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The Parliament of the Commonwealth of Australia

# **Report 401**

**Annual Report 2003-2004**

**Joint Committee of Public Accounts and Audit**

August 2004  
Canberra

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Commonwealth of Australia 2004

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## Foreword

I am pleased to present the 2003-2004 annual report of the Joint Committee of Public Accounts and Audit, pursuant to section 8B of the *Public Accounts and Audit Committee Act 1951*. Section 8B of the Act requires the Committee to table in both Houses of Parliament a report on the Committee's performance each financial year. Tabling of the annual reports is an important accountability mechanism by which Parliament, and through it the public, can conveniently assess the Committee's performance.

The Committee's performance can be judged principally by the quality of our reports, the recommendations they contain and the Government's responses to these recommendations. The Committee had a productive year in 2003-2004 with the completion of 3 major inquiries: Report 395, *Inquiry into the Draft Financial Framework Legislation Amendment Bill*; Report 399, *Management and Integrity of Electronic Information in the Commonwealth*; and Report 400, *Review of Aviation Security in Australia*. The Committee also tabled 2 reports with recommendations as part of its on-going statutory obligation to review all reports of the Auditor-General.

Report 395, *Inquiry into the Draft Financial Framework Legislation Amendment Bill* reviewed an exposure draft of the Financial Framework Legislation Amendment Bill. While recommending several amendments, the Committee concluded that when law, the draft Bill will substantially improve the Commonwealth's financial framework. The report concluded by recommending that the Government introduce the Financial Framework legislation Amendment Bill into Parliament as soon as feasible.

Report 399, *Management and Integrity of Electronic Information in the Commonwealth*, was the outcome of an inquiry that had originally focused on the electronic

protection of information held by Commonwealth agencies. However, it became apparent that a far more fundamental problem was the physical security of Commonwealth computing assets and the data they held. The Committee's attention was drawn to the issue of physical security for IT equipment when it learned of the theft of IT equipment from an Australian Customs Service facility at Sydney airport in August 2003. The Committee found that a number of Commonwealth agencies had inadequate levels of physical security for IT equipment. The Committee also examined security measures associated with the transmission of data between Commonwealth agencies and between agencies and citizens.

Report 400, *Review of Aviation Security in Australia* arose from the Committee's statutory obligation to review reports of the Auditor-General, namely Audit Report No. 26, 2002–2003, *Aviation Security in Australia*. The Committee reviewed the current threat environment within which Australia's aviation industry operates; the opportunities and costs of security enhancements; the aviation security framework; and the human aspects of security, including the culture of security. The report found that the present security measures are appropriate to the current level of threat, and that there is flexibility to adjust the framework to meet changing threats. Further, aviation and security officials have a positive approach to security that encourages security compliance by the travelling public.

The two other reports tabled in the year, Report 396, *Review of Auditor-General's Reports, 2002-2003, First, Second & Third Quarters* and Report 398, *Review of Auditor-General's Reports, 2002-2003, Fourth Quarter*, reflected the Committee's ongoing statutory role in reviewing the reports of the Auditor-General.

In March 2004 the Committee announced an inquiry into indigenous law and justice, prompted by the findings of Audit Report No. 13, 2003-2004, *ATSIS Law and Justice Program*. This inquiry will examine, among other things, the distribution of resources of Indigenous legal aid services; coordination of Indigenous and mainstream legal aid; and access to services by Indigenous women.

The 2003-2004 financial year afforded the Committee an opportunity to represent itself and the Australian Parliament overseas. In July 2003 members of the Committee attended a forum with Thai politicians and officials in Bangkok that was funded by Australia's Centre for Democratic Institutions. Committee Members conducted workshops with Thai politicians and senior Thai officials. Attendees included Thai Senators and Members of Parliament, the Thai Auditor-General, and the Secretary General and Deputy Secretary-General of the King Prajadhipok's Institute.

In November 2003 I again travelled to Bangkok to chair a forum of South Asia Region Public Accounts Committees. The forum was sponsored and funded by the

World Bank and was attended by representatives from Bangladesh, Bhutan, Nepal, Pakistan and Sri Lanka. The aim of the Forum was to discuss the role of public accounts committees with a view to creating a regional organisation similar to the Australasian Council of Public Accounts Committees.

During the review period, the Committee liaised with the departments of Finance & Administration and Prime Minister & Cabinet to codify and enhance the processes by which agencies respond to Committee recommendations. This should help ensure agency accountability to the Committee, and through it, to Parliament.

The Committee has also received a continuing stream of responses by Government to the recommendations of previous reports. In total, the Committee has received government responses to 35 of its recommendations. Of this number, the Government agreed to, or agreed in principle, to 31 recommendations and disagreed to only four recommendations. This represents a very gratifying acceptance rate of very nearly 90% and demonstrates the quality of the Committee's recommendations.

Finally, I wish to thank my colleagues on the Committee, and in particular my Deputy Chair Tanya Plibersek, for their hard work and commitment to the Committee during the year.

This will be the eighth and final annual report that I present as Chairman the Joint Committee of Public Accounts and Audit. I wish the Committee continuing success in its activities.

