AUDIT WORK PROGRAM

JULY 2011
Contents

Abbreviations x

Introduction 1

Auditor-General Mandate 1
Assurance Audit Services 2
Performance Audit Services 2
Strategic and Integrated Audit Planning 3
Consultation 3
Environmental scan 3
Understanding the operations of agencies and identifying areas that could potentially improve performance 5

Criteria for Selecting Individual Audit Topics 6
Stakeholder requests and additional topics 6

Structure of the Audit Work Program 7

Agriculture, Fisheries and Forestry 8
Audit strategy overview 8

Potential audits 8
Northern Australia Quarantine Strategy 8
Quarantine and Biosecurity Systems 8
Managing Exotic Pests and Diseases 9
Caring for Our Country 9
Food Supply Continuity Planning 9
Live Animal Exports 10
International Mail 10

Attorney-General’s 11
Audit strategy overview 11

Audits in progress at July 2011 11

Customs and Border Protection’s Risk Management of Imports 11
Australian Federal Police’s Management and Implementation of the Fighting Terrorism at its Source Initiative 11
Customs and Border Protection’s End-to-End Processing of Incoming International Air Passengers 12

Potential audits 12
Australian Federal Police’s Management of Project Spectrum 12
Forensic and Data Centre’s Management of DNA Evidence 12
Provision of Policing Services to the Australian Capital Territory 13
Detection and Interception of Irregular Maritime Arrivals 13
Management and Disposal of Seized and Detained Goods 13
International Mail 14
Australian Security Intelligence Organisation’s Security Assessments of Individuals 14
Management of the Family Court of Australia, the Federal Court of Australia and the Federal Magistrates Court 15
Australian Transaction Reports and Analysis Centre 15
The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria 16
Commonwealth Administration of the Natural Disaster Relief and Recovery Arrangements 16

Broadband, Communications and the Digital Economy 18
Audit strategy overview 18

Audits in progress at July 2011 18
Digital Television Switchover – Household Assistance Scheme 18
Potential audits
Regional Backbone Blackspots Program 19
Digital Regions Initiative 19

Climate Change and Energy Efficiency
Audit strategy overview 20
Audits in progress at July 2011 20
National Greenhouse and Energy Reporting System 20
National Solar Schools Program 20

Potential audits 21
International Climate Change Adaptation Initiative 21
International Forest Carbon Initiative 21

Defence
Audit strategy overview 22
Audits in progress at July 2011 22
Major Projects Report 2010–11 22
Management of the Defence Community Organisation 23
M113 Upgrade Project – LAND 106 23
Defence ICT Portfolio and Program Management 24

Potential audits 24
Major Projects Report 2011–12 24
Implementation of the Recommendations of the 2008 Defence Procurement and Sustainment Review 24
New Air Combat Capability—AIR 6000 Phases 2A and 2B 25
Defence’s Military Integrated Logistic Information System 25
The Air Warfare Destroyer Build Project – SEA 4000 Phase 3 26
Remediation of the MU-90 Lightweight Torpedo Replacement Project 26
Project Overlander – LAND 121 26
DMO Gate Reviews 27
Defence Assistance to the Civil Community 27
Enhanced Two-pass Capability Development Approval Process 28
The System of Defence Instructions 28
Management of the Australian Defence Force Rehabilitation Program 28
Defence Science and Technology Organisation’s Management of Scientific and Technical Research 28
Sustainment of Naval Aviation Force 29
Acquisition of the Chinook CH-47F Helicopter – AIR 9000 Phase 5C 29
Acquisition of the MRH-90 Helicopter Capability – AIR 9000 Phases 2, 4 and 6 29
Skilling Australia’s Defence Industry 30
Tendering and Contracting Arrangements for Phase 2 of Project Single LEAP (Living Environment and Accommodation Precinct) 30
Defence Integrated Distribution System 30

Veterans’ Affairs
Audit strategy overview 31
Audits in progress at July 2011 31
Mental Health and Related Services Delivered to Younger Veterans by DVA 31

Potential audits 32
Complaints Management 32
Management of Arrangements with State and Territory Governments for the Purchase of Hospital Services for Veterans 32
Administration of the Veterans’ Children Education Scheme 32
Grants Administration 33
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Workplace Relations</td>
<td>34</td>
</tr>
<tr>
<td>Audit strategy overview</td>
<td>34</td>
</tr>
<tr>
<td>Audits in progress at July 2011</td>
<td>35</td>
</tr>
<tr>
<td>Fair Work Education and Information Program</td>
<td>35</td>
</tr>
<tr>
<td>Early Childhood Education National Partnership Agreement</td>
<td>35</td>
</tr>
<tr>
<td>Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund</td>
<td>35</td>
</tr>
<tr>
<td>Indigenous Employment in Government Service Delivery</td>
<td>35</td>
</tr>
<tr>
<td>Capacity Development for Indigenous Service Delivery</td>
<td>36</td>
</tr>
<tr>
<td>Indigenous Secondary Student Accommodation Initiatives</td>
<td>36</td>
</tr>
<tr>
<td>Establishment, Implementation and Administration of the Local Jobs Stream of the Jobs Fund</td>
<td>37</td>
</tr>
<tr>
<td>Potential audits</td>
<td>37</td>
</tr>
<tr>
<td>Support for the Childcare System</td>
<td>37</td>
</tr>
<tr>
<td>National Partnership Agreement on Indigenous Early Childhood Development—Element 1, Delivery of the Children and Family Centres</td>
<td>37</td>
</tr>
<tr>
<td>Smarter Schools National Partnership Agreements</td>
<td>38</td>
</tr>
<tr>
<td>My School Website</td>
<td>38</td>
</tr>
<tr>
<td>National Partnership Agreement on Youth Attainment and Transitions</td>
<td>39</td>
</tr>
<tr>
<td>Commonwealth Grant Scheme for Higher Education</td>
<td>39</td>
</tr>
<tr>
<td>Education Investment Fund</td>
<td>39</td>
</tr>
<tr>
<td>Skills for Sustainable Growth</td>
<td>40</td>
</tr>
<tr>
<td>Job Services Australia</td>
<td>40</td>
</tr>
<tr>
<td>Productive Ageing</td>
<td>40</td>
</tr>
<tr>
<td>Indigenous Employment Program</td>
<td>41</td>
</tr>
<tr>
<td>Fair Work Ombudsman</td>
<td>41</td>
</tr>
<tr>
<td>Families, Housing, Community Services and Indigenous Affairs</td>
<td>42</td>
</tr>
<tr>
<td>Audit strategy overview</td>
<td>42</td>
</tr>
<tr>
<td>Audits in progress at July 2011</td>
<td>42</td>
</tr>
<tr>
<td>National Partnership Agreement on Remote Indigenous Housing</td>
<td>42</td>
</tr>
<tr>
<td>The Implementation and Management of the Housing Affordability Fund</td>
<td>42</td>
</tr>
<tr>
<td>Indigenous Employment in Government Service Delivery</td>
<td>43</td>
</tr>
<tr>
<td>Capacity Development for Indigenous Service Delivery</td>
<td>43</td>
</tr>
<tr>
<td>Indigenous Secondary Student Accommodation Initiatives</td>
<td>44</td>
</tr>
<tr>
<td>National Partnership Agreement on Remote Service Delivery</td>
<td>44</td>
</tr>
<tr>
<td>Potential audits</td>
<td>44</td>
</tr>
<tr>
<td>Financial Management Program</td>
<td>44</td>
</tr>
<tr>
<td>Family Support Program</td>
<td>45</td>
</tr>
<tr>
<td>Income Management</td>
<td>45</td>
</tr>
<tr>
<td>Finance and Deregulation</td>
<td>46</td>
</tr>
<tr>
<td>Audit strategy overview</td>
<td>46</td>
</tr>
<tr>
<td>Audits in progress at July 2011</td>
<td>46</td>
</tr>
<tr>
<td>Implementation of Key Aspects of the Commonwealth Grant Guidelines</td>
<td>46</td>
</tr>
<tr>
<td>Administration of the Gateway Review Process</td>
<td>47</td>
</tr>
<tr>
<td>Potential audits</td>
<td>47</td>
</tr>
<tr>
<td>Commonwealth Review of State Insurance Arrangements</td>
<td>47</td>
</tr>
<tr>
<td>Implementation of Improvements to the Administration of Parliamentarians' Entitlements</td>
<td>48</td>
</tr>
<tr>
<td>Administration of the Costing of Election Commitments</td>
<td>48</td>
</tr>
<tr>
<td>Delivery of the Commonwealth New Building Project</td>
<td>48</td>
</tr>
<tr>
<td>Administration of the Contingency Reserve</td>
<td>49</td>
</tr>
</tbody>
</table>
Foreign Affairs and Trade

Audit strategy overview

Audits in progress at July 2011
- Management of Biometric Passports (ePassports)

Potential audits
- Deployment and Management of Australia-based Staff Overseas
- Business Continuity Management at Overseas Missions
- AusAID’s Management of Aid to Indonesia
- AusAID’s Management of the Delivery of Aid Through Partner Government Systems

Health and Ageing

Audit strategy overview

Audits in progress at July 2011
- Capacity Development for Indigenous Service Delivery
- Therapeutic Goods Regulation: Complementary Medicines
- National Blood Authority: Management of the National Blood Supply
- New Directions: Mothers and Babies Services

Potential audits
- Progressing National Health Reforms
- Primary Care Infrastructure Grants
- GP Super Clinics
- Investing in Health Infrastructure: the Health and Hospitals Fund
- National e-Health Implementation
- Managing Aged Care Complaints
- Community Aged Care Programs
- Indigenous Chronic Disease Package
- Preventing Chronic Disease
- Headspace: Australia’s National Youth Mental Health Foundation
- Preventing Suicide: The National Suicide Prevention Strategy
- The Fifth Community Pharmacy Agreement
- The Professional Services Review Scheme

Human Services

Audit strategy overview

Audits in progress at July 2011
- Tasmanian Freight Equalisation Scheme
- Centrelink’s Quality On Line Control for Customer Payments
- Customer Feedback – Child Support Agency

Potential audits
- ‘Tell us once’ – Sharing of Customer Information
- Use of Coercive Information-Gathering Powers
- Administration of Payments Made Under the Scheme for Compensation for Detriment Caused by Defective Administration
- Property Management
- Income Management
- Customer Service Strategies
- Fraud Identification and Investigation for Disaster Payments
- Case Management
- Customer Feedback (including complaints) and the System of Review and Appeal
- Management of International Debt
- Change of Assessment Process
- Administration of Departure Prohibition Orders
- Administration of the Chronic Disease Dental Scheme
Foreign Affairs and Trade 50
Audit strategy overview 50
Audits in progress at July 2011 50
Management of Biometric Passports (ePassports) 50
Potential audits 50
Deployment and Management of Australia-based Staff Overseas 50
Business Continuity Management at Overseas Missions 50
AusAID’s Management of Aid to Indonesia 51
AusAID’s Management of the Delivery of Aid Through Partner Government Systems 52
Health and Ageing 53
Audit strategy overview 53
Audits in progress at July 2011 54
Capacity Development for Indigenous Service Delivery 54
Therapeutic Goods Regulation: Complementary Medicines 54
National Blood Authority: Management of the National Blood Supply 55
New Directions: Mothers and Babies Services 55
Potential audits 55
Progressing National Health Reforms 55
Primary Care Infrastructure Grants 56
GP Super Clinics 56
Investing in Health Infrastructure: the Health and Hospitals Fund 56
National e-Health Implementation 56
Managing Aged Care Complaints 57
Community Aged Care Programs 57
Indigenous Chronic Disease Package 58
Preventing Chronic Disease 58
Headspace: Australia’s National Youth Mental Health Foundation 58
Preventing Suicide: The National Suicide Prevention Strategy 59
The Fifth Community Pharmacy Agreement 59
The Professional Services Review Scheme 59
Human Services 61
Audit strategy overview 61
Audits in progress at July 2011 61
Tasmanian Freight Equalisation Scheme 61
Centrelink’s Quality On Line Control for Customer Payments 62
Customer Feedback – Child Support Agency 62
Potential audits 62
‘Tell us once’ – Sharing of Customer Information 62
Use of Coercive Information-Gathering Powers 63
Administration of Payments Made Under the Scheme for Compensation for Detriment Caused by Defective Administration 63
Property Management 64
Income Management 64
Customer Service Strategies 64
Fraud Identification and Investigation for Disaster Payments 65
Case Management 65
Customer Feedback (including complaints) and the System of Review and Appeal 65
Management of International Debt 66
Change of Assessment Process 66
Administration of Departure Prohibition Orders 66
Administration of the Chronic Disease Dental Scheme 67
Small Business Superannuation Clearing House 67
National Compliance Program 67
The Australian Organ Donor Register 67
Compensation Recovery Program 68
Immigration and Citizenship 69
Audit strategy overview 69
Potential audits 69
Detention Centres—Quality of Service and Contract Management 69
Identity Management 70
Identification and Management of Visa Overstayers 70
Infrastructure and Transport 71
Audit strategy overview 71
Audits in progress at July 2011 71
Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund 71
Tasmanian Freight Equalisation Scheme 71
Potential audits 72
Development of Infrastructure Priority Lists by Infrastructure Australia 72
Nation Building Program Black Spot Projects 72
Innovation, Industry, Science and Research 73
Audit strategy overview 73
Potential audits 73
Research Block Grants 73
Super Science Initiative 73
A New Car Plan for a Greener Future 74
The Australian Research Council’s Administration of Grants 74
Cooperative Research Centres Program 74
Commercialisation Australia 75
CSIRO Facilities Management 75
Prime Minister and Cabinet 76
Audit strategy overview 76
Potential audits 76
Australia Council 76
Cultural Institutions’ Property Management 76
Screen Australia 77
Regional Australia, Regional Development and Local Government 78
Audit strategy overview 78
Audits in progress at July 2011 78
Establishment, Implementation and Administration of the Local Jobs Stream of the Jobs Fund 78
Potential audits 79
The Design, Implementation and Administration of the Regional Development Australia Fund 79
The Australian Government Reconstruction Inspectorate 79
The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria 79
Resources, Energy and Tourism 81
Audit strategy overview 81
Audits in Progress at July 2011 81
Renewable Energy Demonstration Program 81
Potential audits 82
Clean Energy Initiative 82
Smart Grid, Smart City 82
Sustainability, Environment, Water, Population and Communities 83
Audit strategy overview 83
Audits in progress at July 2011 83
The Implementation and Management of the Housing Affordability Fund 83
Indigenous Protected Areas Program 84
Establishment, Implementation and Administration of the Local Jobs Stream of the Jobs Fund 84
Private Irrigation Infrastructure Operators Program in New South Wales 84
Potential audits 85
Administration of New Water Information Functions Under the Water Act 2007 85
Weather Forecasting and Warnings by the Bureau of Meteorology 85
Sustainable Rural Water Use and Infrastructure Program 85
Caring for Our Country 85
The Environment Protection and Biodiversity Conservation Act 1999—Follow-on 86
Treasury 87
Audit strategy overview 87
Potential audits 87
Tax Expenditure Statements 87
Administration of the Costing of Election Commitments 87
Australian Taxation Office 89
Audit strategy overview 89
Audits in progress at July 2011 89
The ATO’s Management of Compliance in Small to Medium Enterprises 89
Project Wickenby 89
External Debt Collection Services 90
Interpretative Assistance for Self Management Superannuation Funds 90
Potential audits 91
Complaints Handling 91
Data and Information Management 91
Data Integrity of Client Information 91
Identity Crime Risks 92
Negotiated Settlements with Large and International Business 92
Management of Taxation Debt 92
Personal Services Income 92
Property Management 93
Research and Development Tax Concessions 93
Strategies to Address the Cash Economy 93
Cross-portfolio Audits 95
Audits in progress at July 2011 95
Administration of the Gateway Review Process 95
Administration of Government Advertising Arrangements 95
The Development of Key Performance Indicators to Support the Outcomes and Programs Framework 95
Establishment and Use of Panel Procurement 96
Information and Communications Technology Security – Management of Portable Storage Devices 96
Recordkeeping 96
Senate Order for Departmental and Agency Contracts (Calendar Year 2010 Compliance) 96
Implementation of Key Aspects of the Commonwealth Grant Guidelines 97
Potential audits 97
Performance Reporting Against the Financial Reporting Framework 97
Management of the Communications Multi-Use List and the Central Advertising System and the Government Master Media Agencies 98
Management of Information Campaigns 98
Introduction

The Auditor-General is an independent officer of the Parliament and, assisted by the Australian National Audit Office (ANAO), is responsible for undertaking audits of the financial statements and performance of Australian Government entities. In fulfilling this role, the ANAO has two Outcomes, namely:

- To provide assurance on the fair presentation of financial statements of Australian Government entities by providing independent audit opinions and related reports for the information of Parliament and the Executive.
- To improve the efficiency and effectiveness of the administration of Australian Government programs and entities by undertaking a program of independent performance audits and assurance reviews for the information of Parliament and the Executive.

The Audit Work Program July 2011 (the Program) is the ANAO’s annual audit coverage publication outlining:

- audit strategy overviews;
- performance audits in progress at July 2011;
- a rolling program of potential performance audits and better practice guides that may commence in 2011–12 or future years; and
- the Australian Government entities subject to financial statement audit coverage.

Auditor-General Mandate

The Auditor-General Act 1997 (the Act) establishes the mandate of the Auditor-General to undertake audits of Australian Government entities. The Act, the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997 provide the Auditor-General with the authority to undertake financial statement and performance audits, and to provide additional services such as better practice guides and other assurance and review reports.

In undertaking audits, and in accordance with the Act, the Auditor-General sets auditing standards which persons performing audit functions must comply with. In setting the standards, the Auditor-General has adopted the Auditing Standards issued by the Australian Auditing and Assurance Standards Board.

