



Joint Committee of Public Accounts and Audit
Governance in the Stewardship of Public Resources:
Inquiry into Auditor-General's
Reports 11, 31 and 39 (2019-20); and 2, 9 (2020-21)
3 March 2021
Opening Statement by the Auditor-General

1. Good afternoon Chair and Committee Members.
2. Thank you for the opportunity to appear before the committee today as part of the inquiry into the governance in the stewardship of public resources, specifically Auditor-General Reports: –
 - No. 11 (2019-20) *Implementation of the Digital Continuity 2020 Policy;*
 - No. 31 (2019-20) *Management of Defence Housing Australia;*
 - No. 39 (2019-20) *Implementation of the CSIRO Property Investment Strategy;*
 - No. 2 (2020-21) *Procurement of Strategic Water Entitlements; and*
 - No. 9 (2020-21) *Purchase of the 'Leppington Triangle' Land for the Future Development of Western Sydney Airport*

Governance in the stewardship of public resources

3. Effective stewardship of public resources requires not only a sound governance framework, but also a culture in which Commonwealth entities are led by accountable authorities to efficiently, effectively, economically and ethically manage the use of public resources thereby seeking the best value for Australian taxpayers.
4. In its performance audit work, the ANAO reviews and assesses an entity's established governance framework taking account of enabling legislation and the finance laws, government and accountable

authority policies and procedures, planning, risk management, performance monitoring and measurement. Good governance is a key to stewardship of public resources. The audit reports produced provide transparency to the Parliament as to whether these frameworks are being effectively implemented to assist the Parliament in holding accountable authorities to account.

5. A synopsis follows on areas for improvement in entities' stewardship of public resources identified in the audits relevant to this inquiry.

6. The stewardship of public resources requires strong governance arrangements. As corporate Commonwealth entities, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Defence Housing Australia (DHA) have been established under acts of Parliament with a specific purpose to deliver against a primary function and are subject to the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*. In both entities the board is the accountable authority. The DHA exists under legislation to primarily provide housing and housing-related services to members of the Australian Defence Force (ADF) and their families. Similarly, the CSIRO is established for the specific purpose to undertake its specialised science capabilities. The ANAO found that for both corporate Commonwealth entities there was a lack of oversight from their respective Boards and, to varying degrees, both were involved in activities that may not have been consistent with their legislated functions.

7. Accountable authorities are required by the PGPA Act to establish and maintain systems relating to risk and control (section 16). The management of risk was found to be lacking in all of the identified audits. In particular, the CSIRO did not manage the risk to revenue from divestment projects not proceeding, and procurement risks were not appropriately managed by the Department of Agriculture Water and Environment in the procurement of strategic water entitlements. In its purchase of 'Leppington Triangle' land for the future development of Western Sydney Airport, the Department of Infrastructure, Transport, Regional Development and Communications did not develop an appropriate acquisition strategy including by failing to address risks in its documented approach.

8. Stewardship of public resources is supported by a sound approach to monitoring and evaluating the implementation of policy through the establishment and application of performance indicators, evaluation and transparent reporting. Successful implementation of a strategy or program which consumes resources is more likely if success measures are established, monitored and reported on, whether delivery is internal to the sector or delivering to the public.

9. The Digital Continuity 2020 policy sought to manage information as an asset, transition to entirely digital work processes and have interoperable information, systems and processes. The policy, issued under

the *Archives Act 1983* applies to all Australian Government entities. Although information products and guidance to support the policy were developed, the National Archives of Australia arrangements to oversee, monitor, measure and review objectives against outcomes, consistent with the PGPA Act and enabling legislation, was limited in effectiveness.

10. DHA's development of key performance indicators was limited. Although a major reason for creating DHA was to improve the standard of Defence housing so as to address low ADF member retention rates, there has been no work done to assess the effect of DHA's services on retention rates. In addition it had not developed a performance measure on operating efficiency.

11. The CSIRO set a target to reduce its property footprint, but did not develop a comprehensive approach for monitoring and measuring its property footprint over the ten year life of the 2012 Property Strategy.

12. Proper use of resources is defined in the PGPA Act as meaning efficient, effective, economical and ethical. The Department of Finance (in its PGPA Glossary) defines ethical, in relation to the proper use of public resources as:

The extent to which the proposed use is consistent with the core beliefs and values of society. Where a person behaves in an ethical manner it could be expected that a person in a similar situation would undertake a similar course of action. For the approval of proposed commitments of relevant money, an ethical use of resources involves managing conflicts of interests, and approving the commitment based on the facts without being influenced by personal bias. Ethical considerations must be balanced with whether the use will also be efficient, effective and economical.

13. Further, Public Servants must act in accordance with the *Public Service Act 1999*, including the Australian Public Service Commissioner's Directions 2016 (as amended in July 2019) which among other things requires "acting in a way that is right and proper, as well as technically and legally correct or preferable".

14. The audit, Purchase of the 'Leppington Triangle' Land for the Future Development of Western Sydney Airport, concluded that The Department of Infrastructure did not exercise appropriate due diligence in its acquisition of the Leppington Triangle land for the future development of the Western Sydney Airport. In the course of this audit it became clear that aspects of the operations of the department, both during and after the acquisition, fell short of ethical standards. These aspects included

incomplete advice provided to decision makers and inadequate responses by the department when questions were raised by the ANAO.

15. Omitting key information in the briefings to decision-makers and Ministers was inappropriate and inconsistent with acting ethically. Decision-makers were not appropriately advised as to the value for money of the terms of the 'Leppington Triangle' land acquisition. Decision-makers need to ensure that they make sound and informed procurement decisions based on evidenced facts, take into account all relevant benefits and possible risks which are consistent with legal, administrative and policy frameworks. If the material provided to them is incomplete then they should make reasonable and practical inquiries.

16. Effective stewardship also requires thoughtfulness on achieving value for money. Officials focus on achieving deliverables within time and within budget. The limit of the available budget, however, should not be used as a benchmark for what is a reasonable or appropriate price to pay. Similarly, the upper limit of an estimated price range should not be the starting point for making an offer. Although the program design and planning to support strategic water procurement was largely appropriate, its application was not sound with inconsistencies and design flaws in tender assessment (methodology). There was little negotiation of price offered and valuations accepted at face value.

17. Too often we see entities operating as price-takers in the market. Entities need to drive value in procurement by maintaining competitive pressure, by negotiating or by at least asking for a better deal for the taxpayer.