**Bob Charles MP**  
**Chairman**





## **Membership of the Committee**

### **Chairman and Deputy Chair of the Committee 2003-2004**



Bob Charles MP  
Chairman



Tanya Plibersek MP  
Deputy Chair

## **Members of the Committee 2003-2004**



Steven Ciobo MP



John Cobb MP



Senator Richard Colbeck  
(from 14 February 2002  
to 25 March 2003)



Senator Stephen Conroy  
(from 5 February 2003 to  
10 September 2003)



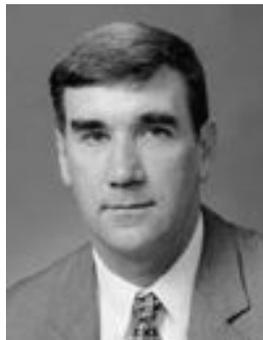
Petro Georgiou MP



Sharon Grierson MP



Alan Griffin MP



Senator John Hogg  
(to 5 February 2003 and  
from 10 September 2003)



Senator Gary Humphries  
(from 25 March 2003)

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## Members of the Committee 2003-2004 – continued



Catherine King MP



Peter King MP



Senator Kate Lundy  
(from 19 November 2002  
to 1 April 2004)



Senator Claire Moore  
(from 1 July 2002 to 19  
November 2002 and from  
1 April 2004)



Senator Andrew Murray



Senator Nigel Scullion



The Hon Alex Somlyay  
MP



Senator John Watson





## **Highlights of the Year**

### **Reports presented**

**Report 395**, *Inquiry into the Draft Financial Framework Legislation Amendment Bill*, Tabled 20 August 2003

**Report 396**, *Review of Auditor-General's Reports, 2002-2003, First, Second & Third Quarters*, Tabled 8 October 2003

**Report 397**, *Annual Report 2002-2003*, Tabled 26 November 2003

**Report 398**, *Review of Auditor-General's Reports, 2002-2003, Fourth Quarter*, Tabled 30 March 2004

**Report 399**, *Management and Integrity of Electronic Information in the Commonwealth*, Tabled 1 April 2004

**Report 400**, *Review of Aviation Security in Australia*, Tabled 24 June 2004

### **Responses by Government to reports**

**Report 390**, *Review of Auditor-General's Reports 2001-2002, First, Second and Third Quarters*, Dated 17 November 2003 and 10 May 2004

**Report 391**, *Review of Independent Auditing by Registered Company Auditors*, Dated 9 October 2003

**Report 393**, *Review of Auditor-General's Reports, 2001-2002, Fourth Quarter*, Dated 20 June 2003, 13 August 2003, 21 August 2003 and 9 September 2003

**Report 394**, *Review of Australia's Quarantine Function*, Dated 2 February 2004

**Report 395**, *Inquiry into the Draft Financial Framework Legislation Amendment Bill*, Dated 18 June 2004

**Report 396, Review of Auditor-General's Reports, 2002-2003, First, Second & Third Quarters, Dated 26 February 2004, 1 March 2004, 6 April 2004, 27 April 2004, 29 April 2004 and 5 May 2004**

**Table 1 Responses to Committee Recommendations Received in 2003-2004**

Report	Recommendations			
	Responded to	Agreed	Agreed in principle <sup>1</sup>	Disagreed
Report 390 – Review of Auditor-General's Reports, 2001-2002, First, Second & Third Quarters	3	2	1	0
Report 393 – Review of Auditor-General's Reports, 2001-2002, Fourth Quarter	6	5	1	0
Report 394 – Review of Australia's Quarantine Function	14	8	4	2
Report 395 – Inquiry into the Draft Financial Framework Legislation Amendment Bill	5	3	1	1
Report 396 – Review of Auditor-General's Reports, 2002-2003, First, Second & Third Quarters	7	5	1	1

The government responses received in the reporting period are to a total of 35 Committee recommendations. Of this number, the Government agreed to, or agreed in principle, to 31 recommendations and disagreed to only four recommendations. This represents an acceptance rate of very nearly 90% which demonstrates the seriousness with which the Government takes the Committee's recommendations. It also demonstrates the Committee's success in influencing Government policy and agency activity.

### Other Committee activities

**7-10 July 2003** – A delegation from the Committee attended a workshop in Bangkok to share their experience with their counterparts in the Thai parliament. This workshop was a co-operative effort sponsored by the Australian National University's Centre for Democratic Institutions and Thailand's democracy promotion body, King Prajadhipok's Institute. Each JCPAA delegate presented a paper on various issues concerning the Committee.

**1 October 2003** – Inspection of regional airports at Tamworth and Coffs Harbour as part of the review of Aviation Security in Australia.

<sup>1</sup> "Agreed in principle" means that the intent of a recommendation is supported, but that the process of implementation may differ from that suggested by the Committee.

**17-19 November 2003** – The Chairman chaired a conference of the South Asia Public Accounts Committees Forum in Bangkok. This conference was sponsored by the World Bank.

**24 March 2004** – The Committee adopted terms of reference for an inquiry into Indigenous Law and Justice.

**11 May 2004** – The Chairman advised Parliament that the Committee considered that the 2004-2005 draft Budget Estimates for the Auditor-General were sufficient to allow him to properly exercise his powers and functions – but only after the Committee sought assurances of additional funding allocations.





