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Review of Auditor-General's Reports tabled between February 2009 and September 2009

Joint Committee of Public Accounts and Audit

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Canberra

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Foreword

The Joint Committee of Public Accounts and Audit, as prescribed by the *Public Accounts and Audit Committee Act 1951* examines all of the reports of the Auditor-General tabled in the Parliament. This report details the findings of the Committee's examination of audit reports tabled between February 2009 and September 2009.

The nine reports chosen by the Committee cover a range of agencies and highlight a number of areas of concern, including the environmental impact of government procurement practice, the efficiency of government IT systems and data management and ongoing issues within the aged care sector.

The Committee was impressed by the progress being made by a number of departments in achieving better practice in green office procurement and sustainable office management. However, we are concerned at the seeming lack of urgency and leadership at a sector-wide level and are making a number of recommendations to help correlate and disseminate best practice across government departments and agencies. In particular the Committee is recommending that the Department of Environment, Water, Heritage and the Arts take a leadership role in promoting environmental management systems and develop a best practice environmental management system template with minimum standards for reporting.

Examination of the Defence Materiel Organisation's management of the M113 Armoured Personnel Carrier Upgrade Project again highlighted ongoing concerns over scope changes and lengthy delays to Defence projects. Despite being assured that appropriate processes are in place to keep decision makers informed of scope changes, the Committee is concerned at the apparent lack of administrative discipline in implementing these processes. Accordingly we have asked the Defence Materiel Organisation for details on how it is ensuring staff adhere to the existing processes. Although the M113 project is expected to meet a completion deadline of December 2010, it is still assessed as 'high risk', therefore the

Committee has asked Defence and the Defence Materiel Organisation to report back to us on the progress of the project.

On a related matter, the Committee reviewed the planning and approval of Defence Major Capital Equipment Projects to determine whether the two-pass approval process is being implemented effectively. The audit report identified a number of anomalies between process and practice and the Committee made three recommendations aimed at ensuring the accuracy of documentation, records and submissions.

The Committee was satisfied from its inquiry into the quality and integrity of the Department of Veterans' Affairs income support records that, although the system has experienced difficulties, there have been no instances of incorrect payments being made to DVA clients. However, we are concerned at the discrepancies and errors identified in the audit report and the lack of progress in implementing a comprehensive and accurate electronic database for the Department. There is potential for a detrimental flow-on effect with regard to client payments and service delivery. The Committee has asked the Department of Veterans' Affairs to report back to us on the implementation of the new information technology system.

On examining the review of the management of the Movement Alert List (MAL) by the Department of Immigration and Citizenship (DIAC), the Committee was particularly concerned over the number of Australian citizens listed on the system. We are satisfied that the Department has substantially reduced this number since the audit but urge DIAC to revise its policy and guidelines regarding the recording of Australian citizens on the system, to ensure a consistent approach is taken in future. Of further concern to the Committee is the lack of performance data available making it difficult to assess MAL's effectiveness. We have asked the Department to identify and report back to the Committee on specific instances where MAL has influenced decisions on visa and citizenship applications.

The Committee also examined the Department of Immigration and Citizenship's management of the Settlement Grants Program. The Committee is concerned that the effectiveness of the Settlement Grants Program is not being satisfactorily monitored and evaluated to determine if it is meeting its objective to help new arrivals to settle into Australian society. We are not convinced that enough is being done to identify and respond to the needs of immigrants at a local level and support programs specifically tailored to those needs. We have therefore asked the Department to report back to the Committee detailing how the effectiveness of the Program is being measured with regard to data collection and community consultation.

In this batch of reports, we pursued an ongoing interest in the aged care sector by reviewing two audits: the planning and allocation of aged care places and capital grants and the protection of residential aged care accommodation bonds. The first audit assessed the effectiveness of the Department of Health and Ageing's management of the planning and allocation of aged care places and capital grants, in accordance with the *Aged Care Act 1997*. The Committee is pleased to note that, overall, the planning and allocation of aged care places and capital grants by the Department is operating effectively.

The second audit was designed to assess the Department of Health and Ageing's administration of prudential arrangements for the protection of residential aged care accommodation bonds. The Committee understands the importance of these bonds to the capital growth of aged care facilities and acknowledges that to date no aged care clients have suffered the loss of their bonds. However, we are concerned at the potential for loss to occur and would like to see the prudential regulation strengthened with more attention paid to risk management implementation and ongoing monitoring. To this end, we have asked the Department to report back to the Committee on the implementation of the ANAO recommendations.

Finally, the Committee looked at the construction of the Christmas Island Immigration Detention Centre. While the Committee recognises that it is difficult at this distance to apportion blame, we are gravely concerned at the mismanagement of Commonwealth funds for this project. The substantial discrepancy between the initial cost estimate and final cost of the project and the apparent failure to identify significant risk factors in the project are of particular concern. The Committee feels that more could have been done during the planning stage to develop a realistic estimate of the cost of the project and is not satisfied with the argument that the uniqueness of the project led to such serious miscalculation of costs and risks.