The Act is periodically reviewed by Parliament. Most recently, in December 2010, the Joint Committee of Public Accounts and Audit (JCPAA) tabled a report—Report 419, Inquiry into the Auditor-General Act 1997—that made several important recommendations including a number relating to the mandate of the Auditor-General. Following these recommendations, in February 2011 the Auditor-General Amendment Bill 2011 was introduced into Parliament by Mr Robert Oakeshott MP, Chair of the JCPAA. The Bill remains before Parliament and contains

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**Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF</td>
<td>Australian Defence Force</td>
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<td>AFP</td>
<td>Australian Federal Police</td>
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<td>ANAO</td>
<td>Australian National Audit Office</td>
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<td>APS</td>
<td>Australian Public Service</td>
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<td>Australian Security Intelligence Organisation</td>
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<td>Australian Taxation Office</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
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<td>CSA</td>
<td>Child Support Agency</td>
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<td>CPGs</td>
<td>Commonwealth Procurement Guidelines</td>
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<td>CSIRO</td>
<td>Commonwealth Scientific and Industrial Research Organisation</td>
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<td>DAFF</td>
<td>Department of Agriculture, Fisheries and Forestry</td>
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<td>Department of Innovation, Industry, Science and Research</td>
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<td>Defence Materiel Organisation</td>
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</tr>
<tr>
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</tr>
<tr>
<td>FMA Act</td>
<td>Financial Management and Accountability Act 1997</td>
</tr>
<tr>
<td>FMA Regulations</td>
<td>Financial Management and Accountability Regulations 1997</td>
</tr>
<tr>
<td>JCPAA</td>
<td>Joint Committee of Public Accounts and Audit</td>
</tr>
<tr>
<td>RA</td>
<td>Department of Regional Australia, Regional Development and Local Government</td>
</tr>
<tr>
<td>RET</td>
<td>Department of Resources, Energy and Tourism</td>
</tr>
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</tr>
</tbody>
</table>
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1 The term ‘entity’ is used to describe those organisations subject to the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997.

2 Performance audits of Government Business Enterprises can be undertaken following a request from the responsible Minister, the Minister for Finance and Deregulation (the Finance Minister) or the Joint Committee of Public Accounts and Audit (JCPAA).
a number provisions that, if passed, would amend the mandate of the Auditor-General to allow
greater examination of Commonwealth resource use by other Australian jurisdictions\(^3\) and
contractors managed by the Commonwealth (commonly referred to as ‘follow the money’
provisions); and specifically provide for audits of agency performance indicators to be
conducted.

**Assurance Audit Services**

Through the conduct of financial statement audits, the ANAO provides assurance to Parliament,
the Executive and individual entities about the financial administration and accountability of
public sector entities.

The Auditor-General (or delegate) conducts financial statement audits to express an opinion on
whether the financial statements of Australian Government entities have been fairly presented in
accordance with Australian Accounting Standards and the Australian Government’s reporting
framework. In addition to the audit opinion, the responsible Minister and the entities are
provided with separate reports outlining the results of the financial audit process.

On an annual basis the Auditor-General provides two reports to Parliament that summarise the
results of an assessment of the interim phase of the audit of the financial statements (in June),
and a report on the summary results of audits (in December).

The 2011–12 financial statement audit work plan includes the completion of the audit of the
2010–11 financial statements of some 250 Australian Government entities and the
commencement of the 2011–12 financial statement audits.\(^4\)

**Performance Audit Services**

Performance Audit Services deliver agency-specific and cross-agency performance audits.\(^5\) The
objectives of a performance audit are twofold. The first is to provide Parliament with assurance
relating to the administration of Australian Government entities and programs. The second
objective is to assist public sector managers by identifying and promoting better administrative
and management practices.

Performance audits can include an examination of one or more of the following:

- economy (minimising cost);
- efficiency (maximising the ratio of outputs to inputs);
- effectiveness (the extent to which intended outcomes are achieved); and
- legislative and policy compliance.

In addition to performance audits, the Auditor-General can undertake other assurance activities
which may be managed through a formal report or correspondence.

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\(^3\) Following a request by the responsible Minister, the Finance Minister or the JCPAA.

\(^4\) The Auditor-General is also engaged in a number of audits by arrangement.

\(^5\) Cross-agency audits are general performance audits of particular themes or common aspects of
administration across a number of entities.
The ANAO also produces a program of better practice guides based on emerging issues that have an impact on the performance of the public sector and, to a large extent, draw on the results of previous audits. Better practice guides aim to improve public administration by providing a vehicle for better practices employed in some organisations to be recognised and promulgated to all Australian Government entities.

In 2011–12, Performance Audit Services expects to publish:

- 55 performance audits (including cross-agency audits);
- five better practice guides; and

The composition of products may change as more detailed planning is undertaken, or as other issues, such as stakeholder requests that in the Auditor-General’s opinion warrant further inquiry, emerge.

**Strategic and Integrated Audit Planning**

In developing our Program, the ANAO adopts an ongoing and integrated approach to the planning of its financial statement, performance audit and related products. In this context, the ANAO endeavours to maintain a balance between planning and delivering products that address the key risks and challenges facing the Commonwealth public sector and individual entities; while also producing contemporary products that are responsive to a changing environment, stakeholder requests and cover matters of public interest.

When developing the Program, the ANAO undertakes a process that involves:

- consulting Parliament, entities and stakeholders;
- conducting an environmental scan of key risks and challenges to public administration; and
- understanding the operations of agencies and identifying areas that could potentially improve performance.

**Consultation**

Under the Act, the Auditor-General has complete discretion in the selection of areas subject to performance audits. Notwithstanding the Auditor-General’s obligations to provide an independent assessment and assurance to the Parliament, an important part of developing the Program is the consultation process. The ANAO adopts a consultative approach to developing the Program which takes account of the priorities of Parliament, as advised by the JCPAA, and the views of entities and other stakeholders. The ANAO’s consultation process is designed to ensure that its audit products and other outputs not only meet the needs of Parliament but also assist entities to improve public administration.

**Environmental scan**

The Program is developed against the backdrop of a changing environment in which the Australian Public Service operates. In this context, the ANAO regularly identifies and considers those areas/issues that present risks or challenges across entities and public administration. These are then used by the ANAO as an important source to inform the performance audit program. In developing the Program the key issues/areas identified included:
Council of Australian Governments (COAG) reform agenda—in 2011–12, the Commonwealth will provide the states and territories with payments totalling some $95 billion. These payments will be guided by an overarching framework outlined in Intergovernmental Agreement on Federal Financial Relations, which commenced on 1 January 2009. The COAG reform agenda aims include to ‘boost productivity, workforce participation and geographic mobility, and support wider objectives of better services for the community, social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability’.

The reform agenda includes changes to roles and responsibilities, program and service delivery models and, at the Commonwealth level, the separation of policy responsibilities from funding arrangements. To provide coverage of this area, the ANAO has identified a number of audits that will examine specific aspects of the new arrangements, such as the administration of the Australian Government’s responsibilities under selected National Partnerships and the level and reliability of performance information being made available to stakeholders, including Parliament. In addition, various audits will examine the broader implications of the reform agenda on public administration.

Australian Public Service (APS) Reforms—the 2010 report, Ahead of the Game: Blueprint for the Reform of Australian Government Administration (the Blueprint) outlined a reform agenda for the Commonwealth public service. The nine independent areas of reform outlined in the Blueprint are intended to help the APS meet the challenges it faces in future years. The Blueprint requires agencies to commit to reforms across four core components, namely: meeting the needs of citizens, providing strong leadership and strategic direction, presenting a highly capable workforce, and operating efficiently and at a consistently high standard.

The implementation of the reform agenda by agencies will potentially impact on a wide range of functions. These include: policy and program development and implementation; governance arrangements; recruitment; and the overall performance of agencies. In undertaking various audits, the ANAO will consider the impact and implementation of the Blueprint reforms and the intended outcomes.

Whole-of-government policy and program design and delivery—public administration is increasingly being influenced by whole-of-government, evidence-based, citizen-centric approaches to policy and program design and delivery. This is demonstrated through the emphasis on linking areas such as the service delivery reform agenda, which is aimed at improving government service delivery to give Australians better access to social, health and welfare services. Complementing this approach is a renewed focus on opportunities for engaging third-party providers from the private and not-for-profit sectors and forming partnerships with other government jurisdictions. These changes are supported by, among other factors, the COAG and APS reform agendas mentioned above.

In responding to this approach to policy and program design and delivery, the Program identifies a number of potential audits in specific agencies while also covering cross-agency themes in potential topics areas such as performance reporting against the new financial framework, Information and Communications Technology (ICT) practices (including the management of portable storage devices and the implementation of the new Protective Security Policy Framework) and Indigenous service delivery.

Indigenous—following the 2009 transfer of the former Office of Evaluation and Audit function, the ANAO has established a program of Indigenous-focused audits. The Indigenous audit program draws on the targets and strategic areas for action agreed in 2008 by COAG
and set out in the National Indigenous Reform Agreement, which provides the overall framework for the delivery of the Closing the Gap in Indigenous Disadvantage initiative. Within the six targets set by COAG under the Closing the Gap initiative, there are seven strategic areas for action—early childhood, schooling, health, economic participation, healthy homes, safe communities, and governance and leadership. These areas, known as the ‘Building Blocks’, form the framework for the ANAO’s audit coverage.

- **Procurement**—in recent years the ANAO has undertaken a number of audits that have examined agencies’ approaches to managing aspects of procurement. The JCPAA has expressed an ongoing interest and intention to scrutinise this area of public administration. In this regard, the Committee has indicated its support for the ANAO to continue to conduct a range of audits examining procurement processes. The Program outlines a combination of both agency specific audits, including in the Defence portfolio; and cross-agency audits that will build on past audit coverage in this area.

- **New policies**—new policies announced by the Government are implemented on a continual basis. The scope of an audit may include an examination of policy implementation and the extent to which policy objectives have been met. Accordingly, an analysis of new policies contributes to development of the Program and is reflected in the potential audit topics across all portfolios. In this context, policies announced and introduced in recent times, such as the National Health Reforms and the My School website, present contemporary opportunities to examine the implementation of recent policy initiatives.

- **Areas identified by past performance audits and reviews**—an analysis of previous audit coverage provides an insight to those areas where the ANAO continues to find weaknesses in particular controls, systems or approaches which can have widespread effects on public administration. These areas include: governance, (such as risk management); the efficient and effective use of human and financial resources (including engaging third-party providers and administering grants); project management; information systems; and performance measurement and reporting.

*Understanding the operations of agencies and identifying areas that could potentially improve performance*

Given the often changing role and expectations of agencies, the ANAO seeks to maintain a current knowledge of their administrative arrangements and operating environment, including how business risks are identified and managed. This analysis is informed by a variety of sources including annual reports, budget papers and portfolio budget statements, internal and external reviews, audit committees, discussions with senior management and stakeholders, Parliamentary debate and broader media coverage.

To assist with identifying risks, the ANAO’s performance audit and financial statement audit teams discuss, at least on an annual basis, the business risks for agencies and develop integrated audit plans. This joint work provides the basis for a work program for each portfolio that identifies audit issues and defines areas that may warrant performance audit examination. This can include single audits on a specific topic or a series of audits that examine a topic or program over time.
Criteria for Selecting Individual Audit Topics

From the rolling program of potential performance audit topics and other ad-hoc requests from stakeholders, the selection and conduct (including timing, scope and method) of a performance audit is at the discretion of the Auditor-General. In choosing which audits to undertake a number of factors are taken into account, including the:

- potential benefits;
- financial materiality;
- risks to reputation and service delivery; and
- extent of previous audit and review coverage.

A preliminary estimate of an audit’s potential benefits can often be made at the strategic planning stage. Potential benefits can take many forms and include improvements in: service/program delivery, administrative and financial efficiencies, accountability and transparency, and performance assessment.

Financial materiality is based on an assessment of the total value of one or more of: annual expenditure, annual revenue and assets and liabilities, in the proposed area of audit. As a general rule, total values less than $100 million would be considered as being low in financial materiality, values in the $100 million to $500 million range would be medium, and values above $500 million would be considered to have high financial materiality.

A further input into the selection of audit topics is an assessment of risks to reputation and service delivery. This requires consideration of the visibility of the proposed audit topic and is related to the social and economic aspects of the activity and the importance of its operations to Parliament and the public. The ranking of potential audits, therefore, has regard to the degree of Parliamentary and public interest in the outcome.

Coverage refers not only to previous ANAO coverage but also to other independent reviews of the activity that have been, or are proposed to be, undertaken. Such reviews may include internal audits, evaluations conducted by external consultants or examinations undertaken by Parliamentary Committees. As a general rule, a higher ranking would be warranted where a Parliamentary Committee has requested a follow-up review, a previous review indicated that a follow-up should occur or a previous review has identified significant issues.

Stakeholder requests and additional topics

In addition to the rolling program of performance audits, other areas for audit that were not planned for can arise. From time to time, the Auditor-General receives requests from stakeholders, including the Parliament (through the JCPAA) or individual Members of Parliament and Senators, for information or reviews of particular areas. If, in the Auditor-General’s opinion, a request warrants further examination it can be handled through various mechanisms including a formal report, a review or correspondence.

Further, given the constantly changing nature of public administration, new areas of program delivery are always emerging and, can present new risks. Therefore, the Program is required to be necessarily dynamic in response to the environment and additional areas of audit, not outlined in the Program, may be undertaken.
Structure of the Audit Work Program

The Program is divided into four sections:

- **Performance audits by portfolio**—outlines an audit strategy overview by ministerial portfolio/agency followed by descriptions of performance audits in progress at July 2011 and a range of potential audit topics from which audits to be undertaken in 2011–12 and future years may be selected.

- **Cross-portfolio audits**—outlines performance audits that will involve a number of departments and agencies and are either in progress at July 2011 or are potential topics that could start in 2011–12 or future years.

- **Better practice guides**—outlines potential better practice guides.

- **Financial statement audits**—lists all financial statement audits to be undertaken in 2011–12 by ministerial portfolio/agency.
Agriculture, Fisheries and Forestry

Audit strategy overview

The Agriculture, Fisheries and Forestry portfolio aims to enhance the sustainability, profitability and competitiveness of Australia’s agriculture, food, fisheries and forestry industries. The portfolio’s 2011–12 budget is $1.6 billion. Within the portfolio, the objective of the Department of Agriculture, Fisheries and Forestry (DAFF) is to implement the Government’s policies to ensure Australia’s agriculture, fishing, forestry and food-related industries are well positioned to respond to challenges and opportunities. Other agencies in the portfolio are responsible for: the regulation of fishing in Commonwealth-managed fisheries; veterinary medicines and pesticides; wheat exports; statutory marketing; and research and development.

Major priorities for the portfolio in 2011–12 include: improving productivity growth and sustainability in agriculture, fisheries, forestry and food production, including through reforming the registration of agvet chemicals; helping farmers to mitigate and adapt to the effects of a changing climate; reforming national drought policy from a crisis management to a preparedness approach; managing biosecurity and reforming the system; and maintaining and developing overseas markets.

Audits in recent years have focused on: the management of structural adjustment programs in the dairy, forestry and fishing industries; drought assistance; the regulation of Commonwealth-managed fisheries; agricultural medicines; and live animal imports. The ANAO’s future audit program will continue to address the risks associated with the priority areas of national emergencies, biosecurity measures, and natural resource management.

Potential audits

Northern Australia Quarantine Strategy

The Northern Australia Quarantine Strategy contributes to protecting Australia from exotic pest (including weeds) and diseases that could enter Australia from countries to its north. Established in 1989, the strategy plays a vital role in contributing to the early detection of pest and disease threats to commercial agriculture in Australia.

An audit would examine the effectiveness of the administration of the Northern Australia Quarantine Strategy and would complement the ANAO’s previous audits of quarantine effectiveness.

Quarantine and Biosecurity Systems

Australia’s quarantine and biosecurity systems aim to minimise the risks associated with the entry and subsequent spread of exotic pests and diseases that have the potential to cause significant economic, environmental or community costs. Quarantine controls at Australia’s borders aim to minimise the risk of exotic pests and diseases entering Australia and protect our $32 billion agriculture export industries. A range of technologies and approaches are used, including research, shared international resources and intelligence, to help prevent the introduction and spread of disease.
A series of audits would examine the effectiveness of strategies across the quarantine continuum that aim to prevent and manage incursions on a risk basis including Australia’s quarantine operations at international airports, seaports and mail centres.

**Managing Exotic Pests and Diseases**

Pest and disease outbreaks have the potential to cause significant damage to Australia’s agricultural sector. DAFF is responsible for managing pest and disease outbreaks by coordinating resources and operational and technical support. The department also coordinates national eradication programs, which are joint arrangements between the Australian Government and state and territory governments.

The ANAO reviewed DAFF’s management of the Commonwealth’s role in preparing for, and managing, pest and disease emergencies in 1999–2000. Separate audits would examine DAFF’s preparedness for pest and disease emergencies; and the effectiveness of DAFF’s management of pest and disease incursions.

**Caring for Our Country**

The goal of the Caring for Our Country program is to achieve an environment that is healthier, better protected, well managed, resilient, and provides essential ecosystem services in a changing climate. The program is jointly administered by DAFF and the Department of Sustainability, Environment, Water, Population and Communities, and aims to deliver funding to local communities through a regional funding model. In its initial five years (from 1 July 2008 to 30 June 2013), the program will provide around $2 billion in funding for natural resource management. The program also includes two Indigenous–specific programs: Indigenous Protected Areas ($50 million over five years) and Working on Country ($90 million over five years).

An audit would examine the administration of the Caring for Our Country program and the progress towards achieving its objectives. The audit would complement current ANAO audits of Indigenous Protected Areas and Indigenous Employment in Government Service Delivery (which include aspects of Working on Country).

**Food Supply Continuity Planning**

Food supply chain continuity planning is part of the Australian Government’s Critical Infrastructure Resilience Strategy. Planning to maintain continuity of the food supply during significant national emergencies began with the threat of avian influenza in 2003. This planning aimed to reduce the possible impact of an influenza pandemic on the functioning of the food supply chain.

In July 2006, the Council of Australian Governments endorsed the National Action Plan for Human Influenza Pandemic. DAFF has coordinated the development of a national plan to maintain continuity of the food supply in the event of an influenza pandemic: AUSFOODPLAN – Pandemic, and a complementary industry plan. This plan also includes the supply of groceries, as the food supply and distribution chain is the primary channel to market for a range of household health, hygiene and sanitary products that are essential during an emergency.

Since 2006, planning has been broadened to build the food chain’s resilience to respond to other emergencies, including bushfires, floods, cyclones or other unexpected disruptions, that could arise in a fast–changing and increasingly uncertain environment. Work has commenced
on an overarching AUSFOODPLAN – All Hazards, which will incorporate AUSFOODPLAN – Pandemic as a subordinate plan.

An audit would examine DAFF’s preparedness for situations that threaten the continuity of Australia’s food supply, including the research and groundwork for coordination required in AUSFOODPLAN – All Hazards.