## List of abbreviations

AAA	Agriculture – Advancing Australia
ACS	Australian Customs Service
ANAO	Australian National Audit Office
ANU	Australian National University
APRA	Australian Prudential Regulation Authority
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIS	Aboriginal and Torres Strait Islander Services
CDI	Centre for Democratic Institutions
CSA	Child Support Agency
Defence	Department of Defence
DEWR	Department of Employment and Workplace Relations
DOFA	Department of Finance and Administration
FMA Act	<i>Financial Management and Accountability Act 1997</i>
JCPAA	The Joint Committee of Public Accounts and Audit
KPI	King Prajadhipok’s Institute

MP Member of Parliament

PAAC Act *Public Accounts and Audit Committee Act 1951*

SEESA Special Employee Entitlements Scheme for Ansett Group  
Employees

# JCPAA Purpose, Objectives and Methods of Operation

## Introduction

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) is a committee of the Commonwealth Parliament. The Committee is established pursuant to the *Public Accounts and Audit Committee Act 1951* (the PAAC Act) and is empowered to scrutinise the monies spent by Commonwealth agencies from funds appropriated to them. Its members are drawn from both the House of Representatives and the Senate.

## Duties

- 1.2 The duties of the JCPAA are described in detail in sections 8 and 8A of the PAAC Act. In general terms, the duties are to:
- examine the financial affairs of authorities of the Commonwealth to which the Act applies;
  - examine all reports of the Auditor-General that are tabled in each house of the Parliament;
  - consider the operations and resources of the Audit Office;

- approve or reject, the recommendation for appointment of the Auditor-General and the Independent Auditor; and
- increase parliamentary and public awareness of the financial and related operations of government.

## **Examining the Financial Affairs of Commonwealth Authorities**

- 1.3 Pursuant to section 8(1)(a-b, f) of the PAAC Act, the Committee may examine the accounts of the receipts and expenditure of the Commonwealth and the financial affairs of authorities to which this Act applies. The Committee may determine to inquire into, and report on, any items or matters that it thinks should be drawn to the attention of the Parliament.

## **Reviewing Reports of the Auditor-General**

- 1.4 A key element of the JCPAA's accountability work is its statutory responsibility to examine and report on audit reports tabled in Parliament by the Auditor-General, pursuant to section 8(1)(c-e) of the PAAC Act.
- 1.5 Early in the 38<sup>th</sup> Parliament, the Committee changed its review process. Under the new procedures, the JCPAA selects reports of the Auditor-General for review which raise significant accountability issues at 'round table' public hearings. Witnesses from the Australian National Audit Office (ANAO) and officials from each audited agency are examined at these hearings. In the 39<sup>th</sup> Parliament and the 40<sup>th</sup> Parliament, the committee has continued this review practice.<sup>1</sup>
- 1.6 The selected reports are examined at separate public hearings. The purpose of the hearings is to allow the JCPAA to give immediate attention to recommendations of the Auditor-General and to enable matters at issue between ANAO and agencies under scrutiny to be raised and responded to in public. This process enables the Committee to make timely reports to Parliament on what further action, if any, needs to be taken by agencies under review to protect the interests of the Commonwealth.
- 1.7 The procedure facilitates more timely and effective parliamentary scrutiny of audit reports and, in the Committee's view, focuses agency attention on the findings of the Auditor-General.

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1 The ANAO is referred to as the Audit Office in the PAAC Act.

## Considering the Operations and Resources of the Audit Office

- 1.8 In its role as the Audit Committee of the Parliament, the JCPAA has assumed additional responsibilities concerning the Audit Office. Under section 8(1)(g-i) of the PAAC Act, the Committee is required to consider the operations and resources of the Audit Office, including funding, staff and information technology. The JCPAA is also required to consider reports of the Independent Auditor on operations of the Audit Office. The Committee's responsibilities extend to reporting to the Parliament on any issues arising from these considerations, on any other matter relating to the Auditor-General's functions and powers or on the performance of the Audit Office, as it sees fit.
- 1.9 The JCPAA is also required, under section 8(1)(j-l) of the PAAC Act to consider draft estimates for the Audit Office and the level of fees determined by the Auditor-General and to make recommendations on the draft estimates to both Houses of Parliament and the Minister who administers the *Auditor-General Act 1997* (the Prime Minister).
- 1.10 Pursuant to section 8(1)(m-n) of the PAAC Act, the Committee in its role as the Audit Committee determines the audit priorities of the Parliament and advises the Auditor-General of those priorities. As the Audit Committee, members must also determine the audit priorities of the Parliament for audits of the Audit Office and advise the Independent Auditor of those priorities.

## Improving Public Awareness of Committee Activities

- 1.11 Information about the JCPAA is available on the Internet. The Committee's web site contains background information on the Committee and its members; details of current inquiries; advice on how to make submissions to the Committee and on appearing as witnesses at public hearings. Copies of recent JCPAA reports and Government responses to any recommendations contained in those reports are published on the Internet. The Committee's web site address is:  
[www.aph.gov.au/house/committee/jpaa/index.htm](http://www.aph.gov.au/house/committee/jpaa/index.htm).
- 1.12 In addition, members of the public can send submissions and requests for information electronically to: [jcpa@aph.gov.au](mailto:jcpa@aph.gov.au).

