 22, *Personnel Security – Management of Security Clearances* were examined at public hearings in Canberra on 30 April 2002.

Audit Report No. 3 focused on the operation of the Australian Taxation Office's (ATO) administration of taxation rulings. The audit found that the processes for the production of public rulings of high technical quality operated effectively overall but the collection, analysis and use of performance information could be enhanced in some areas. However, the audit noted that the administrative processes for private rulings had operated poorly in many respects.

The Committee acknowledges the complex taxation matters dealt with and the rigorous review and approval processes employed by the ATO in issuing its public rulings. The Committee encourages the ATO to continue to improve its processes to enhance the clarity and content of public rulings.

The Committee considers that the ATO will have to monitor and assess the effectiveness and efficiency of procedures it has implemented to control the production of Private Binding Rulings and to ensure their quality.

Audit Report No. 4 focussed on the sale of nine properties in seven case studies, with a total value of \$619 million, and considered whether the property sale represented value for money to the Commonwealth.

While the Committee accepts that the differing views of the ANAO and DOFA as to the effectiveness of the properties sale are derived from differing policy perspectives on the matter, nevertheless, greater attention should have been paid to providing the Government with ongoing advice about the hurdle rate, especially as the economic factors were changing rapidly. In addition, DOFA should be considering the whole-of-life costs and benefits for each property to ensure that the Commonwealth achieves best value for money and actions taken are in its best interests. To ensure that the Commonwealth's financial position is maximised, the objective in the sale/leaseback property transaction is to negotiate a contract with the preferred bidder that delivers the highest possible Net Present Value (NPV).

The Committee endorses the audit suggestion that sale management better practices identified in Audit Report No. 4 should be applied to future Commonwealth property sales, including the forthcoming scheduled major sales at CSIRO and in the Defence portfolio.

When examining ANAO's Report No. 30, 1999–2000 *Examination of the Federation Cultural and Heritage Projects Program*, the Committee made two recommendations regarding grant programs. In particular the Committee recommended that all applicants, successful or otherwise, should be notified of the decision as soon as possible in writing and that those who were unsuccessful should be advised of relevant appeal processes and provided with guidance for improving subsequent applications.

The Committee was therefore concerned to find, when reviewing Audit Report No. 11, *Administration of the Federation Fund Program, 2001–2002*, that the time gap between decisions and announcements in the Major Projects program varied markedly. Having reviewed the audit report and considered the evidence presented, the Committee believes that the Federation Fund program could have been better managed from the start if a Commonwealth agency had been formally assigned a coordinating role and given monitoring responsibilities before actual applications were sought. Such coordination would have facilitated better sharing of experience and expertise across administering departments for the Federation Fund program.

Audit Report No. 22 reviewed a number of agencies to determine whether organisations were managing security clearance and vetting processes effectively and efficiently and in accordance with Commonwealth policy and the Protective Security Manual (PSM) 2000.

The audit found considerable scope for improvement. All but one of the organisations reviewed had a large number of security clearances overdue for review, few organisations had an up-to-date protective security risk management assessment and none had effectively integrated risk assessments into personnel security arrangements. The audit also found that effective information management systems were not in place to support personnel security in some organisations, and in most organisations, insufficient resources were allocated to the personnel security function to maintain new clearance requirements as well as clearance reviews.

The Committee encourages agencies to use the results of their risk management processes to achieve better informed clearance processes. Many agencies have not made sufficient resources available to deal with the backlog of security clearances and have not made changes to their information systems to support the security review clearance process.

The Committee recommends that all agencies allocate the resources necessary to bring their security clearance processes in line with the requirements of the Protective Security Manual, and that all agencies make the necessary changes to the Human Resource Management Information System to support management reporting in relation to security clearances and appropriate access to security clearance information.

The Committee also looked at portability of security clearances and the case for a central coordinating agency to take responsibility for the transfer of security clearances. The Committee recommends that the Attorney-General's Department report to the Committee on the cost effectiveness of the Department maintaining a central database of security clearances.

