

Summary of Activities for 2015–16

In 2015–16, the Committee held seventeen meetings, all of which were in Canberra. Twelve of those meetings included public hearings. The Committee tabled ten reports during 2015–16, including *Report 450: Annual Report 2014–15*.

Table 2.1 – the Committee’s activities in 2015–16 can be compared to previous years according to some key measures.

Metric	2013–14	2014–15	2015–16
Committee reports tabled in Parliament	3	5	10
Recommendations made	24	26	50
Government responses received ¹	24	49	27
Government responses submitted on time	67 %	78 %	85 %
Recommendations agreed to by agencies ²	– ³	44	24
Auditor–General’s reports selected for detailed inquiry	3	9	12
Total meetings held	14	22	17
Public hearings held	6	11	12
Submissions received	30	23	56

Source: Committee Secretariat

¹ This metric describes all government responses and executive minutes received in 2015–16, including responses to reports which were tabled in previous annual reporting periods.

² This metric describes the recommendations agreed to by the government responses received in 2015–16. These recommendations may have been made in previous annual reporting periods.

³ Information unavailable for this reporting period.

Reviews and inquiries

Reviews of Auditor-General's Reports

The Committee conducted 12 separate inquiries on matters in ANAO reports, brought together in five reports tabled in the Parliament. The Auditor-General tabled [35 performance audit reports](#) in Parliament in 2015–16. The Committee considered all of these reports.

[Report 449](#)— Inquiry into Regional Development Australia Fund, Military Equipment Disposal and Tariff Concessions

This report explores the way Commonwealth agencies administer grants and programs, focusing on how they respond to audit recommendations. It outlines the Committee's view that robust administrative arrangements are crucial to effective and efficient use of Commonwealth resources, and emphasised the importance of the ANAO's advice for public sector agencies to achieve these outcomes. This report also suggests the Commonwealth Grants Rules and Guidelines could be updated to reinforce their relevance to agencies.

The Committee tabled this report on 11 August 2015. The Committee conducted this inquiry based on three Auditor-General's reports tabled in 2014–15:

- [Auditor-General's report no. 9 \(2014–15\)](#), *The Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund*
- [Auditor-General's report no. 19 \(2014–15\)](#), *Management of the Disposal of Specialist Military Equipment*
- [Auditor-General's report no. 20 \(2014–15\)](#), *Administration of the Tariff Concession System*

A strong theme connecting these three Auditor-General's reports was a lack of transparency and accountability in audited decision-making processes. In all three cases, the Auditor-General had recommended that the agency strengthen its internal guidance and provide clearer, higher-quality advice to decision-makers.

[Report 451](#)— Inquiry into Community Pharmacy Agreements

On 23 November 2015, the Committee reported on its inquiry into the administration of Community Pharmacy Agreements, particularly the fifth agreement, in operation from 2010–2015.

In this report, the Committee recommends continuing and closer scrutiny of Community Pharmacy Agreements. The report also expresses the Committee's concern about the considerable consequences of ineffective administration, given the

importance of pharmaceutical services, the cost of the Community Pharmacy Agreement, and the length of its operation.

The Committee launched this inquiry based on an Auditor-General's report tabled in 2014-15:

- [*Auditor-General's report no. 25 \(2014-15\), Administration of the Fifth Community Pharmacy Agreement*](#)

The report highlighted problems with the way the fifth agreement was negotiated and executed.

[Report 452](#)— Inquiry into Natural Disaster Recovery, Centrelink Telephone Services, and Safer Streets Program

This report examines the way Commonwealth agencies monitor and report on programs. It reinforces that agencies should implement ANAO recommendations fully and quickly. The Committee recommends that agencies engage more closely with the Commonwealth Grants Rules and Guidelines, and develop a robust set of performance measures that are then actively used to manage programs.