## How the Committee Operates

### Conduct of Inquiries

- 1.13 The Committee normally advertises its inquiries in the national media and on the Internet and invites interested individuals and organisations to make written submissions. Oral evidence is also taken at public hearings. The vast majority of hearings are open to the public and interested parties can obtain verbatim transcripts of the public hearings free of charge or access them on the Internet.
- 1.14 While the Committee can receive confidential submissions and take evidence in camera, the Committee prefers to take as much evidence as possible in public.
- 1.15 The Committee presents the findings of its inquiries in reports which are tabled in both houses of Parliament. Copies are distributed to all witnesses and Commonwealth agencies with a responsibility for matters raised in the reports. The reports are also available to the public free of charge and on the Committee's website.

### Responses by Government to JCPAA reports

- 1.16 In all cases, the Chairman of the JCPAA refers reports of the Committee to the Minister for Finance and Administration once they have been tabled in the Parliament. The Minister for Finance and Administration then refers the recommendations made in the reports on to the responsible agency or agencies for attention. The agencies then determine whether the recommendations involve matters of Government 'policy' or whether they are of an administrative nature.
- 1.17 JCPAA recommendations that involve policy are responded to directly by the responsible Ministers. The Government has given a commitment to provide such responses within three months of the date of tabling the report.
- 1.18 Responsible agencies respond individually to recommendations of an administrative nature in the form of an Executive Minute. Executive Minutes are expected to be provided to the JCPAA through the relevant Minister or agency head within six months of the tabling of the report. The Chair of the JCPAA tables Executive Minutes in the Parliament as soon as practicable after they are received. If the Committee is not satisfied with the contents of an executive minute, it may seek additional information by correspondence or call officials to a meeting.

## The Committee Secretariat

- 1.19 The Committee is supported by a full time secretariat employed by the Department of the House of Representatives. Additional advice relating to particular inquiries is obtained from appropriate officers from the Department of Finance and Administration (DOFA) and from ANAO. From time to time, officials from Government departments are seconded to the secretariat. In addition, the Committee may employ consultants to provide specialist advice.



## Summary of Reports Tabled and Other Activities during 2003-2004

### Report 395, Inquiry into the Draft Financial Framework Legislation Amendment Bill

- 2.1 *Report 395* presented the JCPAA's review of an exposure draft of the Financial Framework Legislation Amendment Bill. The review commenced following a request from the Minister for Finance and Administration for the Committee to undertake an examination of the draft legislation.
- 2.2 The Committee concluded that, when law, the draft Bill will make an important contribution to improving the Commonwealth's financial framework. It will do so by aligning references in many Acts to financial management with the *Financial Management and Accountability Act 1997* (FMA Act); by updating provisions to reflect good practice; and by clarifying other provisions.
- 2.3 The report examined five issues concerning the draft Bill:
- proposed amendments which are a consequence of the FMA Act;
  - the proposed transfer of approval powers from the Treasurer to the Finance Minister;
  - 'Special Accounts' (hypothecations of the Consolidated Revenue Fund);
  - other amendments and issues relating to the Bill; and
  - other reporting matters.

- 2.4 The report made five recommendations and was tabled on 20 August 2003. On 26 June 2004, the Government response to *Report 395* was presented. The Government:
- Agreed with **Recommendation No. 1** that the draft Bill be amended to clarify the information required in a determination by the Finance Minister to establish a Special Account;
  - Did not agree with **Recommendation No. 2** that ‘Special Accounts’ should be renamed ‘Designated Purpose Accounts’ on the basis that the Government wished to avoid changes to arrangements that would not significantly improve the financial framework;
  - Agreed in principle with **Recommendation No. 3** that the annual Appropriation Acts should not authorise the crediting of appropriated amounts to a Special Account if the Act or determination establishing the Special Account does not specifically provide for appropriated amounts to be credited to the Special Account. In the report the Committee had observed that annual Appropriation Acts appear to facilitate the crediting of appropriated amounts to Special Accounts whereas some Acts that establish particular Special Accounts do not specifically provide for appropriated amounts to be credited to those Accounts.<sup>1</sup> The Committee concluded that this anomaly should be addressed. Rather than addressing the anomaly through future Appropriation Acts as recommended by the Committee, the Government will add clarifying Notes to the FMA Act as this Act already contains provisions dealing with the crediting of Special Accounts;
  - Agreed with **Recommendation No. 4** that the draft bill include an amendment to establish the Aboriginal Advancement Account under the *Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987* and that two special accounts – the Condah Land Account and the Framlingham Forest Account - be subsumed into the Aboriginal Advancement Account. The Government agreed with the recommendation on the basis that the Aboriginal Advancement Account, unlike the others, would be established within the financial framework for establishing Special Accounts recognised by the FMA Act and would rationalise the number of Special Accounts; and
  - Agreed with **Recommendation No. 5** that the Government should introduce the Financial Framework legislation Amendment Bill into

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1 JCPAA, Report 395, *Inquiry into the Draft Financial Framework Legislation Amendment Bill*, paras 4.64, 4.65.