**Live Animal Exports**

The live animal export trade was worth more than $996.5 million in 2009 and employs approximately 10,000 people in rural and regional Australia. To legally export live animals from Australia, exporters must be licensed by DAFF. As part of this process, DAFF (the Biosecurity Services Group) must be satisfied that the importing country requirements are met before issuing a health certificate and export permit. Exporters are then accountable to the Australian Government for the outcomes of each consignment.

Over time, instances of poor animal welfare conditions and high mortality rates in live export situations have been reported. Australia’s livestock export industry was reviewed (the Keniry Review) in 2003 and eight recommendations were made to improve animal welfare conditions. More recently, following reports of poor animal welfare conditions, the Australian Government commissioned an independent inquiry into Australia’s live animal export trade. The inquiry commenced in June 2011, with the final report due on 31 August 2011.

An audit would examine DAFF’s implementation and monitoring of compliance with Australia’s requirements for the export of live animals.

**International Mail**

Under the Australian Postal Corporation Act 1989, Australia Post is required to supply postal services within Australia and between Australia and places outside Australia. As with all goods entering Australia, irrespective of the mode of importation, DAFF and the Australian Customs and Border Protection Service are responsible, under their own Acts and other legislation, for exercising relevant customs and quarantine controls.

In 2009–10, Australia Post processed 186.1 million items that were posted overseas for delivery in Australia. From these, DAFF made 115,574 seizures and Customs and Border Protection examined some 202,800 mail items. Arrangements between Australia Post, DAFF and Customs and Border Protection are set out in a memorandum of understanding (MOU). The MOU provides that Australia Post will present all inbound international mail to DAFF and Customs and Border Protection as and when they require it. Australia Post opens and closes any mail items selected for inspection or examination.

An audit would examine the effectiveness of DAFF’s and Customs and Border Protection’s screening and examination processes for international mail. This audit would complement current audit work being undertaken in relation to Customs and Border Protection’s risk management of imports.
Audit strategy overview

The Attorney-General’s portfolio comprises the Attorney-General’s Department, the Australian Federal Police (AFP), the Australian Customs and Border Protection Service (Customs and Border Protection), and a number of other agencies, including those covering national security, administration of justice and law enforcement. The specialist advice provided by the portfolio agencies and the activities they undertake contribute to the Australian Government’s priorities for a stronger and fairer Australia that is capable of meeting new challenges.

The ANAO has focused its recent audit efforts on risks in the national security and border security environment. Current audit coverage continues to focus on key risk areas, including imports, incoming international air passengers and national security initiatives.

Planned audit work places particular emphasis on how well the justice, law enforcement, intelligence and border security agencies in the portfolio are maintaining core capabilities and delivering key functions. The Attorney-General’s Department’s administration of the Natural Disaster Relief and Recovery Arrangements will also be an area of ongoing audit focus.

Audits in progress at July 2011

Customs and Border Protection’s Risk Management of Imports

Customs and Border Protection’s role is to manage the security and integrity of Australia’s border, facilitate the movement of legitimate travellers and goods across the border and collect border-related duties and taxes. In relation to the importation of goods, the number of air, sea and postal importations is projected to grow from 176 million in 2007–08 to more than 450 million in 2020. In 2009–10, Customs and Border Protection collected $9.2 billion in duty and tax.

Customs and Border Protection has long recognised its dual role in facilitating trade while enforcing border legislation. Its approach to doing this is ‘intelligence-led and risk-based’. This is designed to allow it to target its resources and intervention activity to high-risk goods.

The objective of the audit is to assess Customs and Border Protection’s use of risk management strategies to assist in import processing.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Australian Federal Police’s Management and Implementation of the Fighting Terrorism at its Source Initiative

Counter-terrorism measures have been a major element of the AFP’s recently expanded role. In addition to increased domestic resourcing, there has been a significant expansion of regional activities. Since 2004–05, the AFP has pursued an expanded range of regional cooperation, consultation and capability enhancement projects under the broad umbrella of the ‘Fighting Terrorism at its Source’ initiative. Funding for the initiative was renewed in the 2009–10 Budget, with total expenditure through to 2013–14 approaching $180 million.
The objective of the audit is to assess the effectiveness of the AFP’s administration of the Fighting Terrorism at its Source initiative and related measures.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**Customs and Border Protection’s End-to-End Processing of Incoming International Air Passengers**

Customs and Border Protection is responsible for processing international passengers and crew in order to support legitimate travel and the interventions needed to prevent the illegal movement of people and the goods they bring across the Australian border. International passenger numbers are increasing: Customs and Border Protection processed 13.2 million incoming international air and sea passengers in 2009–10, an increase of eight per cent over 2008–09.

The objective of the audit is to assess the effectiveness of Customs and Border Protection’s risk-based management of end-to-end processing of incoming air passengers in achieving border security and passenger facilitation outcomes. The audit complements a previous audit of the processing of inbound international passengers through the primary line.

The audit report is expected to be tabled in the Winter 2012 Parliamentary Sittings.

**Potential audits**

**Australian Federal Police’s Management of Project Spectrum**

It is important that the AFP has systems that effectively support the full range of its law enforcement operations. The existing system, PROMIS, was developed to provide support to criminal investigations. PROMIS was not designed to support the AFP’s newer functions and the expansion of AFP business. In the 2007–08 Budget, the Australian Government announced the provision of $69 million over five years to acquire and develop the next generation of the AFP’s operations and intelligence IT system. Since inception, this IT project (known as Project Spectrum) has been broadened to encompass business process management renewal and there has been a significant redefinition of core project objectives. The new system represents a substantial capital investment by the AFP and will be a key resource underpinning AFP operations into the future.

An audit would examine the AFP’s management of Project Spectrum, including the delivery of anticipated benefits in line with time, cost and quality expectations.

**Forensic and Data Centre’s Management of DNA Evidence**

The AFP’s Forensic and Data Centres are a key component of the agency’s wider investigative capacity. The Centres provide forensic services to a range of other functions, including counter-terrorism, serious and organised crime and Australian Capital Territory policing.

DNA technologies are continuing to develop, and the use of DNA evidence is increasingly important to the effective conduct of police investigations. Recently, there has been a renewed focus on the effectiveness of the AFP’s collection of DNA samples from convicted serious offenders, including its contribution to the development of the CrimTrac-managed National Criminal Investigation DNA Database. Furthermore, a 2010 review of progress towards establishing efficient and effective arrangements for DNA forensic sampling, profiling and
matching identified major gaps in accountability and an inability to assess the effectiveness of the arrangements.

An audit would examine the Forensic and Data Centre’s management of DNA evidence, including the arrangements to provide assurance regarding the ongoing use of DNA evidence obtained, and support to other operational areas.

**Provision of Policing Services to the Australian Capital Territory**

The provision of policing services within the Australian Capital Territory (ACT) has been a key responsibility of the AFP since its establishment in 1978. At present, services are provided by ACT Policing, a largely independent business unit within the AFP, headed by the ACT Chief Police Officer. Services are provided on a cost recovery basis pursuant to a purchase agreement between the Commonwealth Minister for Justice and Customs and the ACT Minister for Police and Emergency Services. The most recent purchase agreement was signed in 2010.

ACT Policing is formally structured as a separate organisational entity but there is considerable interchange with, and dependence on, broader AFP administration and operations. ACT policing services account for around 10 per cent of overall AFP expenditure ($146 million out of $1.4 billion in 2010–11) and 15 per cent of AFP staffing (980 out of 6705).

An audit would examine the arrangements for the provision of community policing services to the ACT.

**Detection and Interception of Irregular Maritime Arrivals**

As at 4 February 2011, there were 6659 people in immigration detention. Of these, 96 per cent were Irregular Maritime Arrivals (IMAs), the arrival and ongoing management of whom is the subject of considerable public interest. Customs and Border Protection leads the whole-of-government operational response to maritime people smuggling, including coordinating the whole-of-government operational strategy. It works closely with a range of other government agencies including the Department of Defence, the Department of Immigration and Citizenship and the Australian Federal Police. Customs and Border Protection operate the Border Protection Command, which is headed by a senior Royal Australian Navy officer and is responsible for the identification of, and response to, maritime security threats.

As the first of a potential series of audits on this topic, an audit would examine Customs and Border Protection’s approach to detecting and intercepting IMAs. A particular focus would be stakeholder management and interaction with other key government agencies in the Attorney-General’s, Immigration and Citizenship and Defence portfolios. The audit could also examine Border Protection Command’s coordination and management of civilian and military resources.

**Management and Disposal of Seized and Detained Goods**

One of Customs and Border Protection’s roles is to prevent, deter and detect the entry of harmful and illegal goods into Australia. Goods may be held after importation for a variety of reasons. Some goods are seized because they are prohibited imports (such as illicit drugs, counterfeit goods, weapons and dangerous toys). Other goods are detained pending production of a permit or other permission or, in the case of legitimately imported firearms, held pending safety testing. Depending on the nature of the goods, they may ultimately be destroyed, otherwise disposed of, returned to their owner, or exported.
Seized and detained goods are held in one of a number of purpose-built, high-security stores around Australia, although large seizures of illicit drugs are transferred to the AFP. Customs and Border Protection uses a Detained Goods Management System to record, manage and account for goods in its custody. A high level of accountability is necessary as many seized goods are inherently dangerous and because of the need for continuity of evidence should the goods be required as evidence for prosecution.

An audit would examine Customs and Border Protection’s management arrangements for the seizure, detention and disposal of goods. It would also assess the adequacy of security arrangements for the transport and storage of seized and detained goods.

**International Mail**

Under the *Australian Postal Corporation Act 1989*, Australia Post is required to supply postal services within Australia and between Australia and places outside Australia. As with all goods entering Australia, irrespective of the mode of importation, Customs and Border Protection and the Department of Agriculture, Fisheries and Forestry (DAFF) are responsible, under their own Acts and other legislation, for exercising relevant customs and quarantine controls.

In 2009–10, Australia Post processed 186.1 million items that were posted overseas for delivery in Australia. From these, DAFF made 115 574 seizures and Customs and Border Protection examined some 202 800 mail items. Arrangements between Australia Post, DAFF and Customs and Border Protection are set out in a memorandum of understanding (MOU). The MOU provides that Australia Post will present all inbound international mail to DAFF and Customs and Border Protection as and when they require it. Australia Post opens and closes any mail items selected for inspection or examination.

An audit would examine the effectiveness of DAFF’s and Customs and Border Protection’s screening and examination processes for international mail. This audit would complement current audit work being undertaken in relation to Customs and Border Protection’s risk management of imports.

**Australian Security Intelligence Organisation’s Security Assessments of Individuals**

The Australian Security Intelligence Organisation (ASIO) conducts three types of security assessments of individuals. In 2009–10, ASIO completed 22 343 personnel security assessments of employees and contractors of government agencies who require access to classified information; 98 086 counter-terrorism security assessments (principally of applicants for Aviation and Maritime Security Identity Cards); and 38 438 visa security assessments. Each of these security assessments plays an important role in meeting government security requirements and assisting the agencies responsible for border security. Requests for assessments come from a variety of sources and ASIO has set performance indicators for each type of assessment. ASIO’s assessments are recommendatory and not binding on the agency which requests them.

An audit would examine the processes involved in each type of assessment and the effectiveness of a number of recent initiatives, such as direct connectivity between ASIO and the Department of Immigration and Citizenship (DIAC). The audit would complement the potential cross-portfolio audit of the implementation of the centralised Australian Government Security Vetting Agency, located in the Department of Defence. The audit would also complement recent ANAO audits including ANAO Audit Report No.35 2009–10 *Management of*

**Management of the Family Court of Australia, the Federal Court of Australia and the Federal Magistrates Court**

Australia has an integrated federal court system with overlapping jurisdiction. The Federal Court of Australia exercises jurisdiction in general federal law and the Family Court of Australia exercises jurisdiction in family law. The Federal Magistrates Court was established to deal with less complex disputes under Commonwealth laws and shares jurisdiction with the Family Court of Australia and the Federal Court of Australia. In 2009–10, there were 3642 applications filed in the Federal Court of Australia, 19 089 in the Family Court of Australia; and 91 678 in the Federal Magistrates Court.

Reforms to the structure and governance of the federal courts were to be implemented through the Access to Justice (Family Court Restructure and Other Measures) Bill 2010. Although this Bill has lapsed, the Australian Government and the courts have made an ongoing commitment to create efficiencies and to facilitate a more streamlined approach to the delivery of justice to the Australian community.

An audit would examine the management of the courts, including case management, client services, and the relationships between the courts. The audit would complement a previous audit, ANAO Audit Report No.46 2003–04 Client Service in the Family Court of Australia and the Federal Magistrates Court.

**Australian Transaction Reports and Analysis Centre**

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is the Australian Government’s anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit. AUSTRAC was established in 1989 as the Cash Transaction Reports Agency under the Cash Transaction Reports Act 1988, which in 1991 was renamed the Financial Transaction Reports Act 1988. The total appropriation for AUSTRAC in 2010–11 is $72.7 million.

In its regulatory role, AUSTRAC oversees compliance with the reporting obligations of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) and the Financial Transactions Reports Act 1988 of approximately 17 000 businesses across diverse industry sectors that include financial services providers, the gambling industry and other specified ‘regulated entities’. As Australia’s financial intelligence unit, AUSTRAC collects and analyses financial information provided by regulated entities to assist Australian law enforcement, national security, social justice and revenue agencies, and certain international counterparts, in the investigation and prosecution of serious criminal activity, including terrorism financing, organised crime and tax evasion.

An audit would examine AUSTRAC’s management of its regulatory and financial intelligence functions. The audit could examine other agencies’ use of AUSTRAC’s financial intelligence data and examine the extent to which AUSTRAC’s use of its regulatory and enforcement powers has contributed to meeting the original intention of the AML/CTF Act.
The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria

A key output from the National Partnership Agreements for natural disaster reconstruction and recovery signed by the Australian and Queensland Governments in February 2011, and the Australian and Victorian Governments in May 2011, is the preparation and agreement of a Natural Disaster/Flood Recovery Work Plan. Each National Partnership Agreement is intended to:

• identify a set of specific projects to assist with reconstruction and/or recovery;
• build on the planning work undertaken by Regional Development Australia committees and local governments; and
• be developed consistently with principles set out in a schedule to each National Partnership Agreement, including being supported by cost-benefit analysis and appropriate analysis of the expected fiscal cost.

Each National Partnership Agreement also requires each state to report, at least initially, on a monthly basis on its progress against the Natural Disaster/ Flood Recovery Work Plan.

An audit would examine the development and agreement of each recovery work plan, including the extent to which each plan has been developed in accordance with the principles outlined in the schedules to the respective National Partnership Agreement. An audit would also examine the efficiency and effectiveness of the processes implemented to monitor and report to decision-makers and other stakeholders on the delivery of each plan.

Commonwealth Administration of the Natural Disaster Relief and Recovery Arrangements

The Natural Disaster Relief and Recovery Arrangements (NDRRA) is the principal Commonwealth funding mechanism for non-drought disaster relief and recovery. It provides for reimbursement to the states and territories for expenditure they incur on eligible measures in defined circumstances (although advance payments may also be made in exceptional circumstances). The NDRRA funds emergency assistance that is given to individuals to alleviate their personal hardship or distress; restoration or replacement of certain essential public assets; loans, subsidies or grants to alleviate the financial burden of costs incurred by certain businesses, primary producers, voluntary non-profit bodies and individuals; community recovery packages; and other acts of relief or recovery carried out to alleviate distress or damage in exceptional circumstances. The Attorney-General's Department, which administers the NDRRA, reported that more than $118 million was reimbursed in 2009–10 to the states and territories for events including floods, dust storms, a bushfire and flooding associated with various tropical cyclones.
An audit would examine the extent to which the administration of the NDRRA has delivered value for money, including in relation to:

- the steps that are taken by the department to be assured that the amount of state expenditure that is to be reimbursed has been correctly calculated and that the payments made by the Commonwealth relate to eligible measures; and

- promoting a high level of compliance by states with the general conditions for Commonwealth assistance that are specified in the NDRRA Ministerial Determination, including the provision by the states of expenditure estimates, submission of post disaster assessment reports and implementation of natural disaster mitigation strategies.
Broadband, Communications and the Digital Economy

Audit strategy overview

With total resources of $4.9 billion, responsibilities within this portfolio include communications and technology, media and broadcasting, wholesale broadband and postal services. The Department of Broadband, Communications and the Digital Economy (DBCDE) is the lead agency within this portfolio. Other agencies include the:

• Australian Broadcasting Corporation;
• Australian Postal Corporation, which is a government business enterprise;
• Australian Communications and Media Authority (ACMA);
• National Broadband Network Co Ltd, which is a government business enterprise; and
• Special Broadcasting Service Corporation.

Major initiatives within the portfolio include: the continuing implementation of the National Broadband Network (NBN); facilitating the effective switchover to digital television (TV); and the convergence review into the future of media and broadcasting regulation in Australia.

Recent ANAO audits have covered the department's broadband incentive scheme for underserviced areas of Australia, the National Broadband Network Request for Proposal Process, and ACMA's regulatory functions (the Do Not Call Register and the Regulation of Commercial Broadcasting). The ANAO's future audit program will continue to address the key risks associated with the portfolio's major initiatives and responsibilities. These include programs administered by the department that support the provision of internet services and digital-only television broadcasting across Australia.

Audits in progress at July 2011

Digital Television Switchover – Household Assistance Scheme

Digital TV broadcasts are currently transmitted alongside analogue broadcasts in most regions, however, analogue signals are progressively being switched off, with the digital TV switchover to be complete in 2013. To date, digital switchover has been completed in three regions. As digital switchover occurs, only TVs capable of receiving digital signals through a set top box or built-in tuner will receive free-to-air broadcasts.

In early 2009, the Australian Government allocated $3 million to the Household Assistance Scheme (the Scheme) to help eligible households convert to digital TV during the pilot switchover to digital TV in the Mildura/Sunraysia TV licence area. Through the 2009–10 Budget, the Australian Government approved a further $69.3 million to roll out the Scheme in regional South Australia and Broken Hill, regional Victoria and regional Queensland TV licence areas. The Australian Government announced funding of $308.8 million through the 2011–12 Budget for continued support for the Scheme into regional New South Wales/ACT, Tasmania, Northern Territory, Western Australia and state capital cities. The Scheme provides, free of charge, one high definition set top box per eligible couple installed by government-contracted installers. Subject to certain limitations, the Scheme may also supply and install upgrades to cabling, antenna and satellite systems.
The objective of the audit is to assess the effectiveness of DBCDE’s administration of the Household Assistance Scheme.

