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The Parliament of the Commonwealth of Australia

# **Report 423**

**Review of Auditor-General's Reports Nos 39 2009-10 to  
15 2010-11**

**Joint Committee of Public Accounts and Audit**

July 2011  
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 the audit reports tabled between May and November 2010.

The Committee examined five reports in detail, covering a range of agencies and identified a number of areas for improvement in administration including in the decision making processes regarding infrastructure projects, the transparency and accessibility of regional grants administration, the failure to achieve value for money in government procurement, and poor governance arrangements for key stimulus/climate change programs.

Firstly, the Committee reviewed the conduct by Infrastructure Australia of the First National Infrastructure Audit and the development of the Infrastructure Priority List. The Committee was particularly concerned about the lack of transparency regarding decisions made by Infrastructure Australia. The ANAO found that published methodologies were not followed in determining the priorities list and that Infrastructure Australia did not provide clear advice on key decision factors. While the Committee notes that Infrastructure Australia is not formally obligated to document the reasons for the Council's decisions, in the interests of transparency it urges the agency to improve its processes in this area. The Committee also supports the ANAO recommendation that better advice is needed in the future and recommends that Infrastructure Australia provide clear, consistent advice on both the level of funding and funding conditions for priority projects.

Secondly, lack of documentation also concerned the Committee in their examination of the administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program. In this instance, the Committee registers its dissatisfaction with the Department of Regional Australia, Regional Development and Local Government's (DRARDLG) failure to provide

clear, published assessment criteria for the program. This disregard for basic grants administration practice led to a series of problems and, as a result, the Minister did not receive clear recommendations regarding the eligibility or otherwise of applications from the Department. However, the Committee also notes that under the financial framework requirements, ministers are expected to obtain agency advice on the merits of each proposed grant before making decisions, suggesting that the Minister should have taken the initiative to secure such advice. As a consequence of the lack of documentation in this case, there is no way for the Parliament or the public to be sure that due process has been followed. While the Committee accepts the Department's assurance that it has implemented relevant processes and practices to address the ANAO's concerns, the Committee will expect to see concrete evidence of improved performance in the future.

With regard to grants programs, the Committee recognises the difficulties faced by some local government authorities in complying with stringent application requirements due to lack of access to necessary expertise. Consequently, the Committee supports any attempts to ensure assistance is provided to these authorities, including the provision of adequate feedback to unsuccessful applicants. Overall, the Committee reiterates its ongoing concern with the recurring difficulties identified by the ANAO in grants administration within the DRARDLG and across the Australian Public Service (APS).

Thirdly, and another long term concern of this and previous Committees, is the lack of evidence that value for money is being achieved in Commonwealth procurement. The Committee's review of direct source procurement only served to reinforce these concerns. Again, lack of documentation poses problems, making it difficult to determine if value for money has been achieved. The Committee found that there is a level of confusion over of the Commonwealth Procurement Guidelines but looks forward to clearer, more concise Guidelines as a result of the current review, and a greater understanding and application of these guidelines as a consequence of these changes and our review. The Committee has made a number of recommendations aimed at assisting departments to streamline processes and encourage competency in this area, including actively promoting the use of Central Procurement Units, investigating both the viability of whole-of-government procurement tools and the feasibility of regular, mandatory testing to ensure the competency of financial delegates.

Finally, the Committee turned its attention to the Green Loans and Home Insulation programs. The Committee recognised that both of these programs have been the subject of a number of reviews and, consequently, saw its primary role as identifying the lessons that can be drawn from the difficulties experienced with the implementation and delivery of both programs. Of particular concern to the

Committee were the inadequacy of governance arrangements and the quality of advice provided to ministers. The Committee acknowledges the difficulties caused by tight implementation timeframes but this does not excuse the lack of executive oversight or the underestimation of key program risks.

The issues identified in the ANAO audits examined by the Committee in this report provide a number of areas for reflection for APS agency executives and responsible ministers. Those areas include the need for:

- higher quality advice by departments;
- increased documentation to provide transparency and accountability;
- better grants management;
- improved procurement culture;
- improved culture, capacity and supporting tools to ensure value for money; and
- adequate governance mechanisms for critical implementation programs.

The Committee emphasises the importance of applying this knowledge across the APS and encourages all departments and agencies to ensure that a structured approach is taken to implement change and facilitate ongoing effective service delivery across the APS.

In the 43<sup>rd</sup> Parliament, it is important to emphasise the bi-partisan conclusion drawn from a Committee involving ALP, Liberal and Independent Members of Parliament. I sincerely thank each Committee member for the non-partisan spirit in which work has been done on these inquiries to date, and the focus on better public administration for Australians.

I also thank Joint Committee of Public Accounts and Audit Secretariat for their on-going diligent and professional work, too much of which goes unnoticed too often.

Thank you.