Parliament as soon as feasible. As of 30 June 2004, the Bill had yet to be introduced into Parliament.

## **Report 396, Review of Auditor-General's Reports, 2002-2003, First, Second & Third Quarters**

2.5 In *Report 396*, the Committee reviewed ten of the 29 reports tabled by the Australian National Audit Office in the first, second and third quarters of 2002-2003. The ten reports were:

- Audit Report No. 2, *Grants Management ATSIIC*;
- Audit Report No. 3, *Facilities Management at HMAS Cerberus*;
- Audit Report No. 7, *Client Service in the Child Support Agency Follow-up Audit*;
- Audit Report No. 18, *Management of Trust Monies*;
- Audit Report No. 19, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners*;
- Audit Report No. 25, *Financial Statements of Commonwealth Entities for 2001-02*;
- Audit Report No. 27, *Commonwealth Guarantees, Warranties, Indemnities and Letters of Comfort*;
- Audit Report No. 20, *Employee Entitlements Support Schemes*;
- Audit Report No. 23, *Physical Security Arrangements in Commonwealth Agencies*; and
- Audit Report No. 28, *Northern Territory Land Councils and the Aboriginal Benefit Account*.

2.6 This report made seven recommendations, and was tabled on 8 October 2003.

2.7 Six Executive Minutes have been received for this report:

- from the Aboriginal and Torres Strait Islander Services (ATSIS), dated 5 May 2004, noting that they will be unable to implement **Recommendation No. 1**, that they investigate methods of compiling and publishing information about alternative sources of funding, because ATSIS will not exist in the 2004-2005 financial year;

- from the Minister of Defence, dated 26 February 2004, stating the Department of Defence's (Defence) will support **Recommendation No. 2**, that it update the Defence Audit Recommendations Management System;
- from the Minister for Family and Community Services, dated 29 April 2004, fulfilling **Recommendation No. 3**, that the JCPAA be advised of the Child Support Agency's (CSA) progress in implementing Recommendations Nos. 2, 3 and 4 of JCPAA Report No. 367, *Review of Auditor-General's Reports, 1997-1998, Third Quarter*. The Executive Minute also met **Recommendation No. 4**, by reporting on the CSA's progress in implementing new strategies to address debt management for its clients;
- from the Australian Taxation Office (ATO), dated 1 March 2004, agreeing with **Recommendation No. 5**, that the ATO should review the terms of its information technology outsourcing contract when the contract is renewed;
- from the Minister for Finance and Administration, dated 27 April 2004, not agreeing to **Recommendation No. 6**, to adopt procedures for notifying the Parliament of the issuing of indemnities based on the procedures used by the United Kingdom Parliament. The Executive Minute also stated that this recommendation is now partially implemented through Finance Minister's Orders; and
- from the Department of Employment and Workplace Relations (DEWR), dated 6 April 2004, agreeing to **Recommendation No. 7**, that the department examine ways to improve claimants' awareness of the Employee Entitlements Support Schemes and to monitor interactions between insolvency practitioners and individual claimants for quality and accuracy.

2.8 Support for the majority of these recommendations demonstrates that the Committee plays an important value-adding role in reviewing the implementation by agencies of recommendations made by the Auditor-General.

## Report 397, Annual Report 2002-2003

2.9 Section 8B of the PAAC Act requires the Committee to table a report on its performance each financial year. *Report 397*, tabled on 26 November 2003, reported on the Committee's activities in the 2002-2003 financial year.

## Report 398, Review of Auditor-General's Reports, 2002-2003, Fourth Quarter

2.10 In *Report 398* the Committee reviewed three of the 34 reports tabled by the Australian National Audit Office in the fourth quarter of 2002-2003. The three reports were:

- Audit Report No. 42, *Managing Residential Aged Care Accreditation*;
- Audit Report No. 51, *Defence Housing and Relocation Services*; and
- Audit Report No. 55, *Goods and Services Tax Fraud Prevention and Control*.

2.11 This report was tabled on 30 March 2004, and made the following recommendations:

- to include quality-of-life information in the quality assessment data currently used by the Aged Care Standards and Accreditation Agency Limited for its accreditations;
- to remove the provision from the *Defence Housing Authority Act 1987* that the Defence Housing Authority include three members of the Australian Defence Force, and to amend the Services Agreement for Housing and Related Requirements to allow for a formal consultative process;
- that the Department of Defence report to the JCPAA on its progress towards addressing the outstanding issues listed in the ANAO Audit Report No. 51, 2002-03, *Defence Housing and Relocation Services*;
- that the Attorney-General's Department draft amendments to legislation to enhance the ease of proof in the prosecution of suspected Goods and Services Tax fraud; and
- that the Australian Taxation Office report to the JCPAA, on a mechanism to estimate the tax gap, that would serve as the basis for reporting the overall efficacy of the range of measures being adopted to prevent and control Goods and Services Tax fraud.

