



AUSTRALIA-THAILAND PARLIAMENTARY DISCUSSIONS ON PUBLIC ACCOUNTS COMMITTEES

BANGKOK, 8-9 JULY 2003

Project origins

This project forms part of the continuing program of cooperation between CDI and King Prajadhipok's Institute of Thailand flowing from the MOU signed by the two bodies in September 2001 (http://www.cdi.anu.edu.au/activities/MOU_KPI_Sept2000.htm). As part of that program a team of Thai Senators visited Australia in December 2002 accompanied by then Secretary-General of KPI, Professor Bowornsak Uwanno. In the course of that visit the Senators expressed great interest in the work of the Joint Committee on Public Accounts and Audit and it was agreed that members of that committee would hold discussions with their counterparts at a workshop in Bangkok.

CDI wrote to the Presiding Officers of the Commonwealth Parliament who encouraged the exchange and directed CDI to the Chairman of the JCPAA, Mr Bob Charles, who then liaised within the Parliament to settle the composition of the delegation as:

- Mr Bob Charles, Member for La Trobe (Vic)
- Senator John Hogg, Queensland
- Mr Alex Somlyay, Member for Fairfax (Qld)
- Senator John Watson, Tasmania
- Mr Alan Griffin, Member for Bruce (Vic)
- Mr John Carter, Secretary to JCPAA
- Mr Roland Rich, Director CDI
- Ms Christina Hajdu, Second Secretary, Australian Embassy, Bangkok

Thai participation was organised by KPI and was pitched at a very senior level involving parliamentarians and senior officials:

- Miss Poowanida Kunpalin MP
- Senator Malinee Sukavejworakit, Senator for Nakorn Sawan Province
- Mrs Uhuwaidiyah Pitsuwan Useng, MP
- Senator Prateep Ungsongtham Hata, Senator for Bangkok Province
- Senator Maleerat Kaewka, Senator for Sakonnakorn Province
- Mr Niphon Ittisanyakorn
- Mrs Wannaprapha Chaimongkol, Assistant of Mrs Uhuwaidiyah Pitsuwan Useng

- Dr Surin Pitsuwan MP
- Dr Pornpich Patanakullert MP
- Mr Buddhipongse Punnakanta MP
- Auditor General Khunying Jaruvan Maintaka, and members of staff
- Mr Somnuk Phimolasthian, Budget Analyst
- Chiang Yip, Assistant of Mr. Somnuk Phimolsathian
- Professor Noaranit Setabutr, Secretary-General, KPI
- Professor Niyom Rathamarit, Deputy Secretary-General, KPI
- Professor Panaros Malakul Na Ayudhya, Director of Training, KPI and staff
- Mr Wendell Katerenchuk, Academic
- Ms Sadudee Sawegwan, Human Resources Development Specialist
- Ms Kwanrak Mengtrakul, PR Officer
- Ms Sukonta Sintop, Training Officer
- Mr Somphon Kasemsomrittiphon, Training Officer
- Ms Jintana Sritupthim, Administrative Officer
- Mr Petpon Charoensak, Training Assistant
- Ms Sudawadee Boonmee, Training Assistant
- Mr Surachai Nungniyom, PR Assistant
- Mr. Vudhibhandhu Vichairatana, Deputy Director, Bureau of Budget
- Dr Hhakuan Choopen from the Senate Budget Committee and staff

The workshop was organised by KPI at the Plaza Athenee Hotel. Discussion was facilitated by simultaneous interpretation. KPI Secretary-General Professor Noranit Setabutr, KPI Deputy Secretary-General Dr Niyom Rathamarit and CDI Director Roland Rich chaired the workshop alternately. **The program is attached.**

Presentations

While the greater part of the time in this two-day workshop was taken by discussion, there were a number of presentations to stimulate debate. Khun Vudhibhandhu Vichairatana of the Royal Thai Government Bureau of the Budget explained that Thailand has been on the public sector reform path for over 10 years, from before the 1997 financial crisis. A formal Public Sector Reform Plan (PSRP) was published in 1997 coinciding with the announcement of many other reform initiatives that were introduced specifically in response to the crisis. This led to the development of the so called "*Seven Hurdles*" budget management standards that were intended to drive improved capability in line agencies in tandem with devolution and relaxation of detailed central budget control. The seven hurdles are budget planning, output specification and costing, financial control, reporting, procurement, asset management and internal audit.