The Committee acknowledges that this project was a catalyst for the implementation by Finance of the two-stage Cabinet approval process and the Gateway Review process. We have recommended that the Australian National Audit Office undertake an audit to determine the effectiveness of the implementation of both these processes in mitigating risk for Commonwealth construction projects.

Sharon Grierson MP
Chair

Membership of the Committee

Chair Ms Sharon Grierson MP

Deputy Chair Mr Petro Georgiou MP

Members

Hon Dick Adams MP (from 17/08/09)
Hon Arch Bevis MP
Hon Bronwyn Bishop MP
Mr David Bradbury
Mr Jamie Briggs MP
Mr Mark Butler MP (until 15/06/09)
Ms Catherine King MP
Hon Sussan Ley MP (from 03/02/10)
Mr Shayne Neumann MP
Mr Stuart Robert MP (until 03/02 /10)

Senator Guy Barnett
Senator Mark Bishop
Senator David Bushby (until 02/02 /10)
Senator David Feeney
Senator Helen Kroger (from 02/02/10)
Senator Kate Lundy

Committee Secretariat

Secretary	Mr Russell Chafer
Research Officers	Mr Shane Armstrong
	Dr Stewart Ashe
	Dr Narelle McGlusky

List of abbreviations

ACAR	Aged Care Approvals Round
ADF	Australian Defence Force
AFP	Australian Federal Police
AGD	Attorney-General's Department
ANAO	Australian National Audit Office
ASIO	Australian Security Intelligence Organisation
BOB	Border Operations Branch
CDF	Chief of Defence Force
CDG	Capability Development Group
CIIDC	Christmas Island Immigration Detention Centre
CMAL	Central Movement Alert List
CSA	Child Support Agency
Customs	Australian Customs and Border Protection Service
DAC	Departure Authorisation Certificate
DAL	Document Alert List
DCDM	Defence Capability Development Manual

DCP	Defence Capability Plan
Defence	Department of Defence
DFA	Department of Finance and Administration
DFAT	Department of Foreign Affairs and Trade
DIAC	Department of Immigration and Citizenship
DICE	Data Integrity Cleanup Exercise
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DIPs	Data Integrity Problems
DITRDLG	Department of Infrastructure, Transport, Regional Development and Local Government
DMO	Defence Materiel Organisation
DoHA	Department of Health and Ageing
DOTARS	Department of Transport and Regional Services
DPO	Departure Prevention Order
DPR	2003 Defence Procurement Review (Kinnaird Review)
DSTO	Defence Science and Technology Organisation
DVA	Department of Veterans' Affairs
ECP	Enhanced Compliance Program
ELF	Enhanced Land Force
EPAC	Enhanced Passenger Assessment and Clearance
Finance	Department of Finance and Deregulation
FMS	Feedback Management System
GMP	Guaranteed Maximum Price
GMS	Grants Management System

ICT	Information and Communication Technology
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
MAL	Movement Alert List
MPR	*Defence Materiel Organisation Major Projects Report*
NatO	DIAC's National Office
NPOC	Net Personnel Operating Cost
NSC	National Security Committee of Cabinet
OACQC	Office of Aged Care Quality and Compliance
PACE	Passenger Analysis, Clearance and Evaluation system
PAL	Person Alert List
PIA	Privacy Impact Assessment
PM&C	Department of Prime Minister and Cabinet
POE	Post Occupancy Evaluation
PRB	Prudential and Approved Provider Regulation Branch
PWC	Public Works Committee
RAR	Royal Australian Regiment
RIF	Remote Input Function
SES	Senior Executive Service
SGP	Settlement Grants Program
SRL	Systems Readiness Level
STOs	DIAC's State and Territory Offices
The Principles	User Rights Principles 1997

The Scheme	Accommodation Bond Guarantee Scheme
TRA	Technical Risk Assessment
TRL	Technology Readiness Levels
UIN	Unique Identification Number
UNSCR	United Nations Security Council Resolution
VSC	Veterans' Service Centre
White Paper	Defence White Paper 2009

List of recommendations

1 Introduction

2 Green Office Procurement and Sustainable Office Management

Recommendation 1 12

That taking into account the findings of the Government Leadership in Sustainability Taskforce, environmental management systems be made mandatory across all agencies of the Australian Government.

Further, that the Department of the Environment, Water, Heritage and the Arts take the lead in developing a best practice environmental management system template with minimum standards for reporting.

Recommendation 2 14

That Medicare Australia enter into stewardship agreements with its information and communication technology suppliers when its contracts are next scheduled for renewal.

Recommendation 3 14

That the Department of Environment, Heritage and the Arts draft and promote an explicit policy that product stewardship clauses be the preferred option for public sector information and communication technology (ICT) in all cases where ICT assets are not to be re-sold or gifted at the end of their working life.

Recommendation 4 17

That the methodology used and results of the Department of the Environment, Water, Heritage and the Arts desktop and server virtualisation project be disseminated to the other audited agencies.