2.12 Executive Minutes for *Report 398* are due to the Committee by 30 September 2004. No responses had been received by 30 June 2004.

## Report 399, Management and Integrity of Electronic Information in the Commonwealth

- 2.13 *Report 399*, tabled on 1 April 2004, was the outcome of an inquiry into the management and integrity of electronic information in the Commonwealth. The inquiry had originally focused on the electronic protection of information held by Commonwealth agencies. However, it became apparent that a far more fundamental problem was the physical security of Commonwealth computing assets and the data they held.
- 2.14 Towards the end of the inquiry, the Committee had been angered to learn about the theft of IT equipment from an Australian Customs Service facility at Sydney airport through the media, rather than from Customs officials – who had appeared before the Committee the previous day. So concerned was the Committee at the approach by Customs and the nature of the security breach at the airport that Members resolved to extend the inquiry – in part to take further evidence from Customs.
- 2.15 The Committee wrote to all departments seeking details of their security breaches and thefts of IT equipment. The Committee discovered that more than 1,800 Commonwealth government laptops and desktop computers have either been stolen or lost during the past five years.
- 2.16 The Committee found that a number of Commonwealth agencies had inadequate levels of physical security for IT equipment. This was reflected in successful breaches of the security of facilities, in poor record keeping of lost or stolen IT equipment and in a lack of knowledge of appropriate reporting mechanisms in the event of a security breach.
- 2.17 The Committee also examined security measures associated with the transmission of data between Commonwealth agencies and between agencies and citizens. Finally, the Committee found that Commonwealth agencies need to implement effective data storage practices to guarantee future access to data in the face of rapidly changing technology.
- 2.18 The report made nine recommendations relating to physical security, risk management, data preservation and information security.
- 2.19 Executive Minutes for *Report 399* are due to the Committee by 1 October 2004. No responses had been received by 30 June 2004. The Committee noted, however, that the 2004-2005 Appropriation Act allocates \$4.5

million to assist the ACS to upgrade the physical security of its computer server and communications rooms.<sup>2</sup>

## Report 400, Review of Aviation Security in Australia

- 2.20 This report, tabled on 24 June 2004, presents the JCPAA's review of aviation security in Australia. The review arose from the Committee's statutory obligation to review reports of the Auditor-General, namely Audit Report No. 26, 2002–2003, *Aviation Security in Australia*.
- 2.21 Australia's aviation industry services approximately 50 million international and domestic passenger movements each year and involves some 70 000 employees who contribute in one way or another to aviation security. The industry is regulated by the Department of Transport and Regional Services.
- 2.22 The Committee reviewed the current threat environment within which Australia's aviation industry operates, the opportunities and costs of security enhancements, the aviation security framework, and the human aspects of security, including the culture of security.
- 2.23 The report found that the security measures under which aviation security operates in Australia are appropriate to the current level of threat, that there is flexibility to adjust the framework to meet changing threats. In addition, aviation and security officials have a positive approach to security that encourages security compliance by the travelling public.
- 2.24 The Committee has made five recommendations aimed at:
- clarifying the interaction between the newly created Australian Government airport security committees and existing airport security committees;
  - strengthening the regulations by the inclusion in them of the non-negotiable aspects of the security framework;
  - improving the procedures for the return of expired aviation security identification cards;
  - broadening security awareness training to cover everyone who has access to security-controlled areas at airports; and

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2 Hon Peter Costello MP and Senator the Hon Nick Minchin, *Budget Measures 2004-05, Budget Paper No. 2*, p. 289.

- maintaining the positive security culture through the introduction of educational measures aimed at promoting a robust security culture.
- 2.25 Executive Minutes to *Report 400* are due to the Committee by 24 December 2004. No responses had been received by 30 June 2004.

## The Operations and Resources of the Audit Office

- 2.26 As outlined in chapter one, section 8(1)(j) of the PAAC Act requires the Committee to consider draft estimates for the Audit Office. Section 8(1)(l) of the Act requires the Committee to make recommendations to both Houses of parliament and to the Minister who administers the *Auditor-General Act 1997* (the Prime Minister) on those draft estimates.
- 2.27 The JCPAA was ultimately satisfied that the 2004-2005 draft budget estimates for the Audit Office would be sufficient to enable the Auditor-General to properly exercise his functions and powers.
- 2.28 However, during a preliminary meeting with Audit Office officials about the draft estimates, the Committee had been advised that the ANAO would need extra funds to meet additional measures that could not be accommodated within base funding.
- 2.29 The Committee, for the first time, could not reassure itself that the Audit Office would have sufficient funds in the following year to properly exercise its functions.
- 2.30 Following correspondence with the Prime Minister, the Audit Office's draft budget estimates were increased. The Committee was satisfied that the additional funding was sufficient and the Chairman advised Parliament and the Prime Minister on Budget Day 2004 accordingly.

## Centre for Democratic Institutions Workshop

- 2.31 On 8–9 July 2003 members of the Committee attended a forum with Thai politicians and officials in Bangkok.<sup>3</sup> The forum was part of an ongoing program of participation between Australia's Centre for Democratic

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3 The delegation consisted of the Chairman, Mr Griffin, Mr Somlyay and Senator Watson. Senator Hogg was also a member of the delegation, although he was not a member of the Committee at the time.

