



The Parliament of the Commonwealth of Australia

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

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SOUTH ASIA PUBLIC ACCOUNTS COMMITTEES FORUM

OPENING REMARKS

MR BOB CHARLES MP

CHAIRMAN

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

AUSTRALIAN PARLIAMENT

It is a great honour to be here to welcome honourable delegates, ladies and gentlemen to what I hope will be the first of many meetings of the South Asia Public Accounts Committees Forum. I would like to thank Eve Bosak and the World Bank for coordinating arrangements and making this Forum possible.

To those who do not know my background, I have been Chairman of the Australian Parliament's Joint Committee of Public Accounts and Audit since October 1997. I have a keen interest in the role of public accounts committees and Auditors-General in promoting accountability, openness and transparency in government activities.

As many will know, there is an Australasian Council of Public Accounts Committees (ACPAC). 'Australasia' is defined as Australia (including the Federal, States and Territories jurisdictions), New Zealand, Papua New Guinea, and Fiji. ACPAC also provides for Associate Membership for countries outside the Australasian region who are invited to ACPAC conferences. In my capacity as Chairman of the JCPAA I have attended three ACPAC conferences—conferences where issues are discussed, ideas are shared and a way forward can be developed. I hope that this will also be the pattern for the South Asia Public Accounts Committee Forum.

There is also a forum of public accounts committees from countries in southern Africa. I see the South Asia Public Accounts Committee Forum as joining a growing network of PACs and of Auditors-General across the globe.

I would now like to give you some information about ACPAC including a brief history, the overall aims of the organisation, and the future direction it has set itself.

The lessons learned by ACPAC may help you shape the future direction of your forum.

ACPAC arose out of several years of informal discussions at conferences of the Australian Public Accounts Committees. At the 6th PAC conference in Brisbane in 1989 ACPAC was formally created.

It was recognised that ACPAC was to be founded on mutual interest and a voluntary approach because as an association it could not dictate to independent jurisdictions.

The aims of the organisation outlined in its original constitution remain the same today:

- To facilitate the exchange of information and opinion relating to PACs and to discuss matters of mutual concern.
- To improve the quality and performance of PACs in Australasia.
- To liaise with Auditors-General so as to improve the effectiveness of both the Auditors and the PACs.
- To communicate with individuals and organisations knowledgeable about matters of concern to public accountability.
- To provide an educational service for the elected Members of Parliament, the media and the general public as to the purposes and activities of PACs.

ACPAC has biennial conferences hosted in turn by the various member PACs. There have been seven such conferences, the last being in Melbourne in February 2003. The next biennial conference will be in Brisbane—organisational arrangements will be

made by the secretariat of the Brisbane PAC and the Chairman of the Queensland PAC will be the chairman of the Conference.

The value of a rotating chairmanship is that no one PAC can dominate the ongoing activities of ACPAC. Each Chairman brings a particular focus and theme to each conference. For example, the focus of the conference in Melbourne was the emerging issues for PACs in an environment, in Australasia at least, of increasing corporatisation, privatisation, and contracting out of services.

Issues discussed in the conference included:

- how to get better corporate governance in non-budget agencies, including the private sector;
- whether public-private partnerships create gaps in public sector accountability;
- the role of PACs in developing an ethics culture in the public sector;
- the changing relationship between PACs and officers of the Parliament including Auditors-General; and
- protecting the public interest.

One vital aspect of ACPAC, recognised by all participants, is the opportunity to meet and informally discuss issues. Networking with fellow politicians, Auditors-General, and others with a mutual interest in public accountability has significant benefits. Contacts are made, ideas are shared formally and informally, and support is provided through participating in an international forum.

It is not surprising, therefore, that ACPAC conferences have experienced an increasing attendance, in particular of non-ACPAC members. For example in Melbourne there were participants from, Ireland, Namibia, Singapore, and the United Kingdom. As well, there were representatives from four South African provinces, and two jurisdictions in Canada who attended in their capacity as ACPAC Associate Members.

At the last conference ACPAC recognised this broadening interest in its activities by amending its constitution to confirm the introduction of the concept of APAC Associate Membership. Associate Membership is open to by PACs from beyond Australasia who are invited to the biennial conference.

This trend to broaden its base was strengthened by a further resolution at the recent conference. This was to promote the development of a global network of regional associations of PACs with the aim of having an international conference of PACs. Currently ACPAC has formed a working party to examine the feasibility of such an international conference of PACs being held in 2006.