In 2001 the Thai Rak Thai government developed a new approach to budget reform, which is focussed on achieving an integrated strategy for government management. The new approach draws on reform initiatives in the UK and elsewhere that aim to ground government policy objectives in explicit public service agreements and service delivery commitments. In 2002 the Thai government received support from AusAID to develop

the policy and procedures for the new strategic management framework, which was largely completed at the end November 2002. Thai budget plans for 2003-04 include indicative targets at the strategic and ministry level, with rudimentary outputs and performance indicators at agency level. Many of the processes being followed by the Budget Office are familiar to Australian ears as various Australian advisers have been involved in developing and implementing the plan.

The Director General of the Office of the Auditor-General, Khunying Jaruvan Maintaka, spoke about the work of her office and the relationship between the Audit office and the parliament. She noted that the role of the Audit Commission is, for the first time, enshrined in Chapter XI the 1997 Constitution. Further, the Constitution confirms the audit office as independent and impartial whereas in previous practice it was attached to the Prime Minister's office. The Audit office is tasked with undertaking financial audits of government agencies, government enterprises and local administrations as well as performance audits, procurement audits and investigative audits. The Audit office reports to both houses of parliament and to the Council of Ministers. A key part of the discussion centred on ways in which the Audit office can work even more closely with the Senate.

The five Australian parliamentarians presented papers on issues and case studies in the course of the workshop as follows (**summaries attached**):

- Mr Bob Charles - Critical success factors for the JCPAA
- Mr Alex Somlyay - The links between the Committee and the Auditor-General
- Senator John Hogg – the 1999 review of government purchasing
- Mr Alan Griffin – The 1998 and 1999 Reviews of Defence procurement
- Senator John Watson – The 2002 Review of Australia's quarantine function

Issues

Over the two days of discussion the parliamentarians were able to exchange ideas and experiences while comparing the two countries' systems of public accountability. A number of themes recurred in the course of these discussions.

Making Public Accounts Committees Effective

The discussion reverted to this issue on several occasions and in particular following the presentations by Bob Charles and Alex Somlyay. Whereas there was a broadly held view that best international practice was for public accounts committees to be chaired by a member of the opposition, Australian practice was that a committee chaired by a government representative could be very effective if the committee was able to maintain consensus. The bipartisan approach gave the committee more credibility both with the public and with the executive branch. Where the committee split down party lines it was too easy to portray its work as part of the political contestation and to downplay its role as the key parliamentary body for oversight of government expenditure.

Another important factor contributing to the effectiveness of the Australian committee was the formal link established between the committee and the Auditor-General. The committee had a say in the appointment of the Auditor-General and had a defined role in reviewing the reports of the Auditor. This was a mutually beneficial partnership. The Audit office had the time and the skills to investigate financial and performance matters in a detailed and professional manner. The committee had the political clout to take up the Auditor's findings and recommendations. This link existed in theory in the Thai system between the Audit office and the Senate but had not yet been fully developed.

Public Involvement

All parliamentary committees faced a dilemma in not having in-house expertise to investigate detailed aspects of government activities. In Australia, parliamentary committees were well served by permanent staff of the parliament but by necessity these staff members had to be generalists. In Thailand the parliamentarians also faced the problem of lacking the expertise to be in command of all the complex aspects of government. There were ways of enhancing the capacities of committees such as hiring experts on contract or seconding them from the public service but given the constraints on parliamentary budgets, this could not be a complete solution. The Australian parliamentarians pointed out that the key to resolving this dilemma was to understand the true role of the committee. The committee could not hope to match the expertise in government and in the community but it could aim to be expert at conducting inquiries and getting at the truth.

One method that has become standard in Australia and in many other jurisdictions that Thailand had not yet adopted was to advertise the terms of reference of any parliamentary enquiry and seek input from the public. The involvement of the public did not have to be in the form of a town hall meeting, which is basically a political forum rather than an inquiry process. Submissions can be sought and public hearings held where expert evidence is sought on the public record but with certain parliamentary protection.

Ultimately, a parliamentary committee had to become highly professional at conducting the process that allowed the facts to emerge and that allowed criticism to be formulated in a rational and coherent way. As one Australian parliamentarian put it, "we have to become experts at getting to the truth."

'Value for Money'

Parliament had limited time to devote to the vast field of government expenditure. Government expenditure in Thailand was almost \$US20b and in Australia it was around \$US60b. It was beyond any parliament to conduct a process of full financial accountability for such amounts. There had to be many other systems in place including internal audits, external audits, freedom of information and civil society activism to deal with such large systems. The key role of parliament was to try to ensure effective service delivery funded by government expenditure. This pointed to more emphasis on performance audits over government programs.