Institutions (CDI) and Thailand's King Prajadhipok's Institute (KPI). The Committee's expenses were paid for by the CDI.

- 2.32 The July meeting followed on from a visit of Thai Senators to the Australian Parliament in December 2002 during which the Thai Senators expressed an interest in the activities of the Committee.
- 2.33 Committee Members conducted workshops with Thai politicians and senior Thai officials. Attendees included seven Thai Senators and Members of Parliament, the Thai Auditor-General, and the Secretary General and Deputy Secretary-General of the KPI.
- 2.34 Issues covered in members' workshops included:
- making Public Accounts Committees effective;
  - involving the public in Parliamentary inquiries;
  - obtaining value for money from government programs;
  - the need to focus on strategic issues, such as creating frameworks for good governance at local and national levels; and
  - the need to be aware of global issues when inquiring into national issues.
- 2.35 Outcomes of the forum included:
- the opportunity for Thai politicians to question senior Thai Government officials on various Thai Government programs;
  - the opportunity for Thai politicians to be briefed on developments in financial management systems and accrual accounting;
  - the recognition by Thai Parliament committee members of the mechanisms and value of public input into parliamentary inquiries; and
  - an appreciation by the Committee of the complexities arising from a Constitution only introduced in 1997.

## **South Asia Public Accounts Committees Forum**

- 2.36 On 17–19 November 2003 the Chairman chaired a forum of South Asia Region Public Accounts Committees in Bangkok. The forum was sponsored and funded by the World Bank and representatives from Bangladesh; Bhutan; Nepal; Pakistan; and Sri Lanka attended. The aim of the Forum was to discuss the role of public accounts committees with a

view to creating a regional organisation similar to the Australasian Council of Public Accounts Committees.

2.37 Issues discussed included:

- the challenge posed by the lack of executive responsiveness to committee recommendations;
- delays in audit reporting which undermined the value of the audit process;
- persistent and excessive levels of unauthorised spending by government agencies; and
- the challenges and benefits provided through public and media involvement in committee activities.

2.38 The outcome of the forum was the recognition of the need for strengthening the interaction between public accounts committees in the South Asia region. As a result, delegates unanimously endorsed in principle the concept of a regional forum of public accounts committees.

2.39 Unfortunately, due to the absence of representatives from India, delegates were reluctant to create a steering committee to progress the matter. A commitment was made, however, to discuss issues further by way of a video conference in 2004.

## Work in Progress

### Introduction

3.1 This section provides a brief description of Committee inquiries and other activities active as at 30 June 2004.

### Review of Auditor-General's Reports, 2003-2004, First and Second Quarters

3.2 The Committee reviewed at public hearings three of the 10 reports tabled by the ANAO between 1 July 2003 and 31 October 2003. The three reports reviewed were:

- Audit Report No. 1, *Administration of Three Key Components of the Agriculture – Advancing Australia (AAA) Package*;
- Audit Report No. 4, *Management of the Extension Option Review - Plasma Fractionation Agreement*; and
- Audit Report No. 6, *APRA's Prudential Supervision of Superannuation Entities*.

3.3 Public hearings were held in Canberra in February and March 2004.

- 3.4 The Committee also reviewed three of the 14 audit reports tabled by the ANAO between 1 November 2003 and 31 January 2004. The three reports chosen for review at public hearings were:
- Audit Report No. 11, *Annual Performance Reporting*;
  - Audit Report No. 21, *Special Employee Entitlements Scheme for Ansett Group Employees (SEESA)*; and
  - Audit Report No. 24, *Agency Management of Special Accounts*.
- 3.5 Public hearings for these reports were held in Canberra in May and June 2004.
- 3.6 At the end of the reporting period, the Committee was deliberating on its findings. The report of the Review of Auditor-General's Reports, 2003-2004, First and Second Quarters is expected to be tabled in the 2004-2005 financial year.

### **Review of Auditor-General's Reports, 2003-2004, Third Quarter**

- 3.7 The Committee also chose three of the 18 audit reports tabled by the Australian National Audit Office between 1 February 2004 and 16 April 2004 to review in greater detail at public hearings. The three reports to be examined are:
- Audit Report No. 25, *Intellectual Property Policies and Practices in Commonwealth Agencies*;
  - Audit Report No. 34, *The Administration of Major Programs*; and
  - Audit Report No. *The Commonwealth's Administration of the Dairy Industry Adjustment Package*.
- 3.8 As of June 30 2004, public hearings were being planned for Canberra in August and September 2004.

