



Office of the Auditor-General for Australia



26 May 2015

Mr Russell Matheson MP
Chair
Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Matheson

Submission to the parliamentary inquiry into the integrity of Australia's border arrangements

Thank you for the opportunity to make a submission to the Committee's inquiry into the integrity of Australia's border arrangements.

As you are aware, the role of the Australian National Audit Office (ANAO), under the *Auditor-General Act 1997*, is to provide the Parliament with an independent assessment of selected areas of public administration, and assurance about public sector financial reporting, administration and accountability. We do this primarily by conducting financial statement audits, performance audits and assurance reviews. We also produce Better Practice Guides, which aim to promulgate good practice in relation to selected areas of public administration.

The ANAO conducts financial statement audits of all Commonwealth entities to provide an opinion on whether an entity's financial statements comply with accounting standards and any other requirements prescribed by the Public Governance, Performance and Accountability (PGPA) Rules, and present fairly the entity's financial position, financial performance and cash flows. The purpose of a financial statements audit is to provide reasonable assurance that the entity's financial statements are free from material misstatement, whether due to fraud or error.

As part of the financial statement audits, fraud procedures are undertaken to comply with ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*. The objectives under this standard are to:

- identify and assess the risks of material misstatement of the financial report due to fraud;
- obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- respond appropriately to fraud or suspected fraud identified during the audit.

Where the ANAO identifies significant issues, these are reported to Parliament through one of two reports: *The Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies*; and *Audits of the Financial Statements of Australian Government Entities*.

The ANAO also undertakes around 50 performance audits each financial year, across a broad range of Australian Government entities. Performance audits aim to provide the Parliament with assurance relating to the administration of Government programs, and to assist public sector managers by identifying and promoting better administrative and management practices.

The ANAO's performance audit activity forms part of the arrangements that seek to provide assurance to the Parliament that integrity mechanisms in Australian Government entities in general, including the anti-corruption entities are working efficiently and effectively. In this context, the ANAO has published a number of performance audits which relate to issues being considered during the Committee's inquiry, including the integrity of airport and seaport border arrangements and the anti-corruption measures of Australian Government entities. The more recent audit reports of this nature are summarised below.

- **Audit Report No.3, 2014–15, *Fraud Control Arrangements (Across entities)*.** The audit examined the fraud control arrangements in the Australian Trade Commission, Comcare and the Department of Veterans' Affairs. It also assessed the overall administration of the fraud control framework by the Attorney-General's Department. The audit found that the selected entities were generally compliant with the applicable mandatory requirements of the 2011 Fraud Control Guidelines that were in effect during the course of the audit, although progress in transitioning to the new arrangements under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) was varied. The audit made one recommendation aimed at supporting the timely preparation of whole-of-government fraud control reports to government.
- **Audit Report No. 20, 2013–14, *Management of the Central Movement Alert List: Follow-on Audit (Department of Immigration and Border Protection)*.** The audit examined the effectiveness of the Department of Immigration and Border Protection's (DIBP) management of the CMAL system, an electronic watch list, which contains information about individuals who pose either an immigration or national security concern to the Australian Government. The audit made four recommendations aimed at improving the: strategic management arrangements for CMAL; quality of data held on CMAL; and performance reporting in relation to visa and citizenship application decisions.
- **Audit Report No. 23, 2013–14, *Policing at Australia's airports (Australian Federal Police)*.** The audit examined the AFP's management of policing services at Australian international airports, including processes for managing risk and operational planning; facilities at airports as well as information sharing arrangements with stakeholders. The audit made a single recommendation aimed at improving AFP officers' knowledge of state and territory legislative requirements.
- **Audit Report No. 42, 2013–14, *Screening of International Mail (Department of Agriculture and Australian Customs and Border Protection Service)*.** The audit examined the effectiveness of Agriculture and Customs' arrangements for the

targeting and screening of incoming international mail to identify prohibited and restricted goods. The audit made three recommendations directed towards improving Customs' targeting and screening practices and Agriculture's and Customs' reporting frameworks.

All of the above audit reports are available on the ANAO's website: www.anao.gov.au. The ANAO is currently undertaking the following performance audits, expected to be finalised in the next few months, which may be of interest to the Committee.

- **The Australian Government Security Vetting Agency (Department of Defence).** The audit objective is to examine whether the Australian Government Security Vetting Agency (AGSVA) provides an efficient and effective security vetting service for Australian Government entities.
- **Compliance with Wildlife Trade Regulations of the EPBC Act 1999 (Department of Environment and Australian Customs and Border Protection Service).** The audit objective is to assess the effectiveness of the departments' management of compliance with wildlife trade regulations under Part 13A of the EPBC Act 1999.

The Committee may also be aware that the ANAO has included the following proposed audit topics in the draft Audit Work Plan 2015. Any decision to commence these audits will need to have regard to an assessment of priorities and available resources.

- **Implementing Staff Integrity Measures (Department of Immigration and Border Protection).** An audit would examine the implementation and effectiveness of the Department of Immigration and Border Protection's staff integrity framework. The audit scope may include activity in other government entities.
- **Implementation of the Protective Security Policy Framework.** An audit would examine the effectiveness of the Protective Security Policy Framework (PSPF). This includes communication and guidance to Australian Government entities from the Attorney-General's Department and an assessment of the implementation of PSPF in selected entities.
- **Better Practice Guide: Fraud Control.** To reflect changes in the governance environment stemming from the PGPA Act and other policy and administrative changes in relation to the management of fraud, the ANAO will update and refresh the 2011 guide, in consultation with the Attorney-General's Department.

In discharging its responsibilities, the ANAO does not have a specific role in actively detecting fraudulent or corrupt activities by government officials or members of the public. Where suspected serious wrongdoing is identified in the course of undertaking an audit, the ANAO's policy is to raise the matter with senior entity management, where appropriate. In rare circumstances, the Auditor-General may consider whether it is appropriate to refer a matter to the Commissioner of the Australian Federal Police, where it is in the public interest to do so. This is in accordance with Section 36 of the *Auditor-General Act 1997*.

We would be pleased to discuss with the Committee, these or any other matters that may be relevant to your terms of reference.

Yours sincerely

Ian McPhee