From these examples you can see that ACPAC is keen to spread the message of accountability, openness and transparency—which is why I am here this evening.

In taking part in this conference, however, it is neither my intention nor my role to tell you what to do. Different regions will have different ways of doing things—and that is fine—I can only talk about what works for the Australasian region and the Australian Parliament in particular. I am confident that you will find what works for you. It is the outcome which is important—accountability, openness and transparency of government activities.

I hope that everyone attending this forum finds meeting fellow delegates and the sharing of ideas both stimulating and rewarding. I wish all delegates every success in their endeavours.

I conclude by again thanking the World Bank for making this Forum possible.

SOUTH ASIA PUBLIC ACCOUNTS COMMITTEES FORUM

CONFERENCE OVERVIEW AND GOALS

MR BOB CHARLES MP

CHAIRMAN

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

AUSTRALIAN PARLIAMENT

Introduction

This session is titled ‘Conference overview and goals’. As I provide the overview I will digress where appropriate to discuss the factors which have in my view contributed to the success of the JCPAA in the Australian federal jurisdiction.

I again emphasise that I do not intend to tell you what to do. What works in Australia may not work for you. Different countries have different cultures and constraints and so will have different ways of enhancing accountability, openness and transparency in government activities. Each country must find its own way forward, using what it considers to be the best ideas from the many examples before us.

Session 2: Improving Financial Accountability

In the next session Eve Bosak will discuss improving financial accountability. I believe it is important to ensure financial accountability in the government sector because it will invariably flow through into the private sector.

This is because private companies doing business with government will know that the government’s financial statements will be independently audited and they will themselves conduct their financial affairs appropriately.

In Australia the Auditor-General provides assurance in four areas when he audits agency financial statements:

- whether the figures are accurate;
- whether payments have been made by authorised people and according to correct procedures;
- whether the exchange of goods and services has been valued appropriately; and
- whether the books are complete.

In addition the Auditor-General identifies any financial and business risk exposures. For example, whether there are sufficient controls in place to prevent unauthorised access to information and computer systems.

All these checks will pick up fraud or identify where fraudulent activity could occur. For example, in 1991 when the Auditor-General looked at the financial statements of the Australian Customs Service he reported deficiencies in the controls on people being able to access Customs' computer system. Subsequently, in 1992 a \$1.2 million fraud was detected—a contracted computer programmer was diverting funds to his personal bank account. He was successfully prosecuted and fortunately most of the money was recovered.

To ensure financial accountability in the government sector, it is important to have strong underpinning financial management legislation and a strong and independent Auditor-General to audit financial statements.

In the Australian jurisdiction, public sector financial accountability is established by the following legislation:

- *Financial Management and Accountability Act 1997*;
- *Commonwealth Authorities and Companies Act 1997*;
- *Charter of Budget Honesty Act 1998*;
- *Public Service Act 1999*; and
- *Auditor-General Act 1997*.

(I have brought copies of these Acts with me to this conference)

The first two Acts define how Australian government agencies, authorities and companies have to financially manage their activities. The Charter of Budget Honesty determines how the Australian Government reports to the Parliament and the public on the state of whole of government finances. The Public Service Act defines how public servants behave. Finally, the Auditor-General Act provides the keystone by conferring independence on the Auditor-General and the authority to conduct both financial statement and performance audits.

Session 3: The Overseers Report

In the second session Rick Stapenhurst will discuss the findings of The Overseers Report. This is a report of the Commonwealth Parliamentary Association which reviewed the oversight of government provided by the public accounts committees and equivalent committees in the countries of the Commonwealth.

I will now turn to the oversight in the Australian Federal jurisdiction provided by the Joint Committee of Public Accounts and Audit (JCPAA). In my view there have been six critical success factors for the JCPAA:

- clear underpinning legislation;
- independence;
- a wide role for the JCPAA;
- transparency of activities;
- the membership of the Committee and the commitment of those members; and last, but not least
- the linkages with an independent Auditor-General.

Clear Underpinning Legislation

The JCPAA is a statutory committee with its own Act of Parliament—the *Public Accounts and Audit Committee Act 1951*. This act defines the role of the Committee,

its composition, and how it performs its functions. (I have brought with me copies of the Act.)

