
The Parliament of the Commonwealth of Australia

Report 401

Annual Report 2003-2004

Joint Committee of Public Accounts and Audit

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Canberra

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 ¹	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.

¹ "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