One of the key questions the public and therefore the parliament ask of government services is whether the public is receiving value for money. The issue was a focus on the presentation of Senator John Hogg. This need not necessarily mean the lowest bid. Systems had to be developed to allow value for money to be discerned even where it did not correspond to the lowest bid. Processes such as qualifications, track record and separate decisions on quality and price needed to be developed for public procurement processes. When all else was equal, it is possible to give a preference to local products. Local preference was a particular emphasis of the current Thai government. There was also discussion of the growing practice of outsourcing to the private sector.

One of the troubling aspects of the system in Thailand, according to one participant, was the problem of collusive practices in the bidding process. It was difficult to deal with this from an audit perspective as the documentation was usually in order. This pointed to the importance of other regulatory agencies dealing with corporate affairs and consumer protection and the need to arm these agencies with sufficient powers to investigate such allegations effectively. Such forensic investigations were beyond the possibilities of most parliamentary committees.

Beyond Fraud

It is understandable that public expectations of audit processes focused on detection of fraud and malfeasance. Experience in many countries had shown, however, that parliamentary committees of oversight were not well placed to accomplish the task of fraud detection but were much better placed to study and make recommendations on issues of government systems of procurement and expenditure.

The presentation by Mr Alan Griffin concerning defence procurement demonstrated how difficult it was to come to grips with the tactical and strategic problems involved. This was an issue faced by all parliaments in their oversight of the military. The key was to use common sense and ask the right questions. The dangers included being flooded by technical details as a means to obscure problems and at times not being given sufficient information for spurious reasons of security classifications.

In Thailand one of the major issues to be faced in the future was the requirement for greater decentralisation of budget responsibilities to local communities. There was a lack of expertise to apply proper financial accounting processes even where expenditure was well intentioned. This pointed to a major effort being needed in educating local officials in financial management. It also pointed to the need to have local civil society groups conversant with budgetary issues because previous decentralisation processes around the world had shown that without the involvement of local civil society it was unlikely that systems of budgeting and expenditure would be effective.

Global Issues, Local Systems

The presentation by Senator John Watson on Australia's quarantine system was instrumental in bringing out the link between local systems and global rules. The JCPAA investigated Australian standards and resources concerning quarantine, which was a particularly sensitive issue in Australia given the sensitivity of local flora and fauna due to the geographic isolation of the continent. It was also of great interest economically in both Australia and Thailand as both countries are major agricultural exporters. What the committee found was that it needed to address these issues not simply from a national perspective but from a global perspective.

Dr Surin Pitsuwan echoed these sentiments in noting that there was now an effective referee of these questions in the form of the dispute resolution panels of the WTO, which ultimately had powers to make binding decisions on dispute between the parties. Thus it was crucial that best practice in quarantine be international best practice, not simply local or regional best practice. The scientific reasoning for phytosanitary measures could now be tested before a referee. Accordingly, all countries had to keep up with the issues and have access to the science behind the local decisions.

Outcomes

The workshop was intense and allowed issues to be studied in depth. Although outcomes invariably emerge only after some time has elapsed allowing participants to digest and utilise the information, a number of aspects can already be discerned.

One immediate outcome is that the workshop acted inadvertently as a forum for Thai parliamentarians to question senior Thai officials with both the Director of the Budget Office and the Auditor-General coming in for some detailed questioning from Thai participants on specific issues as varied as health costs, water treatment plants and the practice of spending a ministry's allocation very late in the financial year. While this was not the forum to resolve specific problems such as these, the fact that several Thai parliamentarians seized the opportunity to pose the questions might suggest that there is at present insufficient opportunity in Thailand's system for elected representatives to question senior officials.

Another important outcome is that the workshop complemented AusAID's program of assistance to key areas of the executive branch in Thailand on the financial management system. The workshop allowed Thai parliamentarians to be briefed on various issues ranging from service delivery targets to performance indicators and to be introduced to broader reforms being undertaken such as the development of the Government Financial Management Information System to the introduction of accrual accounting.

A specific aspect that was of particular interest to Thai participants was to draw from the experience of holding public enquiries, calling for submissions, and interviewing experts. These were skills that the Thai parliament needed to develop through their committee system. It was likely that the Thai parliament would continue to operate under separate bicameral committees rather than joint committees, but the skills involved were the same.

A more general issue that emerged from the workshop that may be helpful to the Thai side is the example provided by Australia of institutional cooperation. It was not necessary for officials from institutions to have a personal relationship before those institutions cooperated effectively. Indeed, the personal relationship between senior officials often followed the institutional link in Australia. This required a process of developing loyalty to the institution one worked for as well as loyalty to the broader system within which the institution operated. This move from personal to institutional cooperation was an essential component in modern complex systems such as the one Thailand has developed.