A clear legislative backing strengthens the role of the JCPAA. The Act includes clauses which provide:

- the power to summons witnesses to appear before the Committee and produce documents;
- the power to issue warrants for the arrest of those disobeying a summons;
- the ability to receive evidence from witnesses in private; and
- the power to protect witnesses from ‘violence, punishment, damage, loss or disadvantage ... [for] having appeared as a witness before the Committee’.

Other legislation refers to the JCPAA which defines its role in other accountability areas. These acts are:

- *Auditor General Act 1997*;
- *Public Service Act 1999*; and
- *Parliamentary Service Act 1999*.

Independence

Under the separation of powers doctrine of the Westminster system, the Parliament is independent of the Executive. Similarly, the JCPAA comprising backbench Members of Parliament is independent of the Government. Indeed, reports of the JCPAA’s inquiries are tabled first in Parliament **before** any Government Minister receives them—the Committee’s reports are therefore ‘reports to the Parliament’.

This independence extends to the staff of the JCPAA who are employees of the Department of the House of Representatives. This department, one of five Parliamentary departments, is separate from the Executive, and is accountable directly to the Speaker of the House of Representatives.

The Role of the JCPAA

The JCPAA's role is broad. I will highlight the major roles.

Under the JCPAA's legislation, the Committee:

- can examine and report on, in effect, anything affecting the income and expenditure of the Australian Government sector;
- can examine and report on any matter referred to it from the House of Representatives or the Senate; and
- must review all reports of the Auditor-General on behalf of the Parliament and can comment on any matter connected with those audit reports.

All JCPAA reports are tabled in Parliament and so become public documents. In handing down its reports, the JCPAA is able to make recommendations about the administration of government agencies as well as recommendations concerning government policy. The Government has an obligation to respond to these recommendations within six months of the report's tabling:

- administrative recommendations are responded to by the government by way of an *Executive Minute* to the JCPAA—the minute is subsequently tabled in Parliament, so becomes a public document; and
- policy recommendations are responded to by way of a Ministerial statement, also tabled in Parliament—again this becomes a public document.

A minor, yet very important, role of the JCPAA is to approve the annual reporting requirements of Commonwealth agencies and of the Parliamentary departments. This is underpinned by clauses in the *Public Service Act* and the *Parliamentary Service Act*.

Annual reports comprise the final link in the accountability chain from Budget estimates through to the subsequent annual reporting.

Transparency of Activities

While the JCPAA holds private meetings and can take evidence in private session, it conducts its major business in public. I will now summarise those public activities:

- the JCPAA seeks public submissions to its inquiries and these are available to the public and published on the Committee's web site;
- the JCPAA takes oral evidence from witnesses at public hearings—transcripts of the hearing are available to the public and published on the Committee's web site;
- JCPAA reports are tabled in Parliament and are therefore publicly available documents—the reports are also published on the Committee's website;
- the JCPAA reviews the suitability of the appointment of the Auditor-General and Independent Auditor by questioning them at a public hearings. The JCPAA advises the Prime Minister whether the Committee approves or rejects the appointment. (Under the Audit Act, the Prime Minister must not recommend to Australia's Head of State that the appointment be made unless it is approved by the JCPAA.); and
- the Chairman of the JCPAA makes a statement to the Parliament on Budget night concerning whether the funds being provided to the Auditor-General will enable him to perform his duties as Government auditor.

The JCPAA firmly believes that if it advocates transparency of government activities, Committee activities too must be transparent.

The Membership of the JCPAA

At present the JCPAA comprises six members of the Senate and ten members of the House of Representatives. Currently there are nine members from the parties that form the Government, and seven members drawn from other political parties. The Chairman is a member of the Government party, and the Deputy Chairman is a member from the party forming Her Majesty's Loyal Opposition.

There has been a long tradition in the JCPAA of producing unanimous reports containing recommendations agreed to by all members. I have found that current members of the Committee are firmly committed to this tradition. They see the role of the Committee as adding value to Government administration and providing fair comment on Government policy.

Because the Chairman and majority of the JCPAA members are drawn from the Government party or coalition of parties, recommendations of the Committee have great credibility. This contrasts to a situation where a Parliamentary committee might be ‘controlled’ by members drawn from non-government parties. Recommendations from such committees run the risk of being viewed by the Government as being intended to score political points.

The JCPAA often makes recommendations about Government policy—from time to time as necessary these recommendations may be quite tough. As Chairman, I have found that such recommendations are seriously considered by the Government and often accepted.