Recommendation 5 21

That the Department of Climate Change and Energy Efficiency create separate targets for commercial and passenger vehicles in the Defence

white fleet to allow for a stronger focus on the environmental performance of the Defence white fleet.

3 Management of the M113 Armoured Personnel Carrier Upgrade Project

Recommendation 6 ..... **29**

That the Defence Material Organisation (DMO) provide a brief report to the Joint Committee of Public Accounts and Audit (JCPAA) within six months of the tabling of the Committee's report on the steps taken to ensure DMO staff adhere to the existing processes to inform decision makers of scope changes.

Recommendation 7 ..... **30**

That the Department of Defence and the Defence Materiel Organisation (DMO) provide the Joint Committee of Public Accounts and Audit (JCPAA) with a brief report detailing the progress of the M113 upgrade process, and the likelihood of the project being completed by the revised target date of December 2010.

4 Quality and Integrity of the Department of Veterans' Affairs Income Support Records

Recommendation 8 ..... **42**

The Committee recommends that the Department of Veterans' Affairs (DVA) report back to the Committee at the conclusion of the review of the agency's information technology systems and provide the Committee with details of the system chosen, the implementation plan and how the plan will address the Australian National Audit Office's recommendations.

Recommendation 9 ..... **45**

That the Department of Veterans' Affairs (DVA) provide the Joint Committee of Public Accounts and Audit (JCPAA) with a copy of the review of the DVA's data entry system and procedural controls as soon as practicable after the tabling of the Committee's report.

5 Management of the Movement Alert List

Recommendation 10 ..... **58**

The Committee recommends that the Department of Immigration and Citizenship (DIAC) report back to the Committee on the effectiveness of the Movement Alert List (MAL) after implementing Recommendation

Number 3 from the Australian National Audit Office Report No. 35 2008-09 which requires DIAC to identify instances where MAL has alerted its decision makers to information that has been the reason, or part of the reason, for decisions on visa and citizenship applications. The report from DIAC should be presented to the Committee within six months of this report being tabled.

6 Settlement Grants Program

Recommendation 11 67

The Committee recommends that the Department of Immigration and Citizenship (DIAC) provides a brief report to the Joint Committee of Public Accounts and Audit (JCPAA) detailing how DIAC is measuring the effectiveness of the Settlement Grants Program (SGP) under the new performance framework including:

- type of data collected;
- methodology used to collect data; and
- methods of consultation with local communities.

Recommendation 12 71

The Committee recommends that the Department of Immigration and Citizenship (DIAC) report within 12 months of tabling this report on the implementation and progress of the new Grants Management System (GMS) specifically addressing the issues raised in Australian National Audit Office Audit Report No 36 2008-09 with regard to the functionality of the GMS for the Settlement Grants Program (SGP).

8 Construction of the Christmas Island Immigration Detention Centre

Recommendation 13 97

The Committee recommends that the Department of Finance and Deregulation (Finance) provide to the Joint Committee of Public Accounts and Audit (JCPAA) the results to date of the implementation of the Post Occupancy Evaluation process and the Lessons Learned workshops as soon as such information is available.

Recommendation 14 98

The Committee recommends that the Australian National Audit Office (ANAO) undertake an audit into the effectiveness of the implementation of the two-stage Cabinet approval process and the Gateway Review

process in mitigating risk for Commonwealth construction projects since their introduction.

9 Planning and Approval of Defence Major Capital Equipment Projects

Recommendation 15 ..... **109**

The Committee recommends that when preparing submissions Defence develop a procedure to ensure that any divergence from the generic guidance provided in the Defence Capability Development Manual (DCDM) is authorised at an appropriate level and to record:

- any modifications to the capability development approval process contained in the Defence Capability Development Manual (DCDM) for a project; and
- reasons for diverging from the generic model.

Recommendation 16 ..... **114**

The Committee recommends that Defence work with the Department of Prime Minister & Cabinet (PM&C) to amend the *Cabinet Handbook* to accurately reflect the more specific risk measurement process developed by Defence which should be included in submissions for both first and second pass assessment.

Recommendation 17 ..... **115**

The Committee recommends that Defence ensure that Cabinet submissions for future major capital equipment projects provide advice that is clear and consistent, and include the following:

- Technology Readiness Level (TRL) and System Readiness Level (SRL) scores for each option;
- description of likelihood and consequence of risk based on these ratings.

The Committee further recommends that Defence develop a procedure to ensure that staff involved in Technical Risk Assessments (TRAs) have a clear understanding of System Readiness Level (SRL) measurements so that the figure provided precisely reflects risk levels.

10 Protection of Residential Aged Care Accommodation Bonds

Recommendation 18 143

The Committee recommends that the Department of Health and Ageing (DoHA) report back to the Committee within twelve months of the tabling of this report on DoHA's implementation of Recommendation Number 3 from the Australian National Audit Office Report No. 5 2009-10, outlining progress towards monitoring whether or not bonds and bond income is being used according to the requirements of the *Aged Care Act 1997.*