The audit is expected to be tabled in the Winter 2012 Parliamentary Sittings.

Potential audits

Regional Backbone Blackspots Program

As part of the Australian Government’s commitment to deliver a National Broadband Network that will provide superfast broadband to Australian homes and workplaces, it is investing up to $250 million to immediately address areas where there is a lack of competitive backbone infrastructure (‘blackspots’). Following a tender process, Nextgen Networks began rolling out approximately 6000 kilometres of backbone infrastructure under the program. The rollout of the backbone infrastructure to the six priority locations is expected to be completed by the second half of 2011. Nextgen Networks will also operate and maintain backbone transmission links to the priority blackspot locations for an initial five-year operational period.

An audit would examine the tendering, construction and the ongoing operation and maintenance phases of the Regional Broadband Blackspot Program and, where progress has been made, the arrangements to maintain and report on service outcomes.

Digital Regions Initiative

The four–year, $60 million Digital Regions Initiative, is a competitive funding program to co-fund innovative digital enablement projects with state, territory and local governments. Through a collaborative approach, the aim is to improve the delivery of education, health and/or emergency services in regional, rural and remote communities.

The Digital Regions Initiative was announced in March 2009 and will conclude in 2013. State, territory and local governments can directly apply for funding, while private and not-for-profit organisations can partner with eligible organisations. Successful projects funded under the first round of the initiative were announced in late 2009 and early 2010. Applications for the second and final round of funding closed in July 2010.

An audit would examine the administration of the Digital Regions Initiative by DBCDE.
Climate Change and Energy Efficiency

Audit strategy overview

In 2010, the Department of Climate Change and Energy Efficiency (DCCEE) was created as a standalone portfolio agency. DCCEE leads the development and coordination of Australia’s climate change and energy efficiency policy. It is responsible for policy advice, policy implementation and program delivery in four areas: reducing Australia’s greenhouse gas emissions; promoting energy efficiency; adapting to climate change; and helping to shape a global climate change solution.

The Climate Change and Energy Efficiency portfolio also includes the Office of Renewable Energy Regulator, a statutory authority, and Low Carbon Australia—a company limited by guarantee.

Audits in recent years have focused on energy efficiency programs and the coordination and reporting of Australia’s climate change measures. The ANAO’s future audit program will focus on national and international programs providing financial assistance for climate change mitigation and adaptation.

Audits in progress at July 2011

National Greenhouse and Energy Reporting System

The National Greenhouse and Energy Reporting Act 2007 (the Act) covers some of the largest companies in Australia and is administered by DCCEE. The object of the Act was to introduce a single national reporting framework for information related to greenhouse gas emissions, greenhouse gas projects, energy consumption and energy production of corporations.

The objective of the audit is to assess the effectiveness of the implementation and administration of the National Greenhouse and Energy Reporting framework.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

National Solar Schools Program

The National Solar Schools Program offers eligible primary and secondary schools the opportunity to compete for grants of up to $50 000 (Goods and Services Tax exclusive), to install solar and other renewable power systems, solar hot water systems, rainwater tanks and a range of energy efficiency measures. In the first three years of the five–year program, over 3800 schools have been successful recipients of grants totaling some $168 million in value. The program is due to close on 30 June 2013.

The objective of the audit is to assess the effectiveness of the design and management of the program, including demonstrated progress towards achieving the program’s objectives.

The audit report is expected to be tabled in the Winter 2012 Parliamentary Sittings.

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6 On 10 July 2011, the Australian Government announced its Climate Change Plan—Securing a clean energy future. As part of this announcement new administrative arrangements were foreshadowed, however they were not finalised at the time of printing this document.
Potential audits

**International Climate Change Adaptation Initiative**

The International Climate Change Adaptation Initiative is jointly managed by the Australian Agency for International Development (AusAID) and the DCCEE. The Australian Government invested $150 million over three years (2008–09 to 2010–11) through its aid program to meet high-priority climate change adaptation needs in vulnerable countries in our region. The 2010–11 Budget extended funding by $178.2 million for an additional two years to continue programs in the Asia-Pacific region to help these countries adapt to the impacts of climate change. Australia will also extend assistance to vulnerable nations in the Caribbean and Africa and for additional initiatives in the Mekong region. Assistance provided through the International Climate Change Adaptation Initiative is designed to assist countries to:

- identify and help finance priority adaptation measures to increase resilience to the impacts of climate change;
- increase understanding of how the climate and oceans have changed and how they may change in the future; and
- assess their vulnerability to climate change and develop evidence-based adaptation strategies.

An audit would examine progress towards the outcomes sought by governments and the extent to which agencies have been able to determine value for money from the funds expended.

**International Forest Carbon Initiative**

Under the $273 million International Forest Carbon Initiative, jointly managed by AusAID and DCCEE, Australia aims to strengthen multilateral and bilateral activities for reducing emissions from deforestation and forest degradation in developing countries.

During 2010, the implementation of the first bilateral project (the Kalimantan Forests and Climate Partnership), and development of Indonesia’s National Carbon Accounting System were progressed under the International Forest Carbon Initiative. Further, Australia’s cooperation with Papua New Guinea in this area focused on technical and institutional advisory support.

An audit would examine progress in bilateral efforts in developing countries and the extent to which funds have targeted effective actions to support international efforts to address deforestation and forest degradation in developing countries such as Indonesia and Papua New Guinea.
Defence

Audit strategy overview

The ANAO’s performance audit strategy considers Defence’s mission ‘to defend Australia and its national interests’, the significant resources allocated to achieving this, and the changing strategic environment in which Defence will be operating over the coming years. The total level of Defence and Defence Materiel Organisation (DMO) funding for 2011–12 is more than $27 billion.

The 2009 Defence White Paper set out the Australian Government’s plans to strengthen the defence of Australia and indicated the level of investment needed to maintain a credible defence capability. The goals of the 2009 White Paper are to be delivered by the 2009 Strategic Reform Program – Delivering Force 2030 (SRP), which includes extensive reforms to improve the accountability, planning and productivity of Defence business. The challenge facing Defence is to deliver Force 2030 as envisaged by the White Paper, including meeting the SRP target of some $20 billion in savings by 2019 that are needed to fund the investment required.

Defence is planning on replacing 80 per cent of its capability assets over the next 15 years. Consequently, as part of delivering Force 2030, there is continued impetus for Defence to effectively deliver capability through major capital equipment projects. This is why this remains a key priority of the ANAO’s audit program. Building on our ongoing program of performance audits of major capital equipment acquisitions, a major audit was delivered in the 2010–11 program on the delivery of navy capability, and an audit is currently underway examining the progress of the M113 upgrade project. Potential audit topics related to individual projects include: examining procurements such as the Joint Strike Fighter and the Air Warfare Destroyer; the acquisition of heavy vehicles under Project LAND 121; the remediation of the Lightweight Torpedo project; and the implementation of Defence’s Military Integrated Logistics Information System.

In light of continuing reform activities in the capability acquisition area and the importance of these reforms being delivered, potential audits also include: the management of the implementation of the recommendations of the 2008 Defence Procurement and Sustainment Review (the Mortimer Review); the implementation of DMO’s project management Gate Review process; and the enhanced two-pass Capability Development approval process. This audit coverage complements the annual Major Projects Review of the technical progress, schedule and cost of 28 major capital equipment projects.

Audits in progress at July 2011

Major Projects Report 2010–11

The 2010–11 Major Projects Report will be the fourth annual report to Parliament on the DMO’s major projects acquisitions (In 2010–11, 28 projects have been selected and subsequently endorsed by the Joint Committee of Public Accounts and Audit). The ANAO will complete the assurance reviews and report to Parliament on the technical progress, schedule and cost of each major project that is subject to review. The report will be based on the agreed scope of the review, rather than on in-depth reviews, such as those conducted for performance audits. The quality of DMO’s management reporting systems and controls, and its ability to provide the
The audit report is expected to be tabled in the Spring 2011 Parliamentary session.

**Management of the Defence Community Organisation**

The Defence Community Organisation (DCO) was established in 1996 to support the Australian Defence Force (ADF) personnel and their families to balance the demands of military service with personal and family commitments. DCO services are delivered by Area Teams located on or near major ADF establishments around Australia. DCO administers grants to support organisations and provides childcare services. Area Teams include social workers, military support officers, regional education liaison officers and family liaison officers. Area Team staff provide a range of support services, including to the relatives of serving personnel who are injured or killed.

DCO was subject to review by Defence in 1997–98 and, in May 2007, the Australian Government announced a DCO review to guide the development and provision of enhanced family support programs and services.

The objective of the audit is to assess the management and effectiveness of DCO’s delivery and coordination of support services to ADF families.

The audit report is expected to be tabled in the Spring 2011 Parliamentary session.

**M113 Upgrade Project – LAND 106**

Army’s fleet of M113 armoured vehicles has been in service since the mid 1960s, providing transport, fire support and logistical support. In light of the 2000 Defence White Paper, the Australian Government approved the M113 Upgrade Project to provide a major upgrade of 350 of the Army’s aging M113 fleet. The upgrade aims to improve the vehicles’ protection, lethality, mobility and habitability.

The M113 Upgrade Project began in July 2002 and since that time has encountered significant difficulties, in particular problems with engine overheating and the braking system. As a result of these difficulties the project was placed on the Projects of Concern list in 2006. DMO ceased making contract payments in May 2006 and did not resume payments until the reliability of the vehicles was considered to have been confirmed, and Defence concluded a contract settlement with the Prime Contractor in October 2007. Among other things, a new project schedule was agreed under the contract settlement. In May 2008 the M113 Upgrade Project was removed from the Projects of Concern list.

Army took delivery of the first batch of the upgraded vehicles in November 2007, with a total of 350 upgraded M113s due to be delivered to Defence by December 2010. In October 2008, as part of Army’s Enhanced Land Force initiative, the Australian Government approved funding for the upgrade of a further 81 M113s, bringing the total number to be upgraded to 431. In November 2009, Defence advised Parliament that the additional 81 vehicles would be delivered by April 2012.

This audit is the third in a series of ANAO audits over the life of this project with the first having been tabled in 2005–06 and a follow on audit in 2008–09. The objective of the audit is to assess the progress of the M113 Upgrade project, and the development of operational capability resulting from the introduction of the upgraded vehicles into service.
The audit report is expected to be tabled in the Spring 2011 Parliamentary session.

**Defence ICT Portfolio and Program Management**

Information and Communications Technology (ICT) is critical to the delivery of Defence’s military, intelligence and corporate services. Defence has recognised that its ICT capability is in a poor state and needs to be improved. Defence has also recognised the potential of ICT to transform the way it operates, and ICT reform is a key enabler of the SRP.

The objective of the audit is to examine the development of Defence’s ICT portfolio and program management. The focus of the audit is on Defence’s high-level arrangements for the portfolio and program management of ICT. The audit will provide a strategic overview of Defence’s ICT governance, planning and management processes, and its management of the risks arising from ICT reform in support of the SRP. The audit approach aligns with ICT reform’s key role in enabling the SRP, including through the SRP ICT Reform Stream.

The audit report is expected to be tabled in the Spring 2011 Parliamentary session.

**Potential audits**

**Major Projects Report 2011–12**

The 2011–12 Major Projects Report will be the fifth annual report to Parliament on the DMO’s major projects acquisitions. The 2011–12 report will build on previous reports, further enabling longitudinal analysis of these major acquisitions. The ANAO will complete the assurance reviews and report to Parliament on the technical progress, schedule and cost of each major project that is subject to review. The ANAO will continue to undertake analysis of each project’s performance and, over time, the emerging trends across all projects and the governance model in place within the DMO.

The report is based on a review scope which is agreed between the ANAO and DMO, and endorsed by the Joint Committee of Public Accounts and Audit (JCPAA), rather than on an in-depth audit, such as those conducted for performance audits. The quality of DMO’s management reporting systems and controls, and its ability to provide the ANAO with relevant and timely access to information relating to each major project will be critical to the success of this review process.

**Implementation of the Recommendations of the 2008 Defence Procurement and Sustainment Review**

Over the past several years the Defence’s procurement practices associated with the acquisition and sustainment of equipment has been the subject of a number of reviews. These reviews included the 2003 Defence Procurement Review (the Kinnaird Review), which made a series of findings and recommendations broadly grouped around the four significant points in the Defence capability cycle: communication with government; defining and assessing capability; the management of capability; and the procurement and ongoing support of defence equipment.

In 2008, the Mortimer Review of Defence procurement and sustainment was undertaken. The Mortimer Review identified five principal areas of concern, including: inadequate project management resources in the Capability Development Group; inefficiency in the process leading to government approvals for new projects; shortages in DMO personnel; delays due to
inadequate industry capacity; and difficulties in the introduction of equipment into full service. The key themes of the Mortimer Review were focused on making DMO more business-like and imposing commercial discipline on Defence’s procurement and sustainment processes. The reforms recommended by the Mortimer Review are encompassed in a non-savings reform stream of the SRP.

An audit would examine Defence’s and DMO’s planning and management of the implementation of the recommendations of the Mortimer Review.

**New Air Combat Capability—AIR 6000 Phases 2A and 2B**

The New Air Combat Capability project aims to introduce a new air combat capability with the air superiority and strike functions required to meet Australia’s strategic needs. In November 2009, the Australian Government approved Phase 1 of the project, the detailed definition and analysis activities necessary to provide the Australian Government with the information to support an initial acquisition approval, at an estimated cost of $3.2 billion. The first stage of Phases 2A and 2B involves the acquisition of 14 F-35 Joint Strike Fighter (JSF) aircraft for training and operational test and evaluation. An Australian Government decision on the second stage, which involves acquiring at least a further 58 JSF aircraft, is planned for 2012.

Along with the support and enabling elements, the JSF will form the first three operational squadrons and a training unit, scheduled to achieve an Initial Operating Capability in 2018. This is in accordance with the Defence Capability Plan 2009, which anticipated the acquisition of three operational squadrons comprising not fewer than 72 aircraft. Subsequent Defence Capability Plans may include Phase 2C to equip an additional squadron and take the total JSF acquisitions to 100 aircraft.

The JSF is being developed by an international collaborative program, led by the United States. The program has entered low-rate initial production, with system development and demonstrations running in parallel with production, sustainment and follow-on development. The key United States program risks include major cost increases and major delays. The Australian program’s highest risks relate to the effective management of the Air Combat Fleet workforce during the transition period, and to Australian defence industry outcomes identified in the agreed Industry Participation Plans.

An audit would review the progress of the New Air Combat Capability project and would assess the adequacy of risk management arrangements put in place by the DMO for this project. The audit would include the project’s Phase 2A and Phase 2B capability definition and acquisition contract development.

**Defence’s Military Integrated Logistic Information System**

The Military Integrated Logistics Information System (MILIS) was installed as Defence’s general inventory management system on 8 July 2010, as part of Defence Capability Program. MILIS records and assists in the management of Defence inventory, comprising over 1.7 million items of supply ranging from cups and boots through to F/A-18 Hornet engines and armoured vehicles. The value of items currently managed within MILIS exceeds $6 billion.

MILIS is a single logistic information system that is designed to enable end-to-end management of Defence’s integrated supply chain. MILIS is the foundation for improved financial management, integrated supply, inventory management, maintenance and distribution throughout Defence.
An audit would examine the implementation and rollout of MILIS, including consideration of the effectiveness of the MILIS controls framework.

**The Air Warfare Destroyer Build Project – SEA 4000 Phase 3**

Project SEA 4000 is being delivered under an alliance arrangement between ASC AWD Shipbuilder Pty Ltd, Raytheon Australia Pty Ltd and the Commonwealth. The contracted participants have a shared commercial interest in the outcome of the project through cost and schedule performance incentives. In 2009 the program was in its acquisition phase, with the majority of combat and platform system equipment selected and most combat systems under contract. Preliminary design reviews of the ships’ systems were completed, and Critical Design Reviews were planned for December 2009.

An audit would examine Project SEA 4000 and provide advice to Parliament on the progress of the Air Warfare Destroyer Build project, including an assessment of the adequacy of the project’s cost and schedule management system and requirements verification.

**Remediation of the MU-90 Lightweight Torpedo Replacement Project**

The Lightweight Torpedo Replacement Project, with a total budget of $665.5 million, was designated to deliver an initial tranche of torpedoes; integrate the torpedo onto the Adelaide and ANZAC Class Ships; and then deliver a larger quantity of torpedoes referred to as war stock. In May 2010, the ANAO tabled Report No.37 2009–10, *Lightweight Torpedo Replacement Project*. That audit concluded that the acquisition of the replacement lightweight torpedo had not been managed effectively by DMO. At the conclusion of the audit there was ongoing uncertainty as to the cost, schedule and capability outcomes for the project.

In response to the audit report, Defence and DMO acknowledged that planning for, and implementation of, the test and evaluation program for the torpedo had not been as proactive as it should have been but advised that senior management intervention had recently occurred to ensure that these problems were being resolved quickly. Defence advised that it aimed to achieve an initial operational capability in mid-2011, with the torpedo to be fully in service with all equipment delivered in late 2013. In May 2010, the Minister for Defence requested that the Auditor-General undertake a follow-up audit of the Lightweight Torpedo Replacement Project to provide an independent assurance on the project’s progress, including whether the project is able to achieve the revised outcomes Defence is anticipating.

An audit would assess the effectiveness of remediation arrangements put in place by Defence and DMO to resolve issues that may impact on the completion of the Lightweight Torpedo Replacement Project, and would assess the likelihood that the project will achieve the desired capability, including in-service support.

**Project Overlander – LAND 121**

LAND 121 is a $3.1 billion project aimed at providing the ADF with field vehicles and trailers beyond the life of the current fleet, which has been acquired between 1959 and 1994. The project includes the acquisition of small four-wheel drive vehicles, medium and heavy trucks and large semi-trailer style vehicles.

In August 2008 the Minister for Defence announced that the medium and heavyweight component of this project would need to be retendered. In October 2008 contracts were signed
An audit would examine Defence and DMO’s progress in undertaking the acquisitions and assess the three separate contracts for acquiring the light and lightweight vehicles and modules; medium weight, medium and heavy vehicles and modules; and trailers.