The Committee tabled this report in December 2015. The Committee conducted this inquiry based on three Auditor-General's reports tabled in 2014-15:

- [*Auditor-General's report no. 34 \(2014-15\), Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*](#)
- [*Auditor-General's report no. 37 \(2014-15\), Management of Smart Centres' Centrelink Telephone Services*](#)
- [*Auditor-General's report no. 41 \(2014-15\), The Award of Funding under the Safer Streets Programme*](#)

Of most interest to the Committee in these reports was that agencies needed to better integrate the lessons learned, from audits and from their own evaluations, into future work.

[Report 454](#)— Inquiry into Administration of the Early Years Quality Fund

This report addresses risks, probity issues and non-compliance with administrative rules in Commonwealth agencies' delivery of grants programs. The Committee recommended a range of measures to ensure public monies are used more effectively, efficiently and transparently.

The Committee reported on this inquiry in February 2016, in response to an Auditor-General's report tabled in 2014-15:

- [*Auditor-General's report no. 23 \(2014-15\), Administration of the Early Years Quality Fund*](#)

The Auditor-General's report made a single, forceful recommendation and delivered strong messages about the necessity of robust governance, frank advice, and the imperative for agencies to meet their responsibilities.

[Report 456](#)— Inquiry into Defence Major Equipment Procurement and Evaluation, and Great Barrier Reef Regulation

This report considers the importance of rigorous risk management in Commonwealth agencies' core business activities. It outlines the Committee's view that well-developed, clearly communicated and consistently adopted procedures and regulatory practices are essential to managing risk effectively.

The Committee tabled this report on 5 May 2016. The Committee undertook this inquiry in response to three Auditor-General's reports that examined programs carrying substantial financial, environmental and safety risks:

- [*Auditor-General's report no. 52 \(2014-15\), Australian Defence Force's Medium and Heavy Vehicle Fleet Replacement \(Land 121 Phase 3B\)*](#)
- [*Auditor-General's report no. 3 \(2015-2016\), Regulation of Great Barrier Reef Marine Park Permits and Approvals*](#)
- [*Auditor-General's report no. 9 \(2015-2016\), Test and Evaluation of Major Defence Equipment Acquisitions*](#)

Review of Independent Auditor's Report

On 17 March 2016, the Committee wrote to the Auditor-General, outlining the conclusions of its inquiry into the Independent Auditor's report, [Review of Communications Processes](#).

In this [correspondence](#), the Committee expresses support for the Independent Auditor's recommendations to improve the ANAO's internal and external communications. The letter welcomes the ANAO's progress in implementing the recommendations, and expresses the Committee's interest in receiving further updates during its regular briefings with the ANAO.

Overseeing the Defence Major Projects Report

[Report 458](#): Defence Major Projects Report (2014-15)

On 5 May 2016, the Committee reported on its inquiry into the [2014-15 MPR](#), tabled by the ANAO on 15 January 2016. The MPR assessed the cost, schedule and

capability performance of 25 major Defence acquisition projects with a combined budget of \$60.5 billion.

The Committee's report addresses some particular projects, as well as connecting themes. The Committee's primary concern is how frequently Defence projects are miscategorised, and hence how significantly projects are delayed. The report also set out the Committee's concern that risk management and other governance processes are inconsistently applied across Defence projects. The report includes four recommendations from the Committee that relate to these concerns.

Endorsing the 2015-16 MPR Guidelines

The ANAO submitted draft guidelines for the next MPR to the Committee on 21 September 2015. These guidelines defined selection criteria for the projects the MPR would examine, outlined Defence's roles and responsibilities in the process, and provided an indicative timeline for tabling the MPR in November 2016. The draft guidelines also included a prospective list of 26 projects for consideration, with two removed from and three added to the 2014-15 MPR list.

The Committee endorsed the guidelines for the 2015-16 MPR on 26 October 2015. The guidelines will be published as part of the final MPR.

Inquiry into the development of the Commonwealth Performance Framework (CPF)

Reports [453](#) and [457](#)—Development of the Commonwealth Performance Framework

In December 2015 and May 2016, the Committee tabled its first and second reports as part of its ongoing inquiry into the development of the CPF.

