The Parliament of the Commonwealth of Australia

Report 447

EPBC Act, Cyber Security, Mail Screening, ABR and Helicopter Program

Review of Auditor-General Reports Nos 32-54 (2013-14)

Joint Committee of Public Accounts and Audit

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Canberra

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Contents

THE REPORT

APPENDICES

LIST OF FIGURES

LIST OF TABLES

Foreword

On Thursday 25 September 2014, the Joint Committee of Public Accounts and Audit (JCPAA) resolved to review five Australian National Audit Office (ANAO) reports: Report No. 42, *Screening of International Mail*; Report No. 43, *Managing Compliance with Environment Protection and Biodiversity Conservation Act 1999 Conditions of Approval*; Report No. 48, *Administration of the Australian Business Register*; Report No. 50, *Cyber Attacks: Securing Agencies' ICT Systems*; and Report No. 52, *Multi-Role Helicopter Program*.

Two key themes emerging across these reports were the importance of agencies taking an appropriate risk based approach and also, where appropriate, working cooperatively with others to achieve common objectives. A risk based approach enables agencies to effectively identify and target risks, and promotes more efficient resource allocation. Collaborative partnerships, whole-of-government approaches and cross-agency delivery of government programs (including with the states and territories) can also contribute to more effective program delivery and policy outcomes.

Report No. 42, *Screening of International Mail*, noted that, while all incoming international mail is subject to border controls, the Department of Agriculture and the Australian Customs and Border Protection Service cannot and do not screen all mail received—rather, the border agencies seek to take a targeted approach that identifies the mail considered to be at higher risk. Since 2008-09, each agency has developed risk based strategies for targeting and screening higher risk cohorts of mail on arrival. However, neither agency was able to demonstrate the effectiveness of these strategies. The Committee found that these agencies have begun to respond to the ANAO's recommendation on this area. Having moved to a selective process of screening and re-assessed the criteria for 'high-risk' items, a period of re-adjustment can be expected. Nonetheless, the Committee notes data sets that would be of assistance in targeting items are still rudimentary. The Committee also made two recommendations with regard to ensuring that Customs was conforming to international best practice and the state of cooperative arrangements with other countries concerning identification of illicit firearms shipments.

Report No. 50, *Cyber Attacks: Securing Agencies' ICT Systems*, assessed selected agencies' compliance with the mandatory top four mitigation strategies and related controls outlined in the Australian Signals Directorate's Information Security Manual (ISM). The ANAO commented that agency processes and practices had not been sufficiently responsive to the ever-present and ever-changing risks to which government systems are exposed. The Committee was concerned that, of the seven agencies audited, not a single agency was found to be fully compliant with the top four mitigation strategies and related controls in the ISM at the time of audit and none of the agencies was expected to achieve full compliance by the mandated target date of July 2014.

Similarly, regarding Report No. 52, *Multi-Role Helicopter Program*, the Committee supported the ANAO's assessment that there is still a need for the Department of Defence to better manage the inherent risks in complex acquisition programs. The Committee was also was concerned that the DMO was not adequately monitoring the realised Australian Industry Content in its acquisition and sustainment contracts. At over $4 billion, the Multi-Role Helicopter (MRH90) Program is to acquire 47 helicopters and their support system for the Australian Defence Force.

In terms of Report No. 43, *Managing Compliance with Environment Protection and Biodiversity Conservation Act 1999 Conditions of Approval*, the Committee emphasised the need for the Department of the Environment to demonstrate that it is more effectively targeting its compliance monitoring activities to areas of greatest risk to matters of national environmental significance. The Committee also found that it will require a sustained effort from Environment to ensure ongoing improvements to its compliance framework in the transition to and establishment of new one-stop-shop arrangements. The department will need to take a leadership role and establish strong collaborative partnerships with the states and territories to ensure effective delivery of the EPBC Act compliance monitoring function under the new arrangements. Similarly, concerning Report No. 48, *Administration of the Australian Business Register*, the Committee emphasised that whole-of-government objectives cannot be achieved without the close cooperation of the Commonwealth entities involved.

A risk based approach and working cooperatively with others to achieve common objectives are two key themes of the recent *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Public Management Reform Agenda (PMRA). Priority areas for stages two and three of the PMRA include a new risk framework, better facilitation of 'joined-up' government and cooperative arrangements, and an improved Commonwealth performance framework. The JCPAA has indicated that it may conduct a future inquiry into the Commonwealth performance framework as part of the continuing implementation of the PGPA Act and PMRA. The Committee also remains strongly interested in the development of more effective cooperative arrangements and approaches to risk across the Commonwealth.

On a separate matter, the Committee resolved to seek answers from the Department of Human Services (DHS) to a number of questions regarding the findings of ANAO Report No. 40, *Trials of Intensive Service Delivery*. The Committee noted the department's assurance that the decision to close the trials early—to assist DHS in achieving savings associated with the efficiency dividend—was taken in accordance with guidance from the Department of Finance and consistent with the Government's policy agenda. However, in support of concerns raised by the ANAO, the Committee pointed to the need for greater clarity and consistency in the Finance guidance regarding the application of the efficiency dividend.

I thank Committee members for their deliberation on these matters. I also thank those who appeared at public hearings for assisting the JCPAA in its important role of holding Commonwealth agencies to account for the efficiency and effectiveness with which they use public monies.