The Australian Government views the JCPAA as an important link in the accountability process and the Committee jealously guards the independence and credibility it has earned.

I believe this is the goal of all public accounts committees.

(I have also brought with me copies of a booklet which contains case studies of four JCPAA inquiries.)

Session 4: Linkage with the Auditor-General

This afternoon Ian Mackintosh will discuss linkages with the Auditor-General.

I believe that a vital aspect of the accountability web is an **independent** Auditor-General.

Recent public company collapses in several countries have highlighted the need for auditors to be independent of the entities which they audit. This is true for both the private and public sectors. In Australia's case the Federal Auditor-General is independent from the Executive—he is an Officer of the Federal Parliament. Not only does the Auditor-General audit the financial statements of Government agencies, but he also undertakes performance audits—examinations of the efficiency and effectiveness of agency activities. Audit reports are tabled in Parliament and so become public documents.

There are four linkages between the JCPAA and the Federal Auditor-General which strengthen the Auditor-General's independence.

Firstly, under the JCPAA legislation, his appointment has to be approved by the Committee. The JCPAA takes this approval role seriously and I expect the Committee will examine closely at public hearings any future candidate for the position of Auditor-General.

Secondly, there is an Independent Auditor whose role is to audit the performance of the Auditor-General. Another statutory role of the JCPAA is to approve the appointment of this Independent Auditor. In the past the Committee has questioned the candidate at a public hearing, before considering whether to approve the appointment. I expect this procedure will continue.

The third linkage concerns the money appropriated by the Government in the Budget to finance the Auditor-General's activities. To ensure the Auditor-General is not restricted in his activities by being denied adequate funds, the JCPAA reviews and reports on the money being provided to the Auditor-General. In fact on Budget night, before the Federal Treasurer presents the Budget for Australia, I as Chairman of the JCPAA, make a statement to the Federal Parliament concerning the adequacy of funds being proposed for the Audit Office. So far I have been able to reassure the Parliament that the Auditor-General will have enough money to do his job.

A fourth linkage is that the JCPAA has a statutory duty to advise the Auditor-General of the Parliament's audit priorities. To do this, the JCPAA seeks advice from other parliamentary committees and passes them on to the Auditor-General. I emphasise that the JCPAA only **advises** the Auditor-General—because he is independent, it is his prerogative whether or not to accept such advice.

Conference goals

Finally I will turn to what I see as the goals for this conference. In my view a major goal is the bringing together of members of public accounts committees of various countries. It is the forming of networks of contacts that will ensure the outcomes of this conference continue into the future. I strongly believe there is a growing movement towards the creation of international forums such as this. The aim should be to have regular meetings into the future where issues of accountability, openness and transparency can be progressed in countries around the world.

How regular conferences of the South Asia Public Accounts Committee Forum can be achieved, and under what procedures and constitution is not for me to say. I believe that the discussions that will occur this afternoon during individual country presentations, and the contacts which will be made will ensure a way forward will emerge.

Critical success factors for the JCPAA

Clear underpinning legislation

- *Public Accounts and Audit Committee Act 1951*—defines the role of the Committee, its composition, and how it performs its functions.
- *Financial Management and Accountability Act 1997*— defines the financial management obligations of government agencies.
- *Commonwealth Authorities and Companies Act 1997*—defines the financial management obligations of government authorities and companies.
- *Auditor General Act 1997*—defines the powers of the Auditor-General.
- *Public Service Act 1999*—includes the reporting obligations of government agencies.

The Committee has a wide role

- Defined under its legislation.
- Can examine and report on, in effect, anything affecting the income and expenditure of the Australian Government sector.
- Can examine and report on any matter referred to it by a government Minister, or from the House of Representatives, or from the Senate.
- Must review all reports of the Auditor-General on behalf of the Parliament and can comment on any matter connected with those audit reports.
- Can make recommendations about government administration and government policy.
- Approves the annual reporting requirements of Commonwealth agencies.
- Has a clear link with the Auditor-General which is defined in legislation (subject of next presentation).

Extensive powers

- The power to summons witnesses to appear before it and produce documents.
- The power to issue warrants for the arrest of those disobeying a summons.
- The ability to receive evidence from witnesses in private.
- The power to protect witnesses from retaliation for having provided evidence.