Bob Charles MP
Chairman



Membership of the Committee

40th Parliament

Chair Mr Bob Charles MP

Deputy Chair Ms Tanya Plibersek MP

Members Senator Richard Colbeck

 Senator John Hogg

 Senator Claire Moore

 Senator Andrew Murray

 Senator Nigel Scullion

 Senator John Watson

Mr Steven Ciobo MP

Mr John Cobb MP

Mr Petro Georgiou MP

Ms Sharon Grierson MP

Mr Alan Griffin MP

Ms Catherine King MP

Mr Peter King MP

The Hon Alex Somlyay MP



Membership of the Sectional Committee

40th Parliament

Chair Mr Bob Charles MP

Deputy Chair Ms Tanya Plibersek MP

Members Senator Richard Colbeck

Senator John Hogg

Senator Claire Moore

Senator Andrew Murray

Senator Nigel Scullion

Senator John Watson

Mr Steven Ciobo MP

Mr John Cobb MP

Mr Petro Georgiou MP

Ms Sharon Grierson MP

Mr Alan Griffin MP

Ms Catherine King MP

Mr Peter King MP

The Hon Alex Somlyay MP

Committee Secretariat

Secretary Dr Margot Kerley

Inquiry staff Ms Maureen Chan

Ms Allyson Essex

Ms Jennifer Hughson

Ms Mary-Kate Jurcevic

Ms Maria Pappas



Duties of the Committee

The Joint Committee of Public Accounts and Audit is a statutory committee of the Australian Parliament, established by the *Public Accounts and Audit Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under subsections 49(1) and 55(2) of the *Financial Management and Accountability Act 1997*;
- (b) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (c) to examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament;
- (d) to report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament;
- (e) to report to both Houses of the Parliament any alteration that the Committee thinks desirable in:
 - (i) the form of the public accounts or in the method of keeping them; or
 - (ii) the mode of receipt, control, issue or payment of public moneys;
- (f) to inquire into any question connected with the public accounts which is referred to the Committee by either House of the Parliament, and to report to that House on that question;

-
- (g) to consider:
 - (i) the operations of the Audit Office;
 - (ii) the resources of the Audit Office, including funding, staff and information technology;
 - (iii) reports of the Independent Auditor on operations of the Audit Office;
 - (h) to report to both Houses of the Parliament on any matter arising out of the Committee's consideration of the matters listed in paragraph (g), or on any other matter relating to the Auditor-General's functions and powers, that the Committee considers should be drawn to the attention of the Parliament;
 - (i) to report to both Houses of the Parliament on the performance of the Audit Office at any time;
 - (j) to consider draft estimates for the Audit Office submitted under section 53 of the *Auditor-General Act 1997*;
 - (k) to consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*;
 - (l) to make recommendations to both Houses of Parliament, and to the Minister who administers the *Auditor-General Act 1997*, on draft estimates referred to in paragraph (j);
 - (m) to determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities;
 - (n) to determine the audit priorities of the Parliament for audits of the Audit Office and to advise the Independent Auditor of those priorities; and
 - (o) any other duties given to the Committee by this Act, by any other law or by Joint Standing Orders approved by both Houses of the Parliament.



List of abbreviations

AAT	Administrative Appeals Tribunal
ACS	Australian Customs Service
AFFA	Department of Agriculture, Fisheries and Forestry—Australia
AGSO	Australian Geological Survey Office
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
AWM	Australian War Memorial
CPC	Commonwealth Property Committee
CPI	Consumer Price Index
CPPs	Commonwealth Property Principles
Customs	Australian Customs Service
DCITA	Department of Communications, Information Technology and the Arts
Defence	Department of Defence
DEH	Department of Environment and Heritage

DFAT	Department of Foreign Affairs and Trade
DOFA	Department of Finance and Administration
DTRS	Department of Transport and Regional Services
FBT	Fringe Benefits Tax
FCHP	Federation Cultural and Heritage Projects
FCP	Federation Community Projects
GST	Goods and Services Tax
ISR	Department of Industry, Science and Resources
IT	Information technology
JCPAA	Joint Committee of Public Accounts and Audit
NTLG	National Tax Liaison Group
NPV	Net Present Value
PBR	Private Binding Ruling
PM&C	Department of Prime Minister and Cabinet
PoA	Provision of Advice (project)
PSM	Protective Security Manual
SHFT	Sydney Harbour Federation Trust
SP&I	Special Purpose and Industrial Estate

List of recommendations

Audit Report No. 4, *Commonwealth Estate Property Sales*

Recommendation 1

- 3.58 The Committee recommends that the Department of Finance and Administrative Services accept all seven recommendations in Audit Report No. 4, 2001–2002, *Commonwealth Estate Property Sales*.

Recommendation 2

- 3.60 The Committee recommends that the Department of Finance and Administrative Services, in consultation with the Australian National Audit Office, by June 2003, develop, publish and apply a sale management better practice guide for the disposal of future Commonwealth estate properties.

Audit Report No.11, *Administration of the Federation Fund Program*

Recommendation 3

- 4.15 The Committee recommends that government agencies responsible for Commonwealth grants ensure that after grant decisions have been made, all applicants, successful or otherwise, be notified of the results as soon as possible in writing, advised of relevant appeal processes and provided with guidance for improving future applications.

Recommendation 4

- 4.19 The Committee recommends that in future funding programs of national significance, a Commonwealth agency be given coordinating and monitoring responsibilities.

Recommendation 5

- 4.27 The Committee recommends that *Better Guide on the Administration of Grants* published by the Australian National Audit Office should be examined and adopted by Commonwealth agencies whenever they have grant management responsibilities.

Recommendation 6

- 4.51 The Committee recommends that a coordinating agency once appointed, will report on the funding programs it is overseeing against program outputs in its annual reports.

Audit Report No.22, *Personnel Security—Management of Security Clearances***Recommendation 7**

- 5.42 The Committee recommends that all agencies allocate the resources necessary to bring their security clearance processes in line with the requirements of the Protective Security Manual.

Recommendation 8

- 5.43 The Committee recommends that all agencies make the necessary changes to their Human Resource Management Information System to support management reporting in relation to security clearances and appropriate access to security clearance information.

Recommendation 9

- 5.54 The Committee recommends that the Attorney General's Department report to the JCPAA on the cost effectiveness of the Department's maintaining a central database of security clearances.