**DMO Gate Reviews**

In July 2009, DMO announced that, in response to the lessons learnt from the cancelled Seasprite Project, the organisation was introducing a Gate Review process for major capital equipment projects. Gate Reviews are part of DMO’s internal assurance framework for major capital equipment projects and are intended to ensure that DMO can provide high quality and reliable advice to Defence and the Australian Government on a project’s health and outlook. The first DMO Gate Reviews under this new process occurred in September 2009.

Gate Reviews involve an assessment by a Gate Review Board of a project’s readiness to proceed through a project ‘gate’ and on to the next stage of its lifecycle. The goal is to consider the project in sufficient detail prior to progression to selected key project milestones to provide adequate assurance, and, if necessary, support, without overly disrupting the project office. DMO Gate Review Boards are chaired by a DMO official with seniority commensurate with the importance of the project under review and have five to nine members, including at least one person external to DMO with extensive Defence or commercial experience. The Australian Government recently announced its intention to extend Gate Reviews to mature projects to ensure that the desired operational capability is being delivered.

An audit would examine and report on the development and effectiveness of DMO’s enhanced Gate Review processes and the associated administrative arrangements.

**Defence Assistance to the Civil Community**

The 2009 Defence White Paper states that natural disasters can threaten the security and safety of the Australian people, and that the ADF has significant capabilities that can be used for emergency response tasks, ordinarily in a supporting role, when called upon by the Australian Government. The importance of Defence domestic assistance is recognised through Defence’s third portfolio outcome: ‘support to the Australian community and civilian authorities as requested by government’.

Recent ADF assistance in response to the Queensland and Victorian floods and cyclone Yasi has involved a large number of personnel and equipment, and has been highly visible to the public. When providing this support, the ADF is faced with the challenge of managing its resources to meet the public’s expectation of assistance in response to natural disasters while maintaining its operational capability.

An audit would examine the effectiveness of ADF arrangements to provide non-combat emergency assistance to state and territory governments, and the ADF’s approach to operational planning for emergency assistance missions in conjunction with state and territory agencies.

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7 Although similar in concept, DMO’s Gate Reviews are not part of the Australian Government’s Gateway Review Process run by the Gateway Review Unit within the Department of Finance and Deregulation.
**Enhanced Two-pass Capability Development Approval Process**

Defence’s enhanced two-pass capability development approval process is intended to provide robust, thoroughly considered advice to the Australian Government on major Defence acquisitions. The two-pass process was established in response to the 2003 Kinnaird Review of Defence procurement and has continued to evolve. Enhanced two-pass processes, developed in response to the 2008 Mortimer Review and the SRP, support Defence staff developing capability proposals, allow for tailoring the process to suit specific projects, and involve senior decision-makers at an early stage. The aim is to improve the quality of the advice provided to government, allow for more efficient processes, and provide a consistent chain of accountability and decision-making throughout the capability development cycle.

An audit would examine Defence’s establishment of the enhanced two-pass approval processes and provide assurance to Parliament on improvements in the quality and timeliness of procurement advice to senior decision-makers.

**The System of Defence Instructions**

Defence is regulated by an extensive system of delegated legislation created mainly by virtue of Section 9A of the *Defence Act 1903*. This legislation is intended to facilitate the operations and administration of Defence and, collectively, is referred to as the System of Defence Instructions (SoDI).

SoDI has been the focus of significant reform since 2007, including procedures for developing and approving Defence Instructions completed in 2008; the update and ‘de-clutter’ of existing Defence Instructions completed in 2009; and the institution of a ‘best practice’ SoDI system to be completed by December 2011.

An audit would examine Defence’s management of its system of delegated legislation including the implementation of the reforms to the SoDI since 2007.

**Management of the Australian Defence Force Rehabilitation Program**

The ADF Rehabilitation Program commenced in 2006 and aims to reduce the impact of occupational injury, illness and disease on the ADF, thereby maximising Defence’s capability. In October 2008, Defence reported that over 8000 program referrals had been managed since the program commenced, an average of 400 per month.

The program seeks to ensure that ADF members receive timely rehabilitation assessments and that the treatment of their injury or illness is a well managed and coordinated response involving all relevant parties. The intention is to return an injured or ill member to maximum effectiveness within the ADF or, if this is not possible, the civilian environment.

An audit would assess the effectiveness of Defence’s management of the ADF Rehabilitation Program and the implementation of recent reforms, giving particular consideration to the aim of the program to return injured or ill ADF members to duty as quickly as possible.

**Defence Science and Technology Organisation’s Management of Scientific and Technical Research**

Defence’s scientific and technical research program supports procurement, capability and whole-of-government security needs. The Defence Science and Technology Organisation,
headed by the Chief Defence Scientist, manages the program. With 2300 employees at eight research facilities and an annual budget of $430 million, the program is one of the Australian Government’s largest research endeavours.

An audit would examine the Defence Science and Technology Organisation’s arrangements for managing research undertaken in-house, through collaborative partnerships with academic and commercial organisations, and through contracts with external researchers.

**Sustainment of Naval Aviation Force**

The naval aviation force provides Navy with helicopters for conducting naval aviation operations. It utilises Seahawk, Sea King, Squirrel and MRH-90 multi-role helicopters. Two recent procurements, Seasprite and MRH-90 helicopters, were intended to replace older fleets, such as the Sea King helicopters. However, both of these procurement projects have faced significant setbacks. The Seasprite program was cancelled in 2008 with no delivery of aircraft and the MRH-90 helicopter program is now delayed by over 18 months.

Achieving performance targets for naval aviation operations has been affected by reduced serviceability, equipment obsolescence and a shortage of aircraft maintenance supervisors for the helicopters.

An audit would review the effectiveness of the sustainment arrangements for Navy’s fleet of helicopters.

**Acquisition of the Chinook CH-47F Helicopter – AIR 9000 Phase 5C**

Project AIR 9000 was approved to provide the ADF with the most appropriate force mix of helicopters. Phase 5C of this project will replace the Army’s current fleet of six CH-47D Chinook helicopters with a new fleet of seven CH-47F aircraft and associated Transportable Flight Proficiency Simulators. With a lift capacity of about three times that of a Blackhawk, the Chinooks provide support to Army operations ranging from tactical and intra-theatre battlefield lifts of soldiers to regional humanitarian assistance.

The CH-47F Improved Cargo Helicopter is a remanufactured version of the CH-47D Chinook cargo helicopter with more powerful engines, enabling it to transport payloads weighing more than 9.5 tons at faster speeds. DMO intends to acquire the CH-47Fs from the United States Army through a Foreign Military Sales acquisition.

An audit would examine DMO’s management of the acquisition of the CH-47F helicopters, including adherence to relevant procurement and financial guidelines, contractor management and internal reporting.

**Acquisition of the MRH-90 Helicopter Capability – AIR 9000 Phases 2, 4 and 6**

Project AIR 9000 will provide 46 multi-role helicopters to replace existing Army’s Blackhawk and Navy’s Sea King helicopters at a budgeted cost of $3.8 billion.

The project has experienced difficulties associated with schedule slippage and capability delivery. By November 2010, the initial delivery of helicopters to the ADF was delayed by 18 months, and those delivered have required the replacement of key components such as cabin floor panels and windscreens. During 2010, MRH-90 flying operations were suspended due to engine failure and mechanical problems. The Aircrew Information Set has also been assessed as unsuitable for Australian operations.
To date, DMO has accepted 13 MRH-90 helicopters from the contractor, all of which require retro-fit to remedy defects. No fully compliant aircraft have been delivered to the ADF.

An audit would examine DMO’s management of the MRH-90 helicopter capability, including adherence to relevant procurement and financial guidelines, contractor management and internal reporting.

**Skilling Australia’s Defence Industry**

The Skilling Australia’s Defence Industry (SADI) Program is administered by DMO with a budget of approximately $215 million over 10 years. The program’s stated outcomes are the generation of additional skilled positions, upskilling of existing employees, and improving the quality and quantity of skills training in defence industry. SADI is structured as a reimbursement program where companies commit to a program of skilling activities with outcomes and costs agreed in advance.

A range of companies working on Defence acquisition and sustainment contracts are eligible to apply for SADI funding. Third parties, such as education institutions and industry representative bodies, can also request SADI funding. Requests and proposals are assessed on their merits against published guidelines.

An audit would review the effectiveness of DMO’s management of the SADI program.

**Tendering and Contracting Arrangements for Phase 2 of Project Single LEAP (Living Environment and Accommodation Precinct)**

Project Single LEAP (Living Environment and Accommodation Precinct) is designed to bring living-in accommodation for single members of the ADF into line with community standards. In June 2011, a contract was signed for Phase 2 of Project Single LEAP through a Public Private Partnership (PPP) arrangement. The contractor for Phase 2 is responsible for the planning, development, financing, maintenance and operation of 3015 units of single member’s accommodation at 14 Defence bases across Australia for 30 years. In addition to the approximate $1 billion in construction costs, the contract provides for Defence to pay a service fee of approximately $3 billion for facilities including maintenance, servicing and mid-life upgrades.

An audit would examine the tendering and contracting arrangements for Phase 2 of Project Single LEAP to assess the extent to which the Commonwealth’s PPP principles have been applied and whether value for money has been obtained through the contractual arrangements.

**Defence Integrated Distribution System**

The Defence Integrated Distribution System (DIDS) is an outsourcing arrangement to operate the delivery of the Defence warehousing, distribution and equipment repair network. Launched in November 2004, at a cost of $920 million, Defence has an objective of achieving savings of approximately $40 million from the DIDS project over a 10-year period against current costs, and savings of $269 million against the original baseline for the project.

An audit would review the development of the requirements for DIDS, having regard for the proposed cost savings and transitional arrangements, and Defence’s conduct of the tendering process.
Veterans’ Affairs

Audit strategy overview

The Department of Veterans’ Affairs (DVA) and other Australian Government entities administered by the Minister for Veterans’ Affairs, such as the Australian War Memorial and the Office of Australian War Graves, are part of the Defence portfolio. In the 2011–12 Budget, DVA was appropriated over $12 billion.

DVA, on behalf of the Repatriation Commission and the Military Rehabilitation and Compensation Commission, administers the Veterans’ Entitlements Act 1986, the Military Rehabilitation and Compensation Act 2004, and the Safety, Rehabilitation and Compensation Act 1988. Under these Acts and other legislation, the department is responsible for carrying out government policy and implementing programs to fulfil Australia’s obligations to veterans and war widows, serving and former members of the Australian Defence Force, certain Australian Federal Police with overseas service and their dependants. DVA also undertakes activities to communicate and promote service and sacrifice and to preserve Australia’s wartime heritage and official commemorations through the Office of Australian War Graves and the Australian War Memorial.

DVA has been undergoing significant change for several years due to the declining population of aged World War II veterans and war widows. Current challenges facing the department include delivering the same level of service to veterans while meeting the changing needs of the defence force community, particularly those of veterans from contemporary military operations, within an environment of reducing operating budgets.

The ANAO’s audit program for 2011–12 takes into consideration DVA’s approach to engaging with the veteran community, including complaints management; administering government programs; and purchasing and protecting government outlays.

Audits in progress at July 2011

Mental Health and Related Services Delivered to Younger Veterans by DVA

A significant percentage of disabilities claimed by the veteran community include mental health conditions. At 30 June 2010, DVA reported that it was supporting about 160 000 veterans with one or more service-related disabilities. Of these, nearly 48 000 had an accepted mental health disability, and some veterans had more than one accepted disability. DVA has reported that expenditure on mental health in 2007–08 was $142 million, rising to $160 million in 2008–09.

In November 2000, the Repatriation Commission endorsed the adoption of the DVA Mental Health Policy, Towards Better Mental Health for the Veteran Community, for the purposes of guiding the future planning and delivery of mental health care to DVA clients. In the 2006–07 Budget, the Australian Government committed $19.9 million over four years to improve access to preventative and community-oriented mental health care for the veteran community, with a focus on younger veterans.

While DVA has historically provided services to a relatively homogeneous client group, the characteristics of DVA clients are changing. The client group returning from deployments undertaken since 1990 includes younger clients with different needs and expectations, who interact with DVA in different ways. DVA is continuing to adapt to these changes.
The objective of the audit is to assess DVA’s service delivery and support to younger veterans in regard to mental health and related care services.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Potential audits**

**Complaints Management**

DVA commissioned an independent review of its complaints handling system and policy in 2007 and, in late 2009, initiated a project to consolidate and standardise its complaints and feedback management practices. The 2007 review recommended a new framework for complaint handling, with a focus on ensuring complaints are welcomed by DVA, recorded and dealt with effectively and efficiently and the information is used to improve DVA’s business. The review also recommended an improved data capture system with a robust analysis and reporting capacity. The upgraded complaints and feedback management system began operation on 1 July 2010.

An audit would examine DVA’s feedback and complaints management system, including the complaints handling guidelines and procedures, the use of stakeholder feedback, and performance measurement, including measures of client satisfaction and timeliness.

**Management of Arrangements with State and Territory Governments for the Purchase of Hospital Services for Veterans**

DVA is one of Australia’s largest purchasers of public hospital services, with approximately $1.7 billion appropriated for this purpose in the 2011–12 Budget. Under Section 89 of the Veterans’ Entitlements Act 1986, DVA may enter into arrangements for the provision of hospital treatments to veterans and other eligible persons with both public and private hospital authorities. The choice of hospital to be accessed is determined having regard to a veteran’s preference and whether the treating doctor or specialist has visiting rights at a particular hospital.

The veteran population is ageing and the use of hospital services by those aged 80 years and over is increasing. At the same time, younger veterans have indicated a preference for a more flexible and community-based approach to health care arrangements.

An audit would examine DVA’s purchasing of hospital services, including value for money.

**Administration of the Veterans’ Children Education Scheme**

The Veterans’ Children Education Scheme (the Scheme) is established under the Veterans’ Entitlements Act 1986 to support eligible children undertaking primary, secondary or tertiary study. The Scheme provides financial assistance, student support services, guidance and counselling for eligible children. In 2011–12 the Scheme had a budget of approximately $20 million.

An audit would examine the effectiveness of DVA’s administration of the Scheme.
Grants Administration

DVA administers a range of grant programs totalling around $10 million in 2010–11, and will provide a similar amount in 2011–12 to a range of organisations.

An audit would examine key elements of the design and operation of DVA’s processes for administering its grant programs, including assessing whether DVA is complying with the requirements and principles of the Commonwealth Grant Guidelines.
Education, Employment and Workplace Relations

Audit strategy overview

The responsibilities of the Education, Employment and Workplace Relations portfolio include education and training, services to assist job seekers, and workplace relations.

Within the portfolio, the Department of Education, Employment and Workplace Relations (DEEWR) administers government payments for five outcomes that cover early childhood learning and care; school education; higher education; labour market assistance; and workplace arrangements.

Over the past four years the Australian Government has made substantial investments to improve the quality of education for Australians. Key measures have sought to strengthen early childhood education; build education infrastructure and invest in information technology for students; address educational disadvantage; support quality teaching; improve literacy and numeracy; ensure transparency of educational outcomes; and increase higher education attainment. To support reforms in these areas, the Council of Australian Governments (COAG) has agreed to a number of National Partnership Agreements that commit the Commonwealth, state and territory governments to specific education actions and targets, including closing the gap for Indigenous Australians. With Australia now in the midst of a renewed mining boom and facing labour market shortages, the Australian Government has identified skills for the future as a critical challenge. In particular, the Australian Government has identified education, training and labour market participation as central to effectively meeting this challenge.

The ANAO has given priority to education-related topics in its recent audit coverage of the portfolio. Audits have included the Building the Education Revolution Program and the Trade Training Centres in Schools Program (both infrastructure related); the Digital Education Revolution Program (information technology); and the National Partnership Agreement on Early Childhood Education. The ANAO’s program of potential audits continues to focus on education topics, which cover early childhood support, school support, vocational education and training, universities, and the implementation of National Partnership Agreements. Potential audits include the Smarter Schools National Partnership Agreement, the Commonwealth Grant Scheme for Higher Education and the Skills for Sustainable Growth package.

ANAO’s audit coverage of DEEWR’s employment services programs has concentrated on the department’s administration of the Job Network. The ANAO will continue to consider employment services now that Job Services Australia, Job Network’s replacement, has been established. Major changes to workplace legislation since May 2009 have also impacted on the department and portfolio agencies. The department and agencies have now had time to implement and improve new processes and systems to support legislative and operational changes. The ANAO’s current and potential portfolio coverage includes a focus on the implementation and operation of revised workplace relations arrangements.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The objective of the audit is to assess the efficiency and effectiveness of the establishment, implementation and administration of the IEP stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have complied with it, including new aspects such as the Fair Dismissal Code for Small Business.

The audit is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The objective of the audit is to assess the effectiveness of DEEWR’s administration of FWEIP.

The audit is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The 2008 National Partnership Agreement on Indigenous Economic Participation aims to contribute to the target of halving the gap in employment outcomes between Indigenous and non-Indigenous Australians. A key focus of the program is to assist Indigenous Australians to attain employment outcomes comparable to the rest of the Australian population.

ANAO’s assessment will focus on the progress of the program and the Australian Government’s ability to demonstrate arrangements to achieve sustainable economic participation by Indigenous Australians. The ANAO expects that the program will provide a solid foundation to support Indigenous Australians in attaining economic self-sufficiency.

In November 2008, COAG endorsed the Early Childhood Education National Partnership Agreement (ECENPA) to support governments in preparing children for success in school. The agreement was one of the fiscal measures implemented to support employment and economic recovery in response to the global financial crisis. Funding under the IEP stream was originally announced as being available over two years (commencing on 1 July 2009) for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession.

The program is expected to address early childhood disadvantage and ensure a strong start for vulnerable children.

The purpose of the audit is to assess the effectiveness of DEEWR’s administration of the initial phases of the Early Childhood Education National Partnership Agreement.

The objective of the audit is to assess the quality and consistency. The Australian Government has committed $970 million over five years to improve the quality of education for Australians. Key measures have sought to strengthen early childhood education; build education infrastructure and invest in information technology for students; address educational disadvantage; support quality teaching; improve literacy and numeracy; ensure transparency of educational outcomes; and increase higher education attainment.

The objective of the audit is to assess the effectiveness of DEEWR’s administration of the Fair Work Education and Information Program (FWEIP). A key focus of the program is to inform employees, employers and small business about the workplace relations system that commenced on 1 July 2009.