The Committee views the CPF as an important tool in public sector performance management reform. In its reports, the Committee offers detailed analysis of how useful the CPF is – both for the Commonwealth entities to plan ahead and then assess their own performance, and for stakeholders to scrutinise entity performance. The Committee drove the inclusion of Portfolio Budget Statements as a critical planning element that Commonwealth entities should report on in their Annual Performance Statements, in addition to their Corporate Plans.

The Committee specifically commends the broad consultation undertaken in developing the CPF and the strong guidance documents that are available. The reports together make eight recommendations to further develop the framework and improve the way it is implemented across the public sector.

Responses to the Committee's reports

In 2015–16, the Committee received 27 responses to recommendations it had made as part of four inquiries (see Appendix). This includes one response received to supplement an earlier response, to recommendation 2 of the Committee's Report 447 (AG Reports no. 32-54 (2013-14)). These responses are all published on the Committee's website, on the pages of the relevant inquiries.

The government has committed – and the Committee expects – that Commonwealth entities will respond to its recommendations within six months. In 2015–16, 85 % of responses were submitted on time.

Other major Committee activities

Audit priorities of the Parliament

On 11 May 2016, the Committee advised the Auditor-General of the audit priorities of the 44th Parliament for 2016–17 (see [Box 1](#)). The Committee determined these priorities following consultation with all other parliamentary committees, with reference to the ANAO's draft Audit Work Program for 2016–17.

The Parliament identified 36 audits as priorities that were proposed in the ANAO's draft Audit Work Program for 2016–17. The Parliament also identified several audit priorities that were not listed in the ANAO's draft Audit Work Program for 2016–17.

The Committee emphasised its support for reviews in three strategic areas – defence, tax administration and cross entity audits. Audits in these strategic areas made up a quarter of the activities in the ANAO's Audit Work Program for 2016–17, published on 29 July 2016.

Review of the annual budget of the ANAO

The Committee considered the ANAO's proposed budget for 2016–17, following briefing on how the proposed budget would impact the ANAO's capacity to undertake its functions. The Chair of the Committee tabled a [statement](#) in the House of Representatives on 3 May 2016 and a corresponding statement was delivered in the Senate.

Appointment of the Parliamentary Budget Officer

On 17 March 2016, the Committee approved Mr Phil Bowen's reappointment as Parliamentary Budget Officer for a further term of 12 months, commencing on 23 July 2016. Mr Bowen's four-year term was due to expire during the 2016 Federal election period; his reappointment ensured continuity of leadership for the PBO. The *Parliamentary Services Act 1999* allows a Parliamentary Budget Officer to be

reappointed, but they must not hold office for a total of more than 8 years. The Committee will consider the appointment of the Parliamentary Budget Officer, when Mr Bowen's term expires on 23 July 2017.

Review of the annual budget and work plan of the PBO

The Parliamentary Budget Officer submitted the PBO's 2016-17 draft budget estimates on 15 February 2016, for the Committee's consideration. As with the ANAO, the Committee received a briefing from the PBO on potential impacts of the proposed budget and considered the draft work plan for 2016-17. The Chair of the Committee made a [statement](#) to the House of Representatives on 3 May 2016 and a corresponding statement was delivered in the Senate.

Annual reporting requirements

As part of its inquiry into the development of the CPF, the Committee approved the [Public Governance, Performance and Accountability Amendment \(Corporate and Commonwealth Entity Annual Reporting\) Rule 2016](#) (the Annual Reporting Rule). The Annual Reporting Rule sets out the requirements which will apply to all Commonwealth entities for their annual reports.

This was the first time these requirements became a formal, consolidated rule under the PGPA Act.