**Robert Oakeshott MP**  
**Chair**

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## Membership of the Committee

**Chair** Mr Robert Oakeshott MP

**Deputy Chair** Mrs Yvette D'Ath MP

|                |                          |                        |
|----------------|--------------------------|------------------------|
| <b>Members</b> | Hon Dick Adams MP        | Senator Guy Barnett    |
|                | Mr Jamie Briggs MP       | Senator Mark Bishop    |
|                | Ms Gai Brodtmann MP      | Senator Annette Hurley |
|                | Mr Darren Cheeseman      | Senator Helen Kroger   |
|                | Mr Josh Frydenberg MP    | Senator Glenn Sterle   |
|                | Ms Deb O'Neill MP        |                        |
|                | Ms Laura Smyth MP        |                        |
|                | Hon Alexander Somlyay MP |                        |

## **Committee Secretariat**

**Secretary** Mr David Brunoro

**Research Officers** Dr Narelle McGlusky

Ms Fiona Gardner

**Administrative Officers** Mrs Dorota Cooley



## List of abbreviations

|         |                                                             |
|---------|-------------------------------------------------------------|
| AAO     | Assessor Accrediting Organisation                           |
| ACC     | Australian Crime Commission                                 |
| ALP     | Australian Labor Party                                      |
| ANAO    | Australian National Audit Office                            |
| BAFO    | Best and Final Offer                                        |
| BCR     | Benefit-Cost Ratio                                          |
| CAC Act | <i>Commonwealth Authorities and Companies Act 1997</i>      |
| CEIs    | Chief Executive Instructions                                |
| CGGs    | Commonwealth Grant Guidelines                               |
| COAG    | Council of Australian Governments                           |
| CPGs    | <i>Commonwealth Procurement Guidelines</i> , December 2008  |
| CPU     | Central Procurement Unit                                    |
| DCCEE   | Department of Climate Change and Energy Efficiency          |
| DEWHA   | Department of the Environment, Water, Heritage and the Arts |
| DIT     | Department of Infrastructure and Transport                  |

|                              |                                                                                                                     |
|------------------------------|---------------------------------------------------------------------------------------------------------------------|
| DITRDLG                      | Department of Infrastructure, Transport, Regional Development and Local Government                                  |
| DRARDLG                      | Department of Regional Australia, Regional Development and Local Government                                         |
| DSEWPaC                      | Department of Sustainability, Environment, Water, Population and Communities                                        |
| DVA                          | Department of Veterans' Affairs                                                                                     |
| EEHP                         | Energy Efficient Homes Package                                                                                      |
| FaHCSIA                      | Department of Families, Housing, Community Services and Indigenous Affairs                                          |
| Finance                      | Department of Finance and Deregulation                                                                              |
| FMA Act                      | <i>Financial Management and Accountability Act 1997</i>                                                             |
| FMA Regulations              | <i>Financial Management and Accountability Regulations 2007</i>                                                     |
| FMG                          | Financial Management Guidance                                                                                       |
| HIP                          | Home Insulation Program                                                                                             |
| House Standing Committee     | House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government |
| ICT                          | Information and Communication Technology                                                                            |
| Infrastructure Australia Act | <i>Infrastructure Australia Act 2008</i>                                                                            |
| Innovation                   | Department of Innovation, Industry, Science and Research                                                            |
| JCPAA                        | Joint Committee of Public Accounts and Audit                                                                        |
| LEAPR                        | Low Emissions Assistance Plan for Renters                                                                           |
| LGRF                         | Local Government Reform Fund                                                                                        |
| MAC                          | Management Advisory Committee                                                                                       |

|                                  |                                                                                                      |
|----------------------------------|------------------------------------------------------------------------------------------------------|
| MPPs                             | Mandatory Procurement Procedures                                                                     |
| NBN                              | National Broadband Network                                                                           |
| RDACs                            | Regional Development Advisory Committees                                                             |
| RDAF                             | Regional Development Australia Fund                                                                  |
| RLCIP                            | Regional and Local Community Infrastructure Program                                                  |
| RLCIP-SP                         | Regional and Local Community Infrastructure Program–<br>Strategic Projects                           |
| SHWR                             | Solar Hot Water Rebate                                                                               |
| SME                              | Small and Medium Enterprises                                                                         |
| Strategic<br>Review of<br>Grants | <i>Strategic Review of the Administration of Government Grant<br/>Programs</i> report (31 July 2008) |
| USFTA                            | United States Free Trade Agreement                                                                   |



## List of recommendations

### **2 Conduct by Infrastructure Australia of the First National Infrastructure Audit and Development of the Infrastructure Priority List**

#### **Recommendation 1 ..... 23**

The Committee recommends that in future Infrastructure Australia provide clear and consistent advice on the level of funding and necessary conditions it recommends for priority projects.

### **4 Direct Source Procurement**

#### **Recommendation 2 ..... 86**

The Committee recommends that the Department of Finance and Deregulation actively promote and culturally address the use of CPUs across the Australian Public Service.

#### **Recommendation 3 ..... 87**

The Committee recommends that the Department of Finance and Deregulation investigate the viability of developing and implementing whole-of-government templates and checklists for use across the Australian Public Service and report back to the Joint Committee of Public Accounts and Audit within six months of the tabling of this report.

#### **Recommendation 4 ..... 87**

The Committee recommends that the Department of Finance and Deregulation investigate the feasibility of implementing a process of regular, mandatory testing and/or training for all Australian Public Service officers with delegation authority above \$10 000, with the aim of

ensuring currency and competency. Finance should report back to the Joint Committee of Public Accounts and Audit within six months of the tabling of this report.

The investigation should include, but not be limited to, consideration of:

- implementation at agency or whole-of-government level;
- alternative mechanisms to achieve outcomes (see paragraph 4.105 above); and
- the costs and benefits of the scenarios considered.