The audit is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Under the program, the Australian Government offered $12.9 million in grants to selected states and territories to inform employees, employers and small business about the workplace relations system that commenced on 1 July 2009.

The objective of the audit is to assess the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.
Audits in progress at July 2011

**Fair Work Education and Information Program**

The Fair Work Education and Information Program (FWEIP) informed employees, employers and small business about the workplace relations system that commenced on 1 July 2009. Under the program, the Australian Government offered $12.9 million in grants to selected community, employee, employer and small business organisations to deliver education and information programs across Australia on the *Fair Work Act 2009*. A key focus of the program was to ensure employers, particularly small businesses, understood the new system and complied with it, including new aspects such as the Fair Dismissal Code for Small Business.

The objective of the audit is to assess the effectiveness of DEEWR's administration of FWEIP.

The audit is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Early Childhood Education National Partnership Agreement**

In November 2008, COAG endorsed the Early Childhood Education National Partnership Agreement. Under the agreement, the Commonwealth, state and territory governments committed to the goal that by 2013 every child will have access to a preschool program in the 12 months prior to full-time schooling. National priorities for the first two years of the agreement (2009 and 2010) included increasing participation rates, particularly for Indigenous and disadvantaged children; ensuring cost is not a barrier to access; and strengthening program quality and consistency. The Australian Government has committed $970 million over five years to the states and territories to support implementation of the initiative.

The objective of the audit is to assess the effectiveness of DEEWR's administration of the initial phases of the Early Childhood Education National Partnership Agreement.

The audit is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund**

The $150 million Infrastructure Employment Projects (IEP) stream of the $650 million Jobs Fund was one of the fiscal measures implemented to support employment and economic recovery in response to the global financial crisis. Funding under the IEP stream was originally announced as being available over two years (commencing on 1 July 2009) for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. In July 2010, the project funding end date was revised to 30 June 2012.

The objective of the audit is to assess the efficiency and effectiveness of the establishment, implementation and administration of the IEP stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Indigenous Employment in Government Service Delivery**

The 2008 National Partnership Agreement on Indigenous Economic Participation aims to contribute to the target of halving the gap in employment outcomes between Indigenous and
non-Indigenous Australians within a decade. The National Partnership Agreement involves complementary investment and effort by the Commonwealth, states and territories to significantly improve opportunities for Indigenous Australians to engage in private and public sector jobs through four elements.

The focus of the audit is Element 1, the National Jobs Creation Package ($172.7 million), which aimed to create real sustainable employment in areas of government service delivery that have previously relied on subsidisation through the Community Development Employment Projects program. Prior to the National Jobs Creation Package, a similar package specific to the Northern Territory, the Northern Territory Jobs Package ($92.6 million), was introduced as part of the Northern Territory Emergency Response. Each jobs package aimed to create around 2000 jobs for Indigenous Australians supporting the delivery of Australian Government services in regional and remote areas of Australia.

The objective of the audit is to assess the effectiveness of DEEWR’s and the Department of Families, Housing, Community Services and Indigenous Affairs’ (FaHCSIA) administration of the Australian Government’s responsibilities under Element 1 of the National Partnership Agreement (including the Northern Territory Jobs Package). This audit also includes the departments of Health and Ageing (DoHA); Sustainability, Environment, Water, Population and Communities; and the Prime Minister and Cabinet.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Capacity Development for Indigenous Service Delivery**

The use of Indigenous organisations is a key element of the service delivery model adopted by Australian Government agencies for Indigenous programs and services. The capacity of these organisations to effectively deliver funded services can be influenced by features of the overall administrative frameworks used by departments to manage grant programs, as well as by the internal capability of individual organisations. Limitations in capacity can impact on the effective delivery of the service or program, and managing this risk is an important element of sound grants administration.

The objective of the audit is to assess the extent to which selected Australian Government agencies recognise and seek to reduce service delivery risks posed by capacity constraints in Indigenous organisations. The three departments involved in the audit are DEEWR, FaHCSIA and DoHA.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Indigenous Secondary Student Accommodation Initiatives**

Improving educational outcomes for Indigenous children has been an important policy priority for successive Commonwealth, state and territory governments. Indigenous children, particularly those in rural and remote areas of Australia, face a range of barriers to receiving a quality education. As one way of seeking to improve educational outcomes the Australian Government is implementing two separate initiatives to construct boarding facilities for Indigenous children in Queensland and the Northern Territory. These are:

- the Indigenous Boarding Facilities initiative, administered by DEEWR; and
- the Indigenous Boarding Hostels Partnerships program, administered by FaHCSIA.

36
The objective of the audit is to assess the extent to which DEEWR and FaHCSIA have effectively managed the planning and consultation phases for their respective programs.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Establishment, Implementation and Administration of the Local Jobs Stream of the Jobs Fund

The Jobs Fund also included a $300 million Local Jobs stream, which is the subject of a separate but concurrent ANAO performance audit to that being undertaken of the Infrastructure Employment Projects stream. Under the Local Jobs stream, $60 million was quarantined for heritage-related projects and $40 million was quarantined for the construction of bike paths (with $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the Australian Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The objective of the audit is to assess the efficiency and effectiveness of the establishment, implementation and administration of the Local Jobs Stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives. The audit scope includes the two quarantined components of the Local Jobs stream, as well as the remaining funding that was not quarantined.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

Potential audits

Support for the Childcare System

The Support for the Childcare System Program aims to support access to quality child care and early childhood education services. The program comprises two elements: Childcare Services Support, with a budget of $342 million in 2011–12; and Jobs, Education and Training Childcare Fee Assistance, with a budget of $54 million in 2011–12.

The Childcare Services Support element includes support for the establishment of new services and to maintain existing services; support for childcare quality, professional development for childcare workers; and information to assist families make informed decisions about child care. The Jobs, Education and Training Childcare Fee Assistance element provides eligible parents with extra financial assistance to help with the cost of approved child care while undertaking activities such as job search, work, study or rehabilitation to help them enter or re-enter the workforce.

An audit would examine DEEWR’s management of one or more elements of the program.

National Partnership Agreement on Indigenous Early Childhood Development—Element 1, Delivery of the Children and Family Centres

Under the October 2008 National Partnership Agreement on Indigenous Early Childhood Development, the Commonwealth, state and territory governments committed $564 million of joint funding over six years to provide integrated early childhood services including child care, early learning, parenting and family support, antenatal, and maternal and child health services in
35 communities (subsequently increased to 38). This commitment is a major element of the Early Childhood Building Block agreed by COAG as an area for action under the National Indigenous Reform Agreement.

Element 1 of the National Partnership Agreement provides for the construction of Children and Family Centres to facilitate the delivery of services in 38 communities. The Australian Government has allocated $293 million to the states and territories, who are responsible for establishing the centres on behalf of the Australian Government. The first centres were expected to be operational by the end of 2010, with the majority operational by the end of 2012. As at March 2011, 38 locations had been determined for centres although services are currently delivered from only 10 interim sites.

An audit would examine DEEWR’s monitoring and oversight of the implementation of Element 1 of the National Partnership Agreement (the delivery of children and family centres). An audit would complement the current audit of New Directions: Mothers and Babies Services in DoHA, which forms Element 3 of the National Partnership Agreement.

**Smarter Schools National Partnership Agreements**

The Australian Government has entered into Smarter Schools National Partnership Agreements with the states and territories to address disadvantage (including Indigenous disadvantage), support teacher quality, and improve literacy and numeracy.

The three National Partnership Agreements provide for:

- Low Socio-economic Status School Communities ($1.5 billion from 2008–09 to 2014–15), to support education reform activities in up to 1500 low socio-economic status schools across the country;
- Improving Teacher Quality ($550 million from 2008–09 to 2012–13), to help attract and retain quality teachers and leaders in schools; and
- Literacy and Numeracy ($540 million from 2008–09 to 2012–13), to improve literacy and numeracy outcomes for all students, especially those who are most in need of support.

A series of audits would examine the effectiveness of DEEWR’s administration of particular National Partnership Agreements, including the design and implementation of the administrative arrangements (including the payment and acquittal of funds), and the monitoring and reporting of progress towards agreed outcomes. The audits would also focus on Indigenous elements and outcomes of the National Partnership Agreements.

**My School Website**

In January 2010 the Australian Government released the My School website to introduce a new level of transparency and accountability to the Australian school system. My School is an Australian Curriculum, Assessment and Reporting Authority (ACARA) information service, which profiles almost 10 000 Australian schools, including National Assessment Program Literacy and Numeracy test results. Key changes to the website in March 2011 included reporting financial information for each school.

The performance of schools is affected by a range of factors. The My School website is designed to allow and encourage comparisons with schools that are statistically similar in terms of the factors known to affect test performance.
An audit would examine the effectiveness of ACARA’s management of the My School website.

**National Partnership Agreement on Youth Attainment and Transitions**

The National Partnership Agreement on Youth Attainment and Transitions aims to improve young Australians’ educational participation and attainment, their engagement, and their transition to post-school education, training and employment. Under the National Partnership Agreement, the Australian Government is providing $623 million in funding over four calendar years, from 2010 to 2013, to improve youth career and transition arrangements. The National Partnership Agreement also provides $100 million in reward funding for states and territories for progress towards achieving the COAG target of 90 per cent Year 12 or equivalent attainment for 20–24 year olds by 2015. Initiatives under the National Partnership Agreement include:

- **Youth Connections**—$287 million over four years to provide an improved safety net for youth who have disengaged or are at risk of disengaging from school;
- **School Business Community Partnership Brokers**—$139 million over four years to strengthen partnerships between schools, business and communities to extend learning beyond the classroom, encourage student engagement and improve education outcomes;
- **Maximising Engagement, Attainment and Successful Transitions**—$150 million over four years to support the implementation of reforms in the areas of multiple learning pathways; career development and mentoring; and
- **National Career Development**—$47 million over four years for the development of resources at a national level for the benefit of all jurisdictions.

An audit would examine the effectiveness of DEEWR’s administration of one or more of the National Partnership Agreement’s initiatives.

**Commonwealth Grant Scheme for Higher Education**

The Australian Government has primary responsibility for public funding of higher education, including general recurrent grants for universities through the Commonwealth Grant Scheme for Higher Education. The Australian Government provides funding to eligible higher education institutions for an agreed number of Commonwealth-supported places each year. In order to increase the number of students undertaking higher education, the scheme is currently transitioning to a demand-driven funding system, to be fully operational by 2012. In 2010–11, $5 billion in payments are forecast to be made under the scheme.

An audit would examine the effectiveness of DEEWR’s administration of the Commonwealth Grant Scheme for Higher Education.

**Education Investment Fund**

The Education Investment Fund (EIF) was announced in the 2008–09 Budget as one of three nation-building funds. The EIF was established to:

- make payments towards creating or developing education infrastructure in areas such as higher education, research and vocational education and training; and
- make transitional payments relating to the former Higher Education Endowment Fund, the balance of which was transferred into the EIF.
DEEWR and the Department of Innovation, Industry, Science and Research are responsible for EIF project identification and evaluation criteria, with the Department of Finance and Deregulation being involved in the payment process once decisions are made about which projects to fund.

An audit would examine the identification of candidate projects, the development and application of EIF evaluation criteria for selection of projects, and the effectiveness of administration of funding for approved projects. It would also examine the investment by the Future Fund Board of Guardians and Future Fund Management Agency of the assets of the EIF (which totalled $5.3 billion as at 31 March 2011).

**Skills for Sustainable Growth**

The Skills for Sustainable Growth package, announced in the 2010–11 Budget, is designed to provide Australians with increased opportunities to benefit from, and contribute to, the country’s economic recovery. The package includes three key elements which aim to help drive and deliver the jobs of the future, and promote increased workforce participation and productivity. The three elements are:

- More Skills for Recovery—$300 million to help Australia quickly and effectively address emerging skills shortages as the economy recovers;
- A Training System for the Future—$240 million for longer–term reform of the training system to ensure that it meets industry and student demands, and that high quality provision defines Australia’s vocational education sector; and
- Foundation Skills—$120 million to lift the level of language, literacy and numeracy skills of the nation’s current and future workforce.

An audit would examine DEEWR’s management of one or more elements of the program.

**Job Services Australia**

Job Services Australia (JSA) was implemented on 1 July 2009. The new service is a major reform of the way employment services are delivered and is designed to provide the right mix of training, work experience and other interventions to help support job seekers, particularly the disadvantaged, obtain suitable employment. JSA represents an investment of $4.9 billion over the next three years by the Australian Government.

An audit would examine aspects of DEEWR’s administration of JSA such as planning, the tender process to award JSA provider contracts, transition, and ongoing management.

**Productive Ageing**

Australia’s mature age workforce participation rate is below that in other comparable economies such as the United States, United Kingdom, Canada and New Zealand. The Australian Government’s 2010 Intergenerational Report, Australia to 2050: Future Challenges, highlights the importance of addressing this issue and the need to make the most of a proportionately smaller workforce as the workforce ages.

In February 2010 the Australian Government announced the Productive Ageing package to provide practical support to older Australians who want to stay in the workforce, by investing in quality job training for mature jobseekers and supporting mature workers mentoring young
Australians. The package includes $19 million to help mature age workers stay in employment and to support skills transfer, and $23 million to help mature age workers transition to new employment through Job Services Australia.

An audit would examine DEEWR’s administration of the Productive Ageing Package, particularly its implementation.

**Indigenous Employment Program**

The objective of the Indigenous Employment Program is to increase Indigenous Australians’ employment outcomes and participation in economic activities, contributing to the Australian Government’s commitment to halving the gap between Indigenous and non-Indigenous employment outcomes within a decade. The Australian Government committed $764 million to the Indigenous Employment Program over five years from 2009.

The Indigenous Employment Program is designed to provide assistance to target major barriers to employment and to support Indigenous people in employment. It is also intended to deliver a more targeted approach to assisting Indigenous people establish sustainable businesses as well as incorporating new elements including, voluntary mobility assistance, language, literacy and numeracy and aspiration building. The program arrangements are designed to be flexible and responsive to the needs of Indigenous job seekers, Indigenous businesses and employers, and also included an increased focus on reducing red tape through one contract methodology and simplified contracting arrangements.

An audit, or series of audits, would examine DEEWR’s overall administration of the Indigenous Employment Program as well as administration of the specific delivery streams within the program.

**Fair Work Ombudsman**

The role of the Fair Work Ombudsman (FWO) was established by the *Fair Work Act 2009*. The FWO works with employees, employers, contractors and the community to promote harmonious, productive and cooperative workplaces. The FWO also has powers to investigate workplace complaints and enforce compliance with Australia's workplace laws.

An audit would examine the effectiveness of processes and systems established by the FWO to meet its responsibilities. The audit would focus on selected responsibilities of the FWO, such as information provision and education to support understanding of workplace rights and responsibilities.
Families, Housing, Community Services and Indigenous Affairs

Audit strategy overview

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is responsible for advice on social policy and the administration of grants and other payments designed to improve the lives of Australians by helping to build the capacity and wellbeing of individuals, families and communities. As the lead agency for Indigenous Affairs, the department plays a key role in coordinating government efforts in Closing the Gap in Indigenous disadvantage, as well as itself delivering programs that seek to directly contribute to the Australian Government’s goals in this area of social policy.

In 2010–11 FaHCSIA administered grants totalling around $1.6 billion, for the delivery of community services in areas including Indigenous, disability, community capability and family services. Payments for community services are generally made through grant programs to not-for-profit organisations and administering these grant programs remains an important business delivery activity area for FaHCSIA.

In recent years, the ANAO’s audit program has primarily examined FaHCSIA’s administration and implementation of various programs such as Family Relationship Centres and Disability Employment Services. Recent audit coverage of Indigenous programs has included Indigenous housing programs and Government Business Managers in the Northern Territory.

Audit coverage will continue to give attention to FaHCSIA’s role in delivering community service programs through the not-for-profit sector. Audit coverage will also continue to be given to FaHCSIA’s role in Indigenous Affairs through audits of specific programs as well as through cross portfolio audits covering whole of government activities.

Audits in progress at July 2011

National Partnership Agreement on Remote Indigenous Housing

The Australian Government has committed $5.5 billion over 10 years to address overcrowding, homelessness, poor housing and housing shortages in remote Indigenous communities across Australia. The National Partnership Agreement on Remote Indigenous Housing (NPARIH) provides for the construction of up to 4200 new houses in remote Indigenous communities; upgrades to around 4800 existing houses through a program of major repairs and/or replacement; and the audit and transfer of municipal services.

The audit focuses on the component of the NPARIH being delivered in the Northern Territory and the objective is to assess the effectiveness of the implementation of the NPARIH in the Northern Territory from the perspective of the Australian Government.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The Implementation and Management of the Housing Affordability Fund

In September 2008, the Australian Government launched the Housing Affordability Fund (HAF). The HAF is a grants program designed to increase the supply and reduce the cost of new homes by:
The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Housing Assistance Fund (HAF)**

The HAF is a grants program designed to increase the supply and reduce the cost of new homes by:
- providing for the construction of up to 4200 new houses in remote Indigenous communities;
- replacing; and the audit and transfer of municipal services.

The National Partnership Agreement on Remote Indigenous Housing (NPARIH) was established to address overcrowding, homelessness, poor housing and housing shortages in remote Indigenous communities across Australia. The Australian Government has committed $5.5 billion over 10 years to address overcrowding, homelessness and the objective is to assess the effectiveness of the implementation of the NPARIH in the Northern Territory from the perspective of the Australian Government.

Audits in progress at July 2011 cross portfolio audits covering whole of government activities.

FaHCSIA's role in Indigenous Affairs through audits of specific programs as well as through programs through the not-for-profit sector. Audit coverage will also continue to be given to audit coverage will continue to give attention to FaHCSIA's role in delivering community services in areas including Indigenous, disability, community capability and family services in regional and remote areas of Australia.

The use of Indigenous organisations is a key element of the service delivery model adopted by Australian Government agencies for Indigenous programs and services. The capacity of these organisations to effectively deliver funded services can be influenced by features of the overall administrative frameworks used by departments to manage grant programs, as well as by the internal capability of individual organisations. Limitations in capacity can impact on the effective delivery of the service or program, and managing this risk is an important element of sound grants administration.

The objective of the audit is to assess the extent to which selected Australian Government agencies recognise and seek to reduce service delivery risks posed by capacity constraints in Indigenous Employment in Government Service Delivery

The 2008 National Partnership Agreement on Indigenous Economic Participation aims to contribute to the target of halving the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade. The National Partnership Agreement involves complementary investment and effort by the Commonwealth, states and territories to significantly improve opportunities for Indigenous Australians to engage in private and public sector jobs through four elements.