Committee independence

- A parliamentary committee independent of the Executive (Government) under the separation of powers doctrine of the Westminster system.
- Comprises ‘back bench’ members of Parliament (ie not part of the Government Ministry).
- Reports direct to the Parliament not to Ministers.
- Staffed by employees of the House of Representatives which is separate from government departments.

Transparent Committee activities

- Conducts its major business, such as undertaking inquiries, in public.
- Submissions to its inquiries are public documents which are available to the public and published on the Committee’s web site.
- Oral evidence is received from witnesses at public hearings—transcripts of the hearing are available to the public and published on the Committee’s web site.
- Committee reports are tabled in Parliament and are public documents—the reports are also published on the Committee’s website.

Composition of the Committee

- Members are drawn from both chambers of Parliament (6 Senators and 10 Members of the House of Representatives).
- Members are drawn from all political parties (9 government party members; 6 members of Her Majesty’s loyal opposition; 1 Australian Democrat).
- Members are committed to producing unanimous reports which add value to Government administration and provide fair comment on Government policy. (Reports contain a smaller number of recommendations—will have greater impact than large numbers of recommendations.)
- Majority of Government party members—increases credibility when recommendations are critical of government policy and administration.
- Chairman is member of Government party—has ready access to members of the Government which promotes the Government’s understanding of the recommendations.

The links between the Committee and the Auditor-General

Role of the Auditor-General

- Defined under the *Auditor General Act 1997*.
- The Auditor-General is an independent ‘Officer of the Parliament’.
- The Auditor-General audits the financial statements Australian Government agencies, authorities and companies.
- Undertakes performance audits of Australian Government bodies, but not of government business enterprises.
- Makes recommendations on administrative matters **but not** on government policy.

Maintaining the independence of the Auditor-General

The Auditor-General’s powers

- *Auditor General Act 1997* states that the Auditor-General is independent of Parliament.
- Auditor-General has powers to call Australian government employees to answer questions and produce documents under their control.
- Auditor-General and his staff are able to enter Australian government premises and may examine and copy any document found in those premises.

The Committee’s role in maintaining independence

- Committee approves the appointment of the Auditor-General (examines the Government’s proposed candidate at a public hearing).
- Committee approves the appointment of the Independent Auditor (examines the Government’s proposed candidate at a public hearing).
- Committee approves the proposed budget for the Auditor-General (the Chairman makes a statement to the House of Representatives on Budget night).
- Each year reviews the Auditor-General’s proposed audit program.

The Committee reviews all audit reports

- Reviewing all audit reports is required under the Committee’s legislation.
- Some 50–60 audit reports are tabled each year, and are reviewed on a quarterly basis.
- The Auditor-General briefs the Committee each quarter.
- Usually 3 or 4 **performance** audit reports are selected each quarter.

- Committee conducts a public hearing—evidence is taken at the same time from the audited agency and the Auditor-General (a ‘round table’ public hearing).
- Committee produces a report to the Parliament which can contain recommendations.
- Audit reports are selected on the basis of:
 - the size (usually amount of money involved) of the program which was audited;
 - the significance of the activity to Australia;
 - the potential to improve program administration (sometimes audits are selected where the government body has performed well, eg CSIRO’s research project management);
 - whether there has been major disagreement with the Auditor-General; and
 - public interest.

Review of audit reports have led to broader Committee inquiries

- An audit of the Department of Defence’s Jindalee Operational Radar Network which led to the Committee’s review in 1996–97 and *Report 357*. (Presented as a case study.)
- An audit of the Department of Defence’s New Submarine Project which led to the Committee’s review in 1998–99 and *Report 368*. (Presented as a case study.)
- An audit of Australia’s coastal surveillance arrangements which led to the Committee’s review in 2000–01 and *Report 384*
- An audit into Australia’s quarantine arrangements which led to the Committee’s review in 2002 and *Report 394*. (Presented as a case study.)
- An audit of Australia government management of aviation security has led to a current Committee inquiry.

Other links between the Committee and the Auditor-General

- The Auditor-General and/or his staff regularly brief the Committee and Committee staff.
- The Committee advises the Auditor-General of Parliament’s audit priorities.
- Staff of the Audit Office are regularly seconded to the Committee secretariat to assist in inquiries (the duration of the secondment is of several months).
- The Auditor-General provides observers to the Committee’s public hearings—observers can advise the Committee and suggest lines of questioning.
- The Committee’s secretariat staff have been seconded to the Audit Office at times when Parliament is prorogued (ie during election breaks).