Box 1: Audit priorities of the 44th Parliament for 2016–17	
<i>Portfolio</i>	<i>Priorities</i>
Committee strategic focus: Defence	<p>Implementation of the First Principles Review</p> <p>Smart Sustainment</p> <p>Future Submarine—Competitive Evaluation Process</p> <p>Air Warfare Destroyer Program</p> <p>Collins Class Submarine Sustainment</p> <p>Delivering a Single Defence ICT Architecture</p>
Committee strategic focus: Taxation	The ATO's Implementation of Audit Recommendations
Committee strategic focus: Cross entity audits	<p>Procurement</p> <p>Performance Statement Implementation by Commonwealth Entities</p> <p>Corporate Plans of Commonwealth Entities</p> <p>The Management of Risks by Commonwealth Entities</p>
Agriculture and Water Resources	<p>Implementation of the Biosecurity Act 2015</p> <p>Management of Biosecurity Compliance, Investigation and Enforcement Arrangements</p>
Attorney-General	Managing Mental Health Issues in the Australian Federal Police
Communications and the Arts	Administration of the NBN Satellite Support Service Scheme
Education and Training	<p>Effectiveness of Grant Programs Administration–Follow-up Audit</p> <p>Funding for Schools</p>
Employment	Compliance with Temporary Work Visa Conditions
Environment	<p>Greenhouse Gas Emissions—Accounting for Australia's Reductions</p> <p>Investments by the Clean Energy Finance Corporation</p> <p>Administration of the Green Army Program</p>
Finance	Australian Electoral Commission's Conduct of the 2016 Federal Election
Foreign Affairs and Trade	<p>Strengthening Australia's Tourism Industry</p> <p>Marketing and Promotion of Australia's International Education and Training Sector</p>

Box 1: Audit priorities of the 44th Parliament for 2016–17	
<i>Portfolio</i>	<i>Priorities</i>
Health	Efficiency and Effectiveness of Primary Health Networks Health Emergency Preparedness and Response
Industry, Innovation and Science	Low Emissions Coal and Carbon Capture and Storage
Social Services	Financial Stability of the National Disability Insurance Scheme: Decision Making Controls Used by the National Disability Insurance Agency National Disability Insurance Scheme
Treasury	Payments for Specific Purposes to the States and Territories
Veterans' Affairs	Integrity of Veterans' Disability Support Services Veterans' Community Care and Support

External engagement, communication, and considering broader aspects of public administration

International engagement

In 2015–16, the Committee made the most of opportunities to share with and learn from public administration committees of international parliaments. Committee members took part in a parliamentary committee exchange in September 2015 (see [Box 2](#)). In February 2016, the Committee met with members of the New Zealand government administration committee when they travelled to Australia.

The Committee attended a mid-term meeting of the Australasian Council of Public Accounts Committees (ACPAC) in April 2016. This event allowed the Committee to discuss matters of mutual concern with state and territory counterparts, including how to improve the quality and performance of Public Accounts Committees.

Box 2: Parliamentary committee exchange—New Zealand and Fiji

Three members of the Committee travelled to Fiji and New Zealand in September 2015, as part of an annual parliamentary committee exchange. The exchange strengthens the links between the Australian and New Zealand parliaments, and allows Australian and New Zealand parliamentarians to explore issues of common interest. Since 2014, the exchange has been broadened to include one other Pacific region nation per trip—in this case, Fiji.

The delegation learned a great deal from their parliamentary counterparts.

Fiji's Public Accounts Committee was examining Auditor-General's reports presented to the new Parliament in 2014, some dating from 2007.

New Zealand's Finance and Expenditure Committee engaged in a constructive discussion with the delegation on the roles and powers of the committees, government responses, and the implementation of audit recommendations.

The delegation discussed public sector reform, an important area of shared interest, with the New Zealand Treasury and State Services Commission. New Zealand is undertaking a major overhaul of its public sector management and financial framework. In particular, their Better Public Services initiative and Performance Improvement Framework impressed the delegation—the Committee has now sought advice about adopting parallel reforms in Australia.

The delegation also explored data integration; the process of linking together two or more datasets originally collected for different purposes. Statistics New Zealand is integrating data sources from agencies that provide health, education, and welfare services to the public, along with tax, employment, and crime data. By constructing a view across government, data integration can provide insights into improving social and economic outcomes. This allows agencies to invest resources accordingly and deliver better services to the public. The delegates are keen to hear from the Australian Bureau of Statistics to see whether this approach could work in Australia.

Senator Dean Smith

Chair

27 October 2016