The focus of the audit is Element 1, the National Jobs Creation Package ($172.7 million), which aimed to create real sustainable employment in areas of government service delivery that have previously relied on subsidisation through the Community Development Employment Projects program. Prior to the National Jobs Creation Package, a similar package specific to the Northern Territory, the Northern Territory Jobs Package ($92.6 million), was introduced as part of the Northern Territory Emergency Response. Each jobs package aimed to create around 2000 jobs for Indigenous Australians supporting the delivery of Australian Government services in regional and remote areas of Australia.

The objective of the audit is to assess the effectiveness of FaHCSIA's, the Department of Education, Employment and Workplace Relations' (DEEWR) administration of the Australian Government's responsibilities under Element 1 of the National Partnership Agreement (including the Northern Territory Jobs Package). This audit also includes the departments of Health and Ageing (DoHA); Sustainability, Environment, Water, Population and Communities; and the Prime Minister and Cabinet.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Capacity Development for Indigenous Service Delivery**

The use of Indigenous organisations is a key element of the service delivery model adopted by Australian Government agencies for Indigenous programs and services. The capacity of these organisations to effectively deliver funded services can be influenced by features of the overall administrative frameworks used by departments to manage grant programs, as well as by the internal capability of individual organisations. Limitations in capacity can impact on the effective delivery of the service or program, and managing this risk is an important element of sound grants administration.

The objective of the audit is to assess the extent to which selected Australian Government agencies recognise and seek to reduce service delivery risks posed by capacity constraints in
Indigenous organisations. The three departments involved in the audit are FaHCSIA, DEEWR and DoHA.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Indigenous Secondary Student Accommodation Initiatives**

Improving educational outcomes for Indigenous children has been an important policy priority for successive Commonwealth, state and territory governments. Indigenous children, particularly those in rural and remote areas of Australia, face a range of barriers to receiving a quality education. As one way of seeking to improve educational outcomes the Australian Government is implementing two separate initiatives to construct boarding facilities for Indigenous children in Queensland and the Northern Territory. These are:

- the Indigenous Boarding Hostels Partnerships program, administered by FaHCSIA; and
- the Indigenous Boarding Facilities initiative, administered by DEEWR.

The objective of the audit is to assess the extent to which FaHCSIA and DEEWR have effectively managed the planning and consultation phases for their respective programs.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**National Partnership Agreement on Remote Service Delivery**

The National Partnership Agreement on Remote Service Delivery (NPARSD) is a commitment by governments to improve the delivery of government services in 29 remote Indigenous communities. The overall aim is to improve access to services, and raise these services to the standard provided to other Australian communities, through the implementation of a service delivery model that clearly identifies service standards, roles and responsibilities and service delivery parameters. The Australian Government has committed $187.7 million (of the total $291.2 million) over six years from 2008–09 and, under NPARSD, is responsible for:

- establishing and staffing a new integrated service planning and delivery mechanism;
- facilitating problem-solving and ensuring the smooth implementation of service delivery reforms;
- undertaking baseline mapping and monitoring and evaluation;
- providing a research capacity to advise on cultural accessibility; and
- introducing a national framework for the effective supply and use of Indigenous language interpreters and translators.

The objective of the audit is to assess the effectiveness of FaHCSIA’s management of the Australian Government’s responsibilities under the NPARSD.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**Potential audits**

**Financial Management Program**

The Financial Management Program is a series of services, such as financial counselling, that aim to help people across a range of income and financial literacy levels to manage their
money, overcome financial adversity, participate in their communities and plan for the medium to long term.

In response to the increased need for financial management support services following the global financial crisis, the Australian Government increased funding for the Financial Management Program from $50 million at the start of 2008–09, to $124.5 million in 2010–11. This includes $50 million over two years from 1 July 2009 for new, innovative projects to build the financial resilience of people on low incomes. This additional funding aims to form a new approach that will help Australians deal with immediate crisis, as well as provide services to help them build financial capability and resilience.

An audit would examine FaHCSIA’s management of the Financial Management Program.

**Family Support Program**

The Family Support Program was established in 2009 with the aim of increasing access to and the provision of integrated services for families to improve child development, child safety and family functioning. Total program funding provided in the 2011–12 Budget was $278 million.

Reforms to delivery arrangements, effective from July 2011, aim to improve the targeting of support to vulnerable and disadvantaged families; better coordinate services for families and children; reduce red tape and paperwork for service providers; and enable providers to work more flexibly to meet the local needs of children and families.

Noting that the reforms are to take effect from 1 July 2011, a series of audits is proposed examining grant administration within the different service elements, or groups of service elements that make up the overall program. Audit coverage may also include early consideration of the reforms made to reduce red tape and efforts made to develop a collaborative approach to working with service providers in the not-for-profit sector, including the management of transition activities. Timing of audit activity would take into consideration the commencement of the reform activities.

**Income Management**

The Welfare Payments Reform program, announced in July 2007 as part of the Northern Territory Emergency Response, included income management as one of five program measures. A new model of income management was introduced on 1 July 2010. The new model is targeted at specific categories of people receiving social security payments who the Australian Government considers to be among the most disengaged and disadvantaged individuals in the welfare system.

Income management directs between 50 to 70 per cent of certain income support and family payments, and 100 per cent of all lump sum payments, to essential expenses such as food, clothing, housing and utilities. One way that customers can access their income managed funds is through the BasicsCard. The BasicsCard is a PIN-protected card which allows customers to access their income managed money through EFTPOS facilities at approved stores and businesses.

Finance and Deregulation

Audit strategy overview

As a central agency of the Australian Government, Finance and Deregulation (Finance) plays an important role in assisting and advising Government in a wide range of policy areas to ensure its outcomes are met. Essential services that Finance delivers include:

- supporting delivery of the Federal Budget;
- administering the provision of entitlements provided to Parliamentarians; and
- developing and maintaining the financial framework for Australian Government agencies.

ANAO’s planned performance audit strategy reflects Finance’s role as a central agency responsible for providing budget and financial management services and advice. In particular, in addition to a number of potential audits specific to the portfolio, Finance is often included in the scope of various cross-portfolio audits in the context of the Commonwealth financial framework and budgetary arrangements.

Audits in progress at July 2011

Implementation of Key Aspects of the Commonwealth Grant Guidelines

Grants administration is an important activity for many Australian Government entities, involving the payment of many billions of dollars of public funds each year. With effect from 1 July 2009, the legislative and policy framework applying to the assessment and approval of grants has been significantly enhanced. A key aspect of the new framework is the promulgation under the Financial Management and Accountability Regulations 1997 of the Commonwealth Grant Guidelines (CGGs). The CGGs identify a number of mandatory processes, decision-making and reporting requirements for both Ministers and officials involved in grants administration. The CGGs also include guidance on sound practice in grants administration that agencies should have regard to in implementing grant programs.

The new grants administration framework has a particular focus on the establishment of transparent and accountable decision-making processes for the awarding of grants. Accordingly, it includes requirements for reporting key aspects of decision-making to the Finance Minister, including in relation to instances where Ministers who are Members of the House of Representatives award a grant within their own electorate, and reporting to the Finance Minister of instances where Ministers have decided to approve a particular grant which the relevant agency has recommended be rejected. The effectiveness of these reporting processes depend on agencies meeting their obligation under the CGGs to provide advice to Ministers on the merits of any proposed grant before a funding decision is taken. Another key obligation under the new grants policy framework is for all grants programs to have guidelines in place, with the guidelines representing one of the policy requirements that grants must be consistent with in order to be approved under the program. The CGGs also outline the role that Ministers are to play in considering and approving guidelines for new grants programs, and any changes proposed to the guidelines for an existing program.

The ANAO is undertaking two audits examining the implementation of key aspects of the CGGs.
The objective of the first audit is to examine the administration of the new grant reporting process by agencies and Finance. The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The objective of the second audit is to assess the development and approval of grant program guidelines. The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**Administration of the Gateway Review Process**

Gateway is a project assurance methodology that involves short, intensive reviews at critical points in the project’s lifecycle by a team of reviewers not associated with the project. The intention is to provide an arm's-length assessment of the project against its specified objectives, and early identification of areas needing corrective action.

The objective of the audit is to examine:

- the effectiveness of the administration of the Gateway Review Process by Finance and **Financial Management and Accountability Act 1997** (FMA Act) agencies; and
- the extent to which those Gateway Reviews that have been conducted have contributed to improvements in the delivery of major projects.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Potential audits**

**Commonwealth Review of State Insurance Arrangements**

A fundamental principle of the arrangements in place for the Australian Government to help the states and territories (the states) pay for natural disaster relief and recovery costs is that the assistance should not discourage governments, individuals or business from taking out insurance to protect their assets. Following the flooding in parts of Australia over the summer of 2010–11 and Cyclone Yasi, the Australian Government agreed to amend the Natural Disaster Relief and Recovery Arrangements (NDRRA) to incorporate a new process under which the Commonwealth will be able to vary the level of Commonwealth support provided in response to disaster where a state's prudential arrangements are found to be not reasonably adequate. States wishing to be covered by the NDRRA are required to have an independent assessment of their insurance arrangements undertaken, with Finance to review these assessments so as to:

- establish benchmarks for the appropriateness of each states’ insurance arrangements;
- assess the appropriateness of states’ insurance arrangements; and
- make recommendations as to differential thresholds or differential rates of assistance that should apply under the NDRRA depending on the appropriateness of individual state’s insurance arrangements.

States wishing to be covered by the NDRRA are required to have their first independent assessment completed by 30 September 2011, with Finance required to report on its review within 90 days of receiving any state’s assessment. The amendments to the NDRRA also outlined that the Commonwealth Auditor-General is to periodically conduct audits of the Australian Government’s responsibilities. Accordingly, an audit would examine Finance’s review of these initial assessments.
Implementation of Improvements to the Administration of Parliamentarians’ Entitlements

Audit Report No.3 2009–10 examined the administration of Parliamentarians’ entitlements by Finance. A positive outcome of that audit was that, in July 2009, the Australian Government made some decisions concerning the reform of certain entitlements and agreed to a ‘root and branch’ review of the entitlements framework. The Australian Government further agreed to provide significant additional funding for Finance to improve the administration of entitlements as well as for publishing, online, details of the entitlements framework and expanding the current reporting regime to table and publish on the Finance internet site all entitlements expenditure administered by Finance.

Against this background, and given the significant public interest in the administration of Parliamentarians’ entitlements, the ANAO proposes to undertake an audit examining the implementation of improvements to the entitlements framework and its administration.

Administration of the Costing of Election Commitments

The Charter of Budget Honesty Act 1998 (the Charter) outlines arrangements under which the Secretaries of the Department of the Treasury and Finance (the Secretaries) may be asked to cost Government and Opposition election commitments during the caretaker period before a general election. Under the Charter, the Secretary to the Treasury is responsible for costing aspects of policies affecting revenue, while the Secretary of Finance is responsible for costing aspects of policies that affect government outlays and expenses. The Secretaries have, in accordance with the Charter, issued guidelines for the methodology to be used in the preparation of policy costings (the guidelines). The guidelines outline the principles and processes to be followed by the Treasury and Finance, with the aim of achieving consistent and transparent policy costings.

An audit would assess the timeliness and effectiveness of the costing of election commitments under the Charter, with particular reference to the caretaker period for the 2010 Federal Election.

Delivery of the Commonwealth New Building Project

In October 2005, the then Australian Government agreed to increase staffing levels at the Australian Security Intelligence Organisation (ASIO) to 1860 by 2010–11. As a consequence of this growth, the then Australian Government further agreed that a new central office building for the organisation was required. In this respect, the Commonwealth New Building Project involves the construction of a purpose-designed new central office facility located adjacent to the Defence Offices at Russell in Canberra. The overall budget for the project is $589 million as of 2008–09, with ASIO expected to move into the completed building during 2012.

An audit would examine Finance’s management of the design and delivery of the project, with the objective of assessing:

- the adequacy of the planning and delivery processes for the project; and
- the value-for-money achieved in the delivery of the project, including with regard to the suitability of the centre for its intended purpose.

Administration of the Contingency Reserve

The Contingency Reserve is an allowance, included in aggregate expenses, to allow for:

- amounts not yet allocated to individual programs;
- the tendency to underestimate costs of existing programs in future years;
- and the tendency to overestimate administered item expenses in the early years of the implementation of new programs.

As outlined in the 2011–12 Budget Papers, while the Contingency Reserve is designed to ensure that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the Contingency Reserve can only be drawn on once they have been appropriated by Parliament. These allowances are removed from the Contingency Reserve and allocated to specific agencies for appropriation and for outcome reporting closer to the time when the associated events eventuate. The 2011–12 Budget included a figure of $1.1 billion for the Contingency Reserve for 2011–12, and $15.6 billion over the following three years.

An audit would examine the use of the Contingency Reserve and its administration, as well as the accountability arrangements for the Reserve.
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Foreign Affairs and Trade

Audit strategy overview

The principal agencies in the Foreign Affairs and Trade portfolio are the Department of Foreign Affairs and Trade (DFAT), the Australian Agency for International Development (AusAID) and the Australian Trade Commission. The portfolio’s overarching objective is to advance Australia’s national interest—the security and prosperity of Australians—by contributing to improvements in international security, national economic and trade performance, and global cooperation.

In recent years the ANAO has focused its audit coverage on addressing risks associated with operating a network of missions overseas and with AusAID’s delivery of an expanding aid program.

Planned audit work will continue to focus on these key areas, and will also examine an important aspect of border security—biometric passports.

Audits in progress at July 2011

Management of Biometric Passports (ePassports)

Australia was one of the first countries to introduce the ‘ePassport’ in October 2005. The ePassport has an embedded microchip that stores the holder’s identity information, including a digitised photograph, for use with biometric facial recognition technology. In 2007–08 DFAT introduced an improved version of its facial recognition program to enhance its ability to confirm identity and detect fraud. In May 2009 it introduced the second generation ePassport—the N series—which is Australia’s most secure passport to date. DFAT issued a record 1.8 million passports in 2009–10.

The objective of the audit is to assess the effectiveness of DFAT’s implementation of biometric technology to meet international requirements for enhanced passport security. The audit complements previous audits of DFAT’s Passport Services and the Department of Immigration and Citizenship’s management of the introduction of biometric technologies.

The audit report is expected to be tabled in the Winter 2012 Parliamentary Sittings.

Potential audits

Deployment and Management of Australia-based Staff Overseas

The Australian Government seeks to promote Australia’s interests overseas through the establishment and operation of a network of overseas missions. Missions are staffed by a mix of Australia-based (A-based) and locally engaged staff.

The number of A-based staff deployed overseas has decreased by some 35 per cent over the last 20 years to around 563 staff, while at the same time the workload of DFAT and its missions has increased. A substantial component of this increase involves the provision of consular and passport services to an increasing number of Australian travellers.

An audit would examine the arrangements that DFAT uses to manage and deploy A-based staff overseas. Particular emphasis would be given to strategic consideration of the appropriate number of A-based staff, their skills, and the location of deployment. Arrangements to support
these deployments, including selection and training of staff and management of overseas conditions of service, would be key areas of focus. The audit would complement a previous audit, ANAO Audit Report No.1 2008–09 Employment and Management of Locally Engaged Staff.

**Business Continuity Management at Overseas Missions**

Business continuity management involves the development and maintenance of information and procedures to use in the event of a business disruption. At overseas missions, Business Continuity Plans (BCPs) might cover a range of scenarios—ranging from terrorist attacks to burst water pipes—and normally identify procedures to continue services where, for example, a Chancery becomes uninhabitable. Following the identification of weaknesses in the completeness and consistency of business continuity management and planning at overseas missions, DFAT developed and implemented new BCP guidance and templates for overseas missions in 2009.

An audit would examine the adequacy of BCPs at selected posts, including assessment of the role of DFAT Canberra. The audit would draw on the ANAO's 2009 Better Practice Guide Business Continuity Management.

**AusAID’s Management of Aid to Indonesia**

Australian aid to Indonesia is expected to amount to $450 million in 2010–11, which makes it the largest recipient of development assistance. The focus of the assistance provided is wide-ranging, including education and scholarships, health, infrastructure, democratic and economic governance, decentralisation reform, disaster risk reduction, and climate change initiatives.

An audit would examine AusAID’s management of aid to Indonesia, and the outcomes being achieved. The audit could focus on AusAID’s management of one or a small number of the program’s larger initiatives, such as the major school building program, which commenced after the 2004 Indian Ocean earthquake and tsunami.

The audit would also provide an opportunity for collaboration with the Indonesian Board of Audit (BPK). The ANAO is providing ongoing assistance to the BPK as part of its commitment to develop public sector auditing in the Asia-Pacific region.
**AusAID's Management of the Delivery of Aid Through Partner Government Systems**

To support more predictable and effective assistance, the Paris Declaration on Aid Effectiveness, and its follow-up, the Accra Agenda for Action, call on aid donors to increase the amount of aid delivered through partner government budget, finance and procurement systems. Consistent with its commitment to these international agreements, AusAID has increased the use of partner government systems to deliver aid, although progress remains behind that of other donors on average, and well short of internationally agreed targets. Currently, 21 per cent of Australian aid is recorded on recipient government budget estimates and accounting systems.

An audit would examine AusAID's management of the delivery of aid through partner government systems. The audit would focus on AusAID's progress in a cross-section of countries, to provide a comparative perspective about relative effectiveness.
Health and Ageing

Audit strategy overview

The Health and Ageing portfolio has a broad objective of working to achieve a health care system that meets the health care and ageing needs of all Australians. Achieving this objective relies on the work of the Department of Health and Ageing (DoHA) and a large number of portfolio entities delivering programs and initiatives both directly to health practitioners and health consumers, and through a range of intermediaries, including state and territory governments and non-government organisations. The more significant portfolio bodies include the National Blood Authority, National Health and Medical Research Council, Private Health Insurance Administration Council, Health Workforce Australia, General Practice Education and Training Ltd, and the new Australian National Preventive Health Agency.

DoHA is the lead agency in the portfolio and is responsible for achieving the Australian Government’s health and ageing priorities by developing evidence-based policy, managing programs and undertaking research and regulatory activities. In the 2011–12 Budget, DoHA received $47.4 billion for 14 departmental specific outcomes reflecting the Australian Government’s desired results for health and ageing. Recent ANAO audit coverage has focused on portfolio outcomes involving the effectiveness of: population health, aged care and population ageing, primary care, mental health and therapeutic goods regulation.