Review of Defence procurement—JCPAA reviews in 1998 and 1999 Jindalee Operational Radar Network and Collins Class Submarine

Reasons for the inquiry

- Defence projects involving new technology are very expensive—JORN cost A\$1.1 billion in 1995 and the submarine project costs were A\$5.1 billion in 1999.
- Both projects when complete will be a significant part of Australia's defence capability.
- The Committee had reviewed the submarine project in 1994 following a highly critical audit report.
- There were audit reports into JORN in 1995 and the submarine project in 1998.
- Both projects had serious technological problems and poor Defence management.

Conduct of the inquiry

- Submissions were sought—17 public submissions and 28 public exhibits were received.
- Nine days of hearings—42 witnesses from 8 organisations (including Defence officials).
- Confidential submissions were received.
- The Committee inspected JORN facilities and the new submarines.

Major findings

JORN

- In 1997, JORN was 4 years behind schedule and was \$600 million over budget.
- The JORN project was deficient in: selection of the prime contractor; supervision of the prime contractor by Defence; the management by the prime contractor; the performance of the key sub-contractor.
- Defence project management skills were inadequate.

New Submarine Project

- In 1999 only 1 of the 6 submarines was operational, yet 95% of the budget had been spent and serious technological problems remained, eg there were software problems.
- Defence paid A\$2.4 million to an insurance broker without a proper audit trail.
- Agency heads are responsible for retaining contract information, but information involving third party sub-contractors is hidden from agencies and the Auditor-General.
- Outsourcing to the private sector and restricting access of the Auditor-General to contractor's information and records could reduce accountability.

Major recommendations

- Defence should employ the best possible project managers and senior project staff—if necessary looking overseas and outside the Defence for such personnel.
- Defence should choose appropriately qualified consortia for such complex projects.
- Defence should establish a career structure in procurement and project management.
- Intellectual property rights should be explicitly defined in future Australian Government contracts and related sub-contracts.
- Project staff should be aware of intellectual property issues pre-contract, at contract negotiation, and during contract management.
- When commercial disputes are settled, the process be openly and properly documented.
- Defence should increase its monitoring of schedule changes and cost outcomes.
- The Auditor-General should be allowed access to contractor premises to inspect and copy documents and records directly related to an Australian Government contract, and inspect Australian Government assets when he deems it necessary to perform his duties.

Outcome of the inquiry

- 7 recommendations in the JORN report—all agreed to.
- 7 recommendations in the new submarine report—6 agreed to; 1 not agreed to.
- JORN became operational in 2003; the submarine project has yet to be completed.
- The Committee receives regular private briefings on the progress of submarine project.
- The Committee is still resolved to obtain the right for the Auditor-General to access contractor premises in order to inspect relevant documents.

General comments about Defence procurement

- Contract management problems arise in many Defence projects.
- Defence projects are often of high cost so there will always be a high risk, especially where new unproved technology is involved.
- There is often a mismatch between Defence's attitude and the attitude of its contractors—the first submarine audit in 1992 showed Defence adopted a 'partnership' attitude to the contractor. In contrast the contractor took a very hard commercial stance.
- The Committee will be reviewing an audit report of Defence's relationship with the Defence Housing Authority—the Auditor-General found a similar mismatch of attitudes.

Review of Government purchasing—a JCPAA review in 1999

Reasons for the inquiry

- Large amounts of money are spent by government on goods and services—in 1997–98 Australian Government Budget funded agencies spent A\$8.8 bn.
- Purchasing from Australian companies will assist industry development, reduce imports, and help the Australian economy.
- Improving the efficiency and effectiveness of government purchasing will achieve significant savings and the best outcome for the Australian public.
- In 1994 there was a major Parliamentary committee inquiry into government purchasing which made 45 recommendations. A second report was tabled at the end of 1995.
- The Committee's inquiry was to find out if government agencies had improved their purchasing performance.

Conduct of the inquiry

- Public submissions were sought—77 were received. There were also 65 exhibits.
- Seven days of public hearings—89 witnesses from 41 private and government sector organisations.