## Indigenous Law and Justice Inquiry

- 3.9 On 25 March 2004 the Committee announced an inquiry into indigenous law and justice with the following terms of reference:

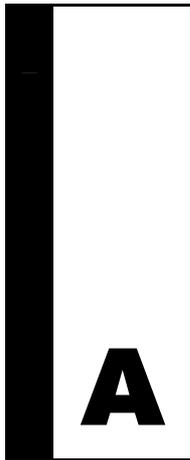
As part of its statutory responsibility to examine reports from the Auditor-General, the Joint Committee of Public Accounts and Audit is expanding its review of *Audit Report No. 13, 2003-2004, ATSYS Law and Justice Program*—including its four components of Legal Aid; Law and Justice Advocacy; Family Violence Prevention; and Prevention, Diversion and Rehabilitation—to inquire and report on issues including:

- a) the distribution of the resources of Indigenous legal aid services between criminal, family and civil cases;
- b) the coordination of Indigenous legal aid services with Legal Aid Commissions through measures such as memoranda of understanding;
- c) the access for Indigenous women to Indigenous-specific legal services; and
- d) the ability of Law and Justice program components to recruit and retain expert staff.

The Committee will take into account the 2004 tender for Indigenous legal aid services.

- 3.10 In April 2004 the Committee sent out over 100 brochures soliciting submissions from parties with an interest in indigenous law and justice. The Committee also sent out over 800 questionnaires to indigenous communities and community groups seeking responses to questions about accessibility to legal aid.
- 3.11 The first public hearing for the inquiry was held in Canberra on 16 June 2004. As of 30 June 2004, further public hearings are being planned for New South Wales, the Northern Territory and South Australia. The Committee has not set a date for finalising the inquiry.





## **Appendix A — Committee Meetings and Hearings in 2003-2004**

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### **General Business of the Full Committee**

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#### **Membership**

Mr Bob Charles MP (Chairman)	Senator Stephen Conroy (until 10 September 2003)
Ms Tanya Plibersek MP (Deputy Chair)	Senator John Hogg (from 10 September 2003)
Mr Steven Ciobo MP	Senator Gary Humphries
Mr John Cobb MP	Senator Kate Lundy (until 1 April 2004)
Mr Petro Georgiou MP	Senator Claire Moore (from 1 April 2004)
Ms Sharon Grierson MP	Senator Andrew Murray
Mr Alan Griffin MP	Senator Nigel Scullion
Ms Catherine King MP	Senator John Watson
Mr Peter King MP	
The Hon Alex Somlyay MP	

<b>Public Hearings in 2003-2004</b>	<b>0</b>
<b>Private Meetings in 2003-2004</b>	<b>21</b>

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### **Review of Auditor-General's Reports, 2002 2003, First, Second & Third Quarters**

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#### **Membership**

Mr Bob Charles MP (Chairman)	Senator Stephen Conroy
Ms Tanya Plibersek MP (Deputy Chair)	Senator John Watson
Mr Petro Georgiou MP	
Ms Sharon Grierson MP	
Ms Catherine King MP	

<b>Public Hearings in 2003-2004</b>	<b>1</b>
<b>Private Meetings in 2003-2004</b>	<b>1</b>

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**Review of Auditor-General's Reports, 2002 2003, Fourth Quarter**


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**Membership**

Mr Bob Charles MP (Chairman)	Senator John Watson
Ms Tanya Plibersek MP (Deputy Chair)	
Ms Sharon Grierson MP	
Ms Catherine King MP	
The Hon Alex Somlyay MP	

**Public Hearings in 2003-2004** **3**

**Private Meetings in 2003-2004** **1**

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**Management and Integrity of Electronic Information in the Commonwealth**


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**Membership**

Mr Bob Charles MP (Chairman)	Senator Kate Lundy
Ms Tanya Plibersek MP (Deputy Chair)	
Mr Steven Ciobo MP	
Mr John Cobb MP	
Ms Sharon Grierson MP	
Mr Peter King MP	

**Public Hearings in 2003-2004** **1**

**Private Meetings in 2003-2004** **3**

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**Review of Aviation Security in Australia**


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**Membership**

Mr Bob Charles MP (Chairman)	Senator John Watson
Ms Tanya Plibersek MP (Deputy Chair)	
Mr Steven Ciobo MP	
Mr John Cobb MP	
Ms Sharon Grierson MP	
Ms Catherine King MP	
The Hon Alex Somlyay MP	

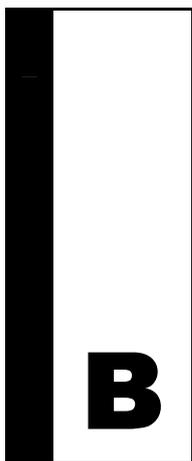
**Public Hearings in 2003-2004** **5**

**Private Meetings in 2003-2004** **5**

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## **Appendix B — Committee Expenses during 2003-2004**

Although the Committee is a statutory committee, it does not receive a separate appropriation. The Committee is funded from the appropriation made to the Department of the House of Representatives. The Committee's annual budget for administrative and staff salary costs is a component of Output Group 2 (Committee Services and Interparliamentary Relations) in the Department of the House of Representatives.

The Committee's administrative expenses for 2003–2004 in accrual terms were \$33 868. This included expenditure on: advertising; catering; consultants; publishing; travel and accommodation costs for staff; and miscellaneous expenditure. The Committee operated within its administrative budget for the financial year.

The Chairman of the Committee received an allowance of \$16 450 in recognition of the responsibilities of the position. The amount of the allowance is set by the Remuneration Tribunal and paid by the Department of the House of Representatives pursuant to the *Remuneration and Allowances Act 1990*.

