
The Parliament of the Commonwealth of Australia

Report 433

Annual Report 2011–12

Joint Committee of Public Accounts and Audit

November 2012
Canberra

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Foreword

I am pleased to present the 2011–12 annual report of the Joint Committee of Public Accounts and Audit (JCPAA). This annual report is issued pursuant to section 8B of the *Public Accounts and Audit Committee Act 1951*. Tabling of the annual report is both an important accountability mechanism and a mark in history setting out the various operations of the Committee over time.

The JCPAA's activities throughout 2011–12 were guided by the Committee's broad set of duties, which include:

- examining the financial affairs of authorities of the Commonwealth;
- considering the operation and resources of the Australian National Audit Office (ANAO), and examining all reports of the Auditor-General that are tabled in Parliament;
- approving or rejecting any nomination for appointment of any person to the office of the Auditor-General or Independent Auditor of the ANAO; and
- increasing parliamentary and public awareness of the financial and related operations of government.

New responsibilities

In the course of the last year, the Committee was delegated significant new responsibilities with the establishment of the Parliamentary Budget Office (PBO). Its first role in this regard was approving the appointment of the inaugural Parliamentary Budget Officer.

The appointment of the right person to establish and lead the PBO was of the utmost importance to the Committee. Noting that a thorough and transparent appointment process had been undertaken by the Parliamentary Service Commissioner, and after meeting with Mr Phil Bowen, the Committee unanimously agreed to his appointment.

Release of major report on National Funding Agreements

Another achievement was the completion and publication of the Committee's report on the inquiry into National Funding Agreements. The report highlighted the lack of parliamentary scrutiny for the billions expended under the Intergovernmental Agreement on Federal Financial Relations framework, as well as issues with performance reporting. The Committee made 15 recommendations to address issues surrounding agreement implementation and to ensure the full potential of the framework is realised, including:

- improving key performance indicators and data collection processes;
- enhancing parliamentary scrutiny through the tabling of COAG Reform Council reports; and
- an annual statement by the Prime Minister outlining the contribution of national funding agreements to the well-being of all Australians.

The Government response, tabled in August 2012, agreed with five recommendations, but noted eight and disagreed with two of the recommendations. The Committee is still considering the adequacy of the Government's response.

Ongoing review of Auditor-General's reports

The JCPAA continued its ongoing examination of ANAO reports, reviewing 74 of the Auditor-General's reports. Out of these, the Committee undertook:

- the annual review of the ANAO Defence Materiel Organisation Major Projects Report; and
- three inquiries examining in detail nine audit reports on a range of programs and key areas of Government expenditure. The Committee focused on areas including: key performance indicators (KPIs); government grants; and procurement.

Sound key performance indicators are integral to ensuring accountability, but the Committee noted many agencies struggling to develop meaningful and measurable KPIs. Over the next twelve months the Committee will be looking to see whether the Auditor-General's new powers to assess KPIs contribute to an improvement in the Government's overall KPI framework.

In terms of grant administration, the Committee raised concerns about the transparency of decision-making processes and the quality of support offered to Government ministers. The Committee also uncovered examples of confusion and oversight errors in grant reporting.

The JCPAA's ongoing interest in government procurement led to the selection of two key audit reports for further review: one examining a major Government tender; and another looking at procurement panels. A key lesson for Australian Government agencies is the importance of clarity around decision-making,

particularly for tenders involving multiple ministers or departments. Agencies also need to reassess any procurement arrangements in place to ensure that they continue to achieve the best value possible.

Increased transparency

The Committee continues to look for ways to maximise openness and transparency. We opened up the JCPAA's 2011 meeting with the Tax Commissioner to the public, and invited external stakeholders to assist in scrutiny of the Australian Tax Office.

This year, the annual meeting with the heads of key agencies responsible for public sector governance and administration was also run as a public hearing. The meeting provided the Committee with an opportunity to discuss whole-of-government issues and trends, review the overall performance of the APS, and ask questions about the 2011-12 Annual Report Requirements for Commonwealth Agencies. The Committee's report included suggestions to improve the accessibility of information, thereby assisting parliamentarians and the public in assessing the performance of the APS.

Other activities and comments

The 2011-12 year has also seen us focus on promoting engagement through multiple forums. At the 2012 Australasian Council of Public Accounts Committee (ACPAC) meeting, we offered to build and host a website for ACPAC members to assist with coordination and information sharing. We have also been working with the ANAO and regional parliaments on capacity building through secondments for the staff of the Indonesian and Papua New Guinea public accounts committee equivalents.

I thank all members of the JCPAA for the ongoing commitment to the Committee's mandate, putting aside politics in the scrutiny of the use of public resources. In the coming year we look forward to celebrating 100 years of the Commonwealth public accounts committee. We will also be continuing to seek opportunities to add to the integrity and transparency of Australian Government agencies' decisions and actions in relation to expenditure of public monies.

Robert Oakeshott MP
Chair



Membership of the Committee

Chair Mr Robert Oakeshott MP

Deputy Chair Ms Yvette D'Ath MP

Members	Hon Dick Adams MP	Senator Mark Bishop
	Mr Jamie Briggs MP	Senator Glenn Sterle (26/10/10–07/02/12)
	Ms Gai Brodtmann MP	Senator Helen Kroger (30/09/10–12/09/12)
	Mr Darren Cheeseman MP	Senator Louise Pratt (from 27/06/12)
	Mr Josh Frydenberg MP	Senator Anne Ruston (from 13/09/12)
	Ms Deborah O'Neill MP	Senator Dean Smith (from 9/05/12)
	Ms Laura Smyth MP	Senator Nick Sherry (7/02/12–1/06/12)
	Hon Alex Somlyay MP	Senator Matt Thistlethwaite

Committee Secretariat

Secretary	Mr David Brunoro
Inquiry Secretaries	Dr Narelle McGlusky (until 20/04/12) Ms Vikki Darrough (from 8/08/11)
Alg Inquiry Secretary	Mr James Nelson (from 28/05/12)
Research Officers	Ms Lynette Mollard (until 20/01/12) Mr Shane Armstrong (from 6/02/12)
Administrative Officers	Ms Dorota Cooley (until 20/07/12) Ms Louise Goss (from 14/11/11)



List of abbreviations

ACPAC	Australasian Council of Public Accounts Committees
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
BAKN	Audit Committee of the Indonesian Parliament
BPK	Indonesian Audit Office
DMO	Defence Materiel Organisation
FMA Act	<i>Financial Management and Accountability Act 1997</i>
JCPAA	Joint Committee of Public Accounts and Audit
MPR	Major Projects Report
PAAC Act	<i>Public Accounts and Audit Committee Act 1951</i>
PACs	Public Accounts Committees
PBO	Parliamentary Budget Office
PNG	Papua New Guinea
OECD	Organisation for Economic Co-operation and Development