Dr Andrew Southcott MP
Chair

Membership of the Committee

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	Ms Casey Mazzarella
	Ms Samantha Leahy
Administrative Officer	Ms Tamara Palmer
	Ms Yvonne Lee

Terms of reference

On Thursday 25 September 2014, the Joint Committee of Public Accounts and Audit resolved to review the following audit reports in detail:

- Audit Report No. 42 (2013-14) Screening of International Mail
- Audit Report No. 43 (2013-14) Managing Compliance with *Environment Protection and Biodiversity Conservation Act 1999* Conditions of Approval
- Audit Report No. 48 (2013-14) Administration of the Australian Business Register
- Audit Report No. 50 (2013-14) Cyber Attacks: Securing Agencies' ICT Systems
- Audit Report No. 52 (2013-14) Multi-Role Helicopter Program

List of abbreviations

ABN	Australian Business Number
ABR	Australian Business Register
ANAO	Australian National Audit Office
ASIC	Australian Securities and Investments Commission
ATO	Australian Tax Office
BNR	Business Names Register
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
GST	Goods and Services Tax
IT	Information technology
KPI	Key performance indicator
SBR	Standard Business Reporting
MNES	matters of national environmental significance
ICT	information communications and technology
ASD	Australian Signals Directorate
CSOC	Cyber Security Operations Centre
AGD	Attorney-General's Department
ISM	Australian Government Information Security Manual

PSPF	Protective Security Policy Framework
ABS	Australian Bureau of Statistics
Customs	Australian Customs and Border Protection Service
AFSA	Australian Financial Security Authority
DFAT	Department of Foreign Affairs and Trade
DHS	Department of Human Services
SES	Senior Executive Service

List of recommendations

1 Introduction

Recommendation 1

The Committee recommends that the Department of Finance review and update its guidance regarding the application of the efficiency dividend so that:

- policy and guidelines regarding the efficiency dividend are clearly outlined in a single dedicated document
- there is clarity and consistency regarding the intention of the efficiency dividend and the measures that agencies may or should take to meet the efficiency dividend

2 Screening of International Mail

Recommendation 2

The Committee recommends that the Department of Agriculture and the Australian Customs and Border Protection Service review international methods in screening international mail to ensure Australia conforms to international best practice and report results of that analysis to the Joint Committee of Public Accounts and Audit.

Recommendation 3

The Committee recommends that the Australian Customs and Border Protection Service report to the Joint Committee of Public Accounts and Audit no later than six months after the tabling of this report on the:

- existing state of cooperative arrangements with other countries regarding identification of illicit firearms shipments
- what discussions/negotiations are underway with other countries to strengthen existing arrangements

3 Managing Compliance with EPBC Act Conditions of Approval

Recommendation 4

The Committee recommends that the Department of the Environment report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report, on its continued progress:

- implementing the Australian National Audit Office (ANAO) recommendations in Report No. 43 (2013-14)
- implementing improvement initiatives for managing compliance under its business improvement program
- implementing the new one-stop-shop assurance framework, including:
  - ⇒ details of how the development of this framework has been informed by the findings and recommendations of ANAO Report No. 43 (2013-14)
  - ⇒ the sample size and ratio selected for compliance review
  - ⇒ staff breakdown, including how many staff are allocated to legacy compliance activities and how many allocated to one stop assurance
  - ⇒ details of any staff, including their employment level, who have been deployed to state offices to oversee the compliance activities by state governments
- implementing up-to-date guidance material that reflects better practice regulatory considerations

Recommendation 5

The Committee recommends that the Australian National Audit Office (ANAO) consider including, in its schedule of performance audits for the next 12-18 months, a follow-up audit of the Department of the Environment's management of compliance with *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) conditions of approval, with a particular focus on:

- the effectiveness of the department's ongoing implementation of the ANAO recommendations in Report No. 43 (2013-14)
- the department's management of compliance under the new one-stop-shop arrangements, including the effectiveness of the department's one-stop-shop assurance framework as regards this area

- the effectiveness of the department's reporting against appropriate performance measures relating to activities undertaken to monitor compliance with EPBC Act conditions of approval
- whether there has been a reduction in business compliance costs against projected savings under the one-stop-shop arrangements, as managed by the department
- the department's guidance material, IT systems and record management practices for the compliance monitoring function under the new one-stop-shop arrangements

Recommendation 6

The Committee recommends that the Department of the Environment take a leadership role in its governance arrangements concerning management of compliance with *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) conditions of approval, particularly in the context of the new one-stop-shop arrangements, by demonstrating effective reporting against appropriate performance measures.

4 Administration of the Australian Business Register

Recommendation 7

The Committee recommends that the Australian Taxation Office work more closely with the Australian Securities and Investments Commission, the Department of Industry and the Department of Treasury on the administration of the Australian Business Register (ABR), to make it easier for business to interact with government by:

- reducing entry points to government
- developing and implementing registration and reporting mechanisms that are efficient and convenient for business
- simplifying business access to information and services offered by government
- reviewing and updating the information technology supporting the ABR

5 Cyber Attacks: Securing Agencies' ICT Systems

Recommendation 8

The Committee recommends that the seven agencies audited by the ANAO achieve full compliance with the top four mitigation strategies and related controls in the Information Security Manual as soon as possible. Further:

- each agency should produce a clear and detailed plan of necessary activities, including a definitive date of compliance
- agencies that do not expect to achieve full compliance before August 2015 should notify the Committee – the Committee may then seek an explanation of why full compliance is not expected to be achieved, as well as the mitigation strategies the agency has put in place

Recommendation 9

The Committee recommends that the Australian National Audit Office consider including regular audits, in its schedule of performance audits, of Commonwealth agencies' compliance with the top four mitigation strategies and related controls in the Information Security Manual as well as Commonwealth agencies' overall security posture.

6 Multi-Role Helicopter Program

Recommendation 10

The Committee recommends that the DMO allocate adequate resources to measure the delivered Australian Industry Content in its acquisition and sustainment contracts. Considerations should be given to publishing these figures either through the Portfolio Budget Statements or the Major Projects Report.