Major findings

- The speed of the move to allow individual agencies to become responsible for their own purchasing had led to some inefficiencies.
- Agency central purchasing units promoted efficiency and effectiveness, but program managers should be allowed to make decisions affecting their program objectives.
- Purchasing officers were not obliged to follow government purchasing guidelines.
- Chief Executive Officers appear uninterested in their agency's purchasing performance.
- 'Value for money' was often incorrectly interpreted as 'lowest price'.
- The target of 10% of purchases from small and medium enterprises had been achieved.
- There was no organisation with a monitoring or oversight role regarding the impact of purchasing policies on small businesses.
- Agencies were confused over definitions of small and medium business and Australian made and Australian content.
- Agencies were tending towards buying a range of goods from a single supplier.

- Defence was publishing on its website reasons for awarding contracts over A\$100 000 to foreign companies—this better practice educates unsuccessful Australian bidders.
- Agency purchasing statistics were of poor quality and were not updated promptly.

Major recommendations

- Department of Finance (Finance) should develop and administer an accreditation system for assessing agency purchasing performance.
- Regulations should be changed to oblige purchasing officers to follow government purchasing guidelines.
- Agency senior management should be assessed on the efficiency and effectiveness of agency purchasing.
- Purchasing staff should be required to meet procurement competency standards.
- Finance should develop agreed definitions for small and medium businesses.
- Agencies should source at least 20% of purchases from small and medium enterprises.
- Australian and New Zealand products should be favoured over foreign products if they provide equal value for money.
- The impact on Australian business of buying a range of goods from a single supplier should be studied.
- All agencies should publish on their website reasons for awarding contracts over A\$100 000 to foreign companies.
- Agencies publish in the annual reports performance against key purchasing objectives.

Outcome of the inquiry

- 12 recommendations—2 rejected; 3 agreed to; 7 noted (alternative ways to meet the objectives behind the recommendations were presented).
- The review raised the importance of purchasing with agencies.
- In 2000, one year later the Committee asked 15 key agencies to outline their purchasing arrangements; evidence of efficiency and effectiveness gains; whether they had centralised or decentralised purchasing arrangements; and internal audit outcomes.
- Most agencies had centralised their purchasing. The Committee was satisfied that progress had been made and decided not to reopen the inquiry.
- The government revised the procurement guidelines—new guidelines released in 2002.

Review of Coastwatch—a JCPAA review in 2000–01

Reasons for the inquiry

- Since 1967 the coastal surveillance function had been subject to continuous organisational changes.
- In 1999, following a series of undetected boat arrivals in Eastern Australia, the Prime Minister initiated a major review of Coastwatch.
- In 2000, the Auditor-General published the results of a performance audit of Coastwatch.
- The Committee wanted to assure Australians that the changes arising from the Prime Minister's review and the audit report were being put into effect.
- There was public concern over increasing numbers of 'boat people' arriving in Australia.
- Illegal fishing in Northern Australian waters and in the Southern Ocean territories was also a concern.
- The effectiveness of Coastwatch was being questioned with suggestions that an Australian Coastguard be created to assume the role of coastal surveillance.

Conduct of the inquiry

- Public submissions were sought—61 were received. There were also 19 exhibits.
- Five days of public hearings—73 witnesses from 26 private and government sector organisations.
- The Committee inspected the National Surveillance Centre, Defence Headquarter Northern Command, and Coastwatch operations in the Northern Territory and the north-west of Western Australia. The Committee also participated in two Coastwatch patrols between Darwin and Broome.

Major findings

- Changes after the Prime Minister's review had resulted in an efficient and effective organisation.
- The expectations of Coastwatch were poorly communicated to the public.
- The measures by which Coastwatch's performance could be judged were unclear.
- The separation of Coastwatch from its clients was clear and enhanced by the practice of seconding a serving Defence Force officer to be the Director General of Coastwatch.
- Coastwatch was performing well in detecting and coordinating the interception of illegal entry vessels in northern and north-western waters.

- Coastwatch's performance in countering illegal fishing in northern and north-western waters was limited by its inability to intercept the illegal vessels it had detected.
- In the Southern Ocean the limiting factor was the ability to detect illegal fishing vessels.
- Unauthorised air movements in northern Australia were not currently a threat to the border.
- Coastwatch offered value for money, being the best way to effectively use scare resources. Coastwatch could be regarded as an 'outsourced Coastguard'—this allowed greater flexibility in a world of changing threats and rapidly developing technology.