The workshop was useful to Australian parliamentarians in deepening their understanding of one of Australia's major international partners. The Australians were able to appreciate the difficulty of working under an innovative new system of government as mapped out in the 1997 Constitution. Australia is a young country but has mature institutions of democracy. Thailand is an ancient kingdom continuing to develop its unique form of constitutional monarchy. Whereas the JCPAA had a history of some 90 years, this is the first parliament elected under Thailand's 1997 Constitution. The establishment of a 'fourth branch of government' in the form of powerful regulatory agencies is a key feature of the Constitution and the Senate in particular has a key role in ensuring the integrity of those institutions. Developing the relationships between the elected chambers and the regulatory organs will be a key component for the successful implementation of the 1997 Constitution.

The workshop was also important in maintaining the network of contacts between the Australian and Thai parliaments, as this is the fourth workshop between the two countries held under the auspices of CDI and KPI over the past 3 years. Finally, the workshop provided momentum for and gave further substance to the MOU between KPI and CDI.



PROGRAM

Australian – Thai Parliamentarians' Seminar

July 7 – 10, 2003

at

Hotel Plaza Athenee

July 7, 2003

18.30 – 21.30 hrs Welcome Reception and Dinner Hosted by King Prajadhipok's Institute at Hotel Plaza Athenee (18.30 – 19.00 at poolside 4th Floor, 19.00 – 21.00 at Smooth Curry 3rd Floor)

July 8, 2003

09.30 – 10.00 hrs Registration at Princess Valaya Alongkorn room, 2nd Floor

10.00 – 10.15 hrs ***Introduction of King Prajadhipok's Institute and Introduction of the Seminar*** by the Secretary-general of King Prajadhipok's Institute

10.15 -10.45 hrs A presentation by representative from the Bureau of the Budget on ***The Thai Budgetary System and Recent Budgetary Reform***

10.45 – 11.00 hrs Tea Break

11.00 – 11.30 hrs presentation by Senator John Hogg ***Government Purchasing, Findings of the JCPAA's Inquiry***

11.30 – 12.00 hrs Discussion

12.00 – 13.30 hrs Luncheon

13.30 – 14.00 hrs A presentation by the representative from Thai Auditor-General on ***The Link between the Parliament and the Auditor-General***

14.00 – 14.30 hrs A presentation Hon. MP Alex Somlyay on ***The Link between the JCPAA and the Auditor-General***

14.30 – 15.00 hrs Discussion

15.00 – 16.00 hrs Depart for Thai Parliament House

16.15 – 17.00 hrs Greeting by The Chairman of the Senate

17.15 – 18.00 hrs Visit King Prajadipok Museum (Near the Parliament)
19.00 – 21.30 hrs Dinner at Supatra River House Restaurant

July 9, 2003

09.30 – 10.00 hrs Registration at Princess Valaya Alongkorn room, 2nd Floor
10.00 – 10.30 hrs Presentation Mr. Bob Charles, MP on
Critical success factors for the JCPAA

10.30 – 10.45 hrs Discussion
10.45 – 11.00 hrs Tea Break
11.00 – 11.30 hrs Presentation by Mr. Alan Griffin, MP
*Defence Procurement, Inquiries into the Over-the-
Horizon Radar and the Collins Class Submarines*

11.30 – 12.00 hrs Discussion
12.00 – 13.30 hrs Luncheon
13.30 – 14.00 hrs Presentation by Senator John Watson on
*Australia's Quarantine Program, the Findings of the
JCPPA's Inquiry*

14.00 – 15.00 hrs Discussion
15.00 – 16.00 hrs Closing of the seminar
17.00 – 19.00 hrs Depart for a Reception at the Residence of Australian
Ambassador, HE Mr Miles Kupa
19.00 + Visit to Suan Lumpini Night Bazar

July 10, 2003

10.00 – 12.00 hrs Visit the Grand Palace

Critical success factors for the JCPAA

Presentation by Mr Bob Charles MP

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

Presentation by Mr Alex Somlyay, MP

Role of the Auditor-General

- Defined under the *Auditor General Act 1997*.
- The Auditor-General is an ‘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 Government purchasing—a JCPAA review in 1999

Presentation by Senator John Hogg

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 Defence procurement—JCPAA reviews in 1998 and 1999
Jindalee Operational Radar Network and Collins Class Submarine
Presentation by Mr Alan Griffin MP

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 Australia's quarantine function—a JCPAA review in 2002

Presentation by Senator John Watson

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)