Major recommendations

- There should be a comprehensive campaign to inform the public of Coastwatch's role.
- The Government should provide Coastwatch with a publicly available charter outlining the Government's expectations of Coastwatch.
- A serving Defence Force officer should continue to be Director General of Coastwatch.
- Coastwatch should have timely access to the automatic vessel monitoring system operated by the Australian Maritime Safety Authority.
- Following a review of surveillance requirements in Northern Australia, additional surveillance resources should be considered for the Torres Strait, including contingency plans for the siting of sensors to meet any future unauthorised aircraft movement threat.
- Defence should investigate the cost of acquiring and outfitting a vessel to patrol the Southern Ocean and other remote areas, and the feasibility of mounting joint patrols with other countries with an interest in the region.
- Border legislation should be reviewed to determine whether it allowed Customs jurisdiction over unauthorised aircraft movement flights and the ability of Defence personnel to respond to such flights.

Outcome of the inquiry

- All 14 recommendations were supported, or supported in principle by the Government.
- Legislation to allow Coastwatch to access to vessel monitoring data was passed in 2002.
- More Customs patrol vessels were stationed in northern waters to counter illegal fishing. Action was taken to allow 'double crewing' of Customs vessels to increase the number of patrol days.
- Suitable sites in the Cape York area had been identified for the siting of additional sensors and high frequency surface wave radar installations.

Review of Australia's quarantine function—a JCPAA review in 2002

Reasons for the inquiry

- Australia has unique flora and fauna and is free from many serious pests and diseases.
- Disease free status confers a competitive advantage in the trade of primary produce.
- There is a high degree of public interest in quarantine matters.
- In **late 2000** the Auditor-General reviewed the management of quarantine issues and tabled an audit report in **June 2001**. It had 8 recommendations accepted by the agency.
- In **February 2001** there was an outbreak of foot and mouth disease in the UK (an outbreak in Australia would have a huge impact on exports and gross domestic product).
- In **May 2001** the Government provided A\$600m over 4 years to strengthen quarantine.
- The Committee wanted to reassure the Parliament that the Auditor-General's recommendations had been carried through and that the additional A\$600m from the Government was being properly spent.

Conduct of the inquiry

- Public submissions were sought—56 were received. There were also 14 exhibits.
- Six days of public hearings with 67 witnesses from 29 private and government sector organisations (witnesses from Queensland and Tasmanian Governments appeared).
- There were 6 days of inspections of quarantine facilities in Melbourne and Sydney and an inspection tour of northern Queensland and the Torres Strait.

Major findings

- The extra A\$600 million quarantine funding was being spent wisely. Quarantine staff were professional and highly committed to maintaining the quarantine border.
- Australia's appropriate level of protection had been correctly defined (a high level of protection to reduce risks to 'very low levels', but not a 'zero risk approach').
- Australia was slipping behind other nations in assessing the quarantine risk posed by new imports and identifying how to manage those risks.
- There was a significant backlog in dealing with applications to import new commodities.
- There was a delay in the introduction of a national ballast water management scheme.
- There was a policy gap in that organisms encrusting the hulls (called biofouling organisms) of boats were not covered in quarantine legislation.

- Container washing arrangements in Melbourne Port were costly and there were delays.
- Container inspection methods were not consistent in Australia's ports.
- Australia was well prepared to meet the threat of new pests and diseases entering Australia, especially through northern Australia.
- In Australia there has been a decline of scientific expertise in quarantine-related areas.
- Interested parties did not understand how the measures required to allow the importation of commodities related to Australia's 'appropriate level of protection'.

Major recommendations

- A centre of excellence be established to undertake risk analysis research.
- Additional resources be provided to speed up the assessment of applications to import new commodities.
- The Committee be advised of the timetable to introduce a national ballast water management scheme.
- Reference to 'biofouling' organisms should be included in the Quarantine Act.
- Additional resources be provided to the quarantine agency to help it meet its expanded duties of managing risks posed by biofouling organisms.
- There should be better coordination and more efficient methods for disposing boats posing a quarantine risk.
- Additional container washing facilities in Melbourne to increase competitive pressures.
- Standards and benchmarks for external and internal inspections of containers to reflect the risks posed by their cargo.
- The link between quarantine measures for new imported commodities and Australia's appropriate level of protection should be explained.

Outcome of the inquiry

- Both the Government and the quarantine agency have not yet responded to the Committee's recommendations.
- During the inquiry quarantine agency officials attended all the public hearings and inspections and sorted out several problems that had been identified by the Committee.
- Some problems were solved without the need for a recommendation—eg problems arising from substandard labelling of parallel imported alcoholic beverages (pp. 60–64).