The ANAO’s 2011–12 audit program for the Health and Ageing portfolio has been developed within the context of the ANAO’s audit strategy. This strategy recognises the broad range of departmental and portfolio entity outcomes and targets the key risks to their achievement. In particular, the audit program recognises the Council of Australian Governments’ commitment to significant reforms to the health and hospitals system and the rapid growth in health infrastructure investment by the Commonwealth through the Health and Ageing portfolio. The strategic areas of the ANAO’s planned audit coverage include:

- reforming the delivery of health and hospital services—steps taken to improve responsiveness, enhance quality and increase the transparency of health and hospital services delivered to Australians;
- investing in health infrastructure and IT—improved access to health services through the effective establishment of new health infrastructure, such as General Practitioner (GP) Super Clinics, the upgrading of existing health infrastructure such as regional hospitals, and safer, more efficient, better quality health care through the introduction of electronic clinical record-keeping;
- meeting the care needs of older Australians—creating an aged care system that is responsive to older Australians and their families;
- improving Indigenous health outcomes—the effective delivery of initiatives to strengthen maternal and child health services and reduce the impact of chronic disease;
- building healthy communities—reducing the impact upon the Australian community and the resulting burden on the health system from preventable illness;
The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The internal capability of individual organisations. Limitations in capacity can impact on the effective administrative frameworks used by departments to manage grant programs, as well as by the organisations to effectively deliver funded services can be influenced by features of the overall Australian Government agencies for Indigenous programs and services. The capacity of these agencies recognises and seeks to reduce service delivery risks posed by capacity constraints in Indigenous organisations. The three departments involved in the audit are DoHA, the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Education, Employment, Community Services and Indigenous Affairs and the Department of Education, Employment, Workplace Relations.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Audits in progress at July 2011**

**Capacity Development for Indigenous Service Delivery**

The use of Indigenous organisations is a key element of the service delivery model adopted by Australian Government agencies for Indigenous programs and services. The capacity of these organisations to effectively deliver funded services can be influenced by features of the overall administrative frameworks used by departments to manage grant programs, as well as by the internal capability of individual organisations. Limitations in capacity can impact on the effective delivery of the service or program, and managing this risk is an important element of sound grants administration.

The objective of the audit is to assess the extent to which selected Australian Government agencies recognise and seek to reduce service delivery risks posed by capacity constraints in Indigenous organisations. The three departments involved in the audit are DoHA, the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Education, Employment, Workplace Relations.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Therapeutic Goods Regulation: Complementary Medicines**

The Australian Government has identified as a priority, the Australian community’s access to high quality, safe and effective therapeutic goods. The Therapeutic Goods Administration (TGA)—a part of DoHA—regulates the quality, safety and efficacy of therapeutic goods, including medicines and medical devices. The TGA’s operations are funded by cost recovery from industry through charges and fees for service.

About two thirds of all Australians use complementary medicines, which include vitamins, minerals, herbal, aromatherapy and homeopathic products. These products are generally available for self-medication by consumers.

The objective of the audit is to examine the effectiveness of TGA’s regulation of complementary medicines in Australia, and progress against previous ANAO recommendations.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.
National Blood Authority: Management of the National Blood Supply

The National Blood Authority is the national coordinating agency for supply and demand planning and the purchase of blood and blood products from suppliers on behalf of Australian governments. In 2011–12, the Authority’s total net resourcing is approximately $1.2 billion. The Authority commenced operation on 1 July 2003 as an independent statutory agency and its functions are set out in the National Blood Authority Act 2003. It was established as part of reforms to improve the management of Australia’s blood supply, and its operations are funded jointly by the Australian Government (63 per cent) and the state and territory governments (37 per cent collectively). The Authority manages contracts with several major suppliers of blood and blood products. The largest contract is with the Australian Red Cross Blood Service—$2.2 billion from 2006 to 2011.

The objective of the audit is to assess whether the National Blood Authority’s governance and contractual arrangements are effective in ensuring sufficient national blood supply.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

New Directions: Mothers and Babies Services

Investing in child and maternal health services is part of the Australian Government’s approach to reducing Indigenous disadvantage. Halving the gap in mortality rates between Indigenous and non-Indigenous children under the age of five is a key target of the National Indigenous Reform Agreement. The New Directions: Mothers and Babies Services program is managed by DoHA through the Office for Aboriginal and Torres Strait Islander Health and forms part of the National Partnership Agreement on Indigenous Early Childhood Development. The program has been developed to give Indigenous children a better start to life and complements existing child and maternal health services. Initial Australian Government funding of $90.3 million for the period January 2008 to June 2012 has been supplemented with further Australian Government funding of $133.8 million over four years.

The objective of the audit is to examine the effectiveness of DoHA’s administration of the New Directions: Mothers and Babies Services program, including the planning, implementation and performance monitoring arrangements.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

Potential audits

Progressing National Health Reforms

In February 2011, all Australian governments signed a Heads of Agreement on National Health Reform and a revised National Partnership Agreement on Improving Public Hospital Services, with a commitment given to signing a full National Health Reform Agreement by 1 July 2011. The National Health Reform Agreement, and the earlier National Health and Hospitals Network Agreement, propose reforms to the financing of the Australian health and hospital system with major changes to the governance arrangements between the Commonwealth, the states and territories aimed at delivering better health and hospital services. The changes to the funding arrangements are designed to provide a secure funding base for health and hospital services in the future. The new governance arrangements are intended to improve the responsiveness of the system to local needs, enhance the quality of services, and allow greater transparency.
An audit would examine the effectiveness of DoHA’s actions to progress the National Health Reforms, including the establishment of a Transition Office to coordinate the department’s implementation responsibilities and manage reform matters through a single point of contact.

**Primary Care Infrastructure Grants**

Commencing in 2010–11, the Australian Government is investing $117 million to improve access to integrated GP and primary health care. The Primary Care Infrastructure Grants initiative will provide funding to upgrade existing facilities in around 425 general practices, primary care and community health services, and Aboriginal Medical Services. Funding will be made available through annual competitive application rounds across three grant streams in each of 2010 and 2011.

An audit would examine DoHA’s administration of Primary Care Infrastructure Grants, having regard to the Australian Government’s policies and principles for grants administration.

**GP Super Clinics**

The Australian Government committed $280.2 million over five years, commencing in 2007–08, to establish 36 GP Super Clinics across Australia. GP Super Clinics were designed to bring together GPs, nurses, visiting medical specialists, allied health professionals and other health care providers, to deliver care that is tailored to the needs and priorities of local communities. In the 2010–11 Budget, the Australian Government committed a further $370.2 million to improve the quality and accessibility of primary health care services, which included additional support for the establishment of 28 new GP Super Clinics, bringing the total to 64.

An audit would examine aspects of DoHA’s planning and implementation of GP Super Clinics.

**Investing in Health Infrastructure: the Health and Hospitals Fund**

In the 2009–10 Budget, the Australian Government announced that it would invest $3.2 billion to fund health projects across Australia, including upgrading and delivering major new health infrastructure, modernising Australia’s cancer services, and improving medical research infrastructure to improve Australia’s health system. Funding for this investment would be sourced from the Health and Hospitals Fund (HHF), which was established by the Australian Government on 1 January 2009 under the *Nation-building Funds Act 2008* (the Act) to provide a financing source for health infrastructure priorities. Under the Act, all health infrastructure spending proposals must be assessed by an independent, expert advisory board using established evaluation criteria and in accordance with guidelines issued by the Minister for Health and Ageing.

An audit would examine the assessment and approval practices for the HHF-funded Budget measures against the requirements of the *Nation-building Funds Act 2008*, and the monitoring of the progress of funded projects.

**National e-Health Implementation**

In the 2009–10 Budget, the Australian Government committed $57 million to e-Health to facilitate the transition of paper-based clinical recordkeeping to electronic means, in support of
safer, more efficient and better quality health care. Over the period July 2009 to June 2012, the National e-Health Transition Authority Ltd (NEHTA) is responsible for delivering key components of the National e-Health Strategy, endorsed by Australian Health Ministers in late 2008. Building on the work of NEHTA, the Australian Government announced in the 2010–11 Budget an additional $467 million investment over two years in the key components of an electronic health record system, so that all Australians have access to a personally controlled electronic health record.

An audit would examine DoHA’s leadership, management and coordination of e-Health developments.

**Managing Aged Care Complaints**

The Aged Care Complaints Investigation Scheme (CIS) commenced on 1 May 2007, and was established through changes to the Aged Care Act 1997 (the Act) and the introduction of regulations under the Act. The CIS covers both residential and community aged care services subsidised under the Act. Its aim is to provide an accessible and responsive complaints system that strives to improve the experience of individual care recipients and continuously improve the delivery of aged care in Australia. DoHA’s Office of Aged Care Quality and Compliance administers the CIS.

In response to a review conducted in 2009–10, DoHA is implementing a package of reforms to improve the operation and transparency of the scheme and deliver quality outcomes for involved parties. These reforms include: better risk assessment; further options to resolve concerns, including early resolution; intensive and ongoing training and support for CIS staff; improved consumer and stakeholder communication; and better public access to an independent review of CIS decisions.

An audit would, as part of an ongoing ANAO review of the quality assurance framework under the Aged Care Act 1997, examine the effectiveness of DoHA’s administration of aged care complaints, including the implementation of reforms designed to improve the operation and transparency of the CIS.

**Community Aged Care Programs**

The Australian Government has expressed a commitment to ensuring that older people receive the right care in the right place at the right time. A key element of that commitment is the provision of a range of community care services that assist people to live independently, and to remain in their own home rather than accessing residential aged care. The Australian Government funds a range of community and commercial organisations to provide services, for example home help, laundry and shopping, through programs such as the Community Aged Care packages, Extended Aged Care at Home (EACH), and Extended Aged Care at Home Dementia (EACHD).

In 2007, ANAO Audit Report No. 38 2006–07, *Administration of the Community Aged Care Packages (CACPs) Program*, recommended improvements in eight aspects of the administration of the CACPs program. Since the earlier audit, DoHA’s community care programs have expanded significantly. In 2009–10, the Australian Government committed
$508.7 million to fund CACPs and a further $305.5 million for EACH and EACHD packages. At 30 June 2010, there were 42,634 CACPs and 8,170 EACH and EACHD packages.

A follow-up audit would examine DoHA’s implementation of the recommendations from the earlier CACPs program audit and also the effectiveness of DoHA’s administration of the EACH and EACHD programs.

**Indigenous Chronic Disease Package**

In November 2008, the Council of Australian Governments (COAG) agreed to commit $1.6 billion to the National Partnership Agreement on Closing the Gap in Indigenous Health Outcomes. The agreement, which runs from July 2009 to June 2013, aims to contribute to the COAG target of closing the life expectancy gap within a generation. The Australian Government has committed $805 million to the agreement to be delivered through the Indigenous Chronic Disease Package. The Australian Government is focusing its effort on three elements: tackling chronic disease risk factors such as smoking; improving chronic disease management and follow-up care; and workforce expansion and support.

Jurisdiction implementation plans establish the respective roles and responsibilities of the different governments involved in the National Partnership Agreement. Activities within the Australian Government’s implementation plan are delivered by a number of different areas of DoHA.

An audit, or series of audits, would examine the effectiveness of DoHA’s administration and delivery of the different elements of the package as set out in the implementation plan and would also consider the department’s internal coordination arrangements to support the implementation plan.

**Preventing Chronic Disease**

On 29 November 2008, COAG agreed to establish the Australian National Preventive Health Agency (the Agency) as one element of the National Partnership Agreement on Preventive Health. The Parliament passed the *Australian National Preventive Health Agency Act 2010* in November 2010 and the Agency came into existence on 1 January 2011. The role of the Agency is to support COAG and Australian Health Ministers to respond to the increasingly complex challenges associated with preventing chronic disease. The Australian Government has committed $133.2 million over four years for the Agency.

An audit would examine the establishment of the Australian National Preventive Health Agency, a new entity under the *Financial Management and Accountability Act 1997*, and the subsequent discharge of the Agency’s legislated functions.

**Headspace: Australia’s National Youth Mental Health Foundation**

The Youth Mental Health Initiative—*Headspace*—was announced as part of the 2005–06 ‘Promoting Better Mental Health’ Budget measure, with the Australian Government providing funding of $69 million to June 2009, with a further $50.6 million for the three years from 2009. *Headspace* was established to promote and facilitate improvements in the mental health, social wellbeing and economic participation of young people aged 12–25 years old. *Headspace* is funded by DoHA and operated by an independent not-for-profit company limited by guarantee.
In the 2010–11 Budget, the Australian Government provided a further $64 million over four years to deliver up to 30 new Headspace youth-friendly services and for the provision of top-up funding for existing sites. In the 2011–12 Budget, the Australian Government provided a further $197.3 million over five years to establish 30 new sites, bringing the total number of sites to 90, to achieve national coverage. It is intended that when all sites are fully operational, they will provide services to an estimated 72 000 young people each year.

An audit would examine aspects of DoHA’s planning and implementation of Headspace services.

**Preventing Suicide: The National Suicide Prevention Strategy**

In 2008, the most recent year for which mortality data are available, there were 2191 registered deaths from suicide representing an overall rate of 10.2 per 100 000. Suicide accounts for approximately 1.3 per cent of all deaths in Australia.

The goal of the National Suicide Prevention Strategy is to reduce deaths by suicide across the population and among at-risk groups, and reduce suicidal behaviour. To inform and support this goal, the Australian Government is working with communities across Australia to build resilience, resourcefulness and social connectedness in people, families and communities to protect against the risk factors for suicide. The total funding attached to the National Suicide Prevention Strategy is $127.1 million for 2006–12.

An audit would examine DoHA’s administration of the National Suicide Prevention Strategy.

**The Fifth Community Pharmacy Agreement**

The five-year Fifth Community Pharmacy Agreement (the Agreement) between the Commonwealth and the Pharmacy Guild of Australia commenced on 1 July 2010. The Agreement provides $15.4 billion over five years, for around 5000 community pharmacies, for the dispensing of Pharmaceutical Benefits Scheme medicines, the provision of pharmacy programs and services, and for the Community Services Obligation arrangements with pharmaceutical wholesalers. A commitment to maintaining location rules for approved pharmacies is also provided. The Australian Government has reported that the agreement will result in a gross saving of $1 billion over five years against Budget forward estimates.

An audit would examine DoHA’s administration of the Fifth Community Pharmacy Agreement.

**The Professional Services Review Scheme**

The Professional Services Review (PSR) Scheme commenced in July 1994 and is administered by a prescribed agency of the same name. The agency investigates the provision of services by a practitioner to determine whether the practitioner has engaged in inappropriate practice in providing Medicare services or in prescribing under the PBS. Medicare is one of the largest programs administered by the Australian Government at a cost of $16.5 billion in 2010–11. Expenditure under the PBS was around $9.26 billion in the same year.

The review process is set out in the *Health Insurance Act 1973* and is based on the concept of ‘peer review’. This involves a committee of the practitioner’s peers determining if the rendering or initiating of services by the practitioner would be considered clinically relevant and
appropriate to the general body of members of the profession. The PSR Scheme has continued to evolve since its inception, with a number of reviews conducted and legislative amendments made to strengthen and clarify the professional review process and address evidentiary difficulties.

An audit would examine the administration of the PSR Scheme and the effectiveness and efficiency with which the PSR Scheme discharges its legislated functions.
Human Services

Audit strategy overview

In 2004, the Human Services portfolio was established with the aim of improving the development and delivery of social and health–related services, including financial assistance, to customers. In December 2009, the Australia Government announced its service delivery reform agenda. It is envisaged that through the reforms there will be a ‘better co-ordination of service delivery mechanisms [that] will result in better services for Australians and savings for Government, some of which can be reinvested in better service delivery’. On 1 July 2011, as part of the reforms, the Department of Human Services (including the Child Support Agency (CSA) and CRS Australia), Centrelink and Medicare Australia were reconstituted as a single department.

In 2011–12, the Department of Human Services will be responsible for delivering over $120 billion in payments to Australians on behalf of a range of policy departments including; Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; and Health and Ageing. Each day, the Human Services portfolio will provide services and facilitate payments to hundreds of thousands of Australians in areas such as health, employment, child support and vocational rehabilitation services.

The audit strategy for the newly formed Department of Human Services will incorporate a continuation of the strategies adopted for the former individual agencies as well as a focus on cross-departmental activities. Key areas that will be covered include: how a citizen-focused approach is being adopted through various service delivery offerings and processes such as sharing customer information, the use of specialist officers and review and appeal systems; the management of service delivery risks including quality assurance processes and fraud and compliance activities; and the department’s contribution to the roll out of policy initiatives such as Income Management and the Chronic Disease Dental Scheme.

Audits in progress at July 2011

Tasmanian Freight Equalisation Scheme

Tasmanian industries, unlike their mainland counterparts, do not have the option of transporting goods interstate by road or rail. In order to reduce sea freight costs and provide Tasmanian shippers with equal opportunities to compete in mainland markets, the Australian Government provides financial assistance to shippers of freight between Tasmania and the mainland of Australia, under the Tasmanian Freight Equalisation Scheme (the Scheme). The Scheme commenced in 1976 and operates as an executive scheme under a set of directions issues by the Minister for Infrastructure and Transport. The Scheme is administered by Centrelink through a Memorandum of Understanding with the Department of Infrastructure and Transport. In 2008, the Scheme was extended to also include King Island and the Furneaux Group of islands.

In 2009–10, the Scheme provided $100 million in assistance. While the amount of assistance delivered though the Scheme has increased moderately in recent years, the number of claims paid has doubled between 2004–05 (6377 claims paid) and 2009–10 (12 955 claims paid).

The objective of the audit is to assess the effectiveness of Centrelink and the Department of Infrastructure and Transport’s administration of the Scheme.
The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Centrelink’s Quality On Line Control for Customer Payments**

Quality on Line (QOL) is a key quality control mechanism contributing to payment correctness and the integrity of payments administered by Centrelink on behalf of the Australian Government. QOL is used by Centrelink daily as the first point of checking of Customer Service Advisers’ work activities and is described as a preventative check. Check the Checking is a (quality assurance) program that monitors the quality of the QOL (quality control) process. The quality assurance process involves re-checking a representative sample of QOL activities by trained Check the Checking staff.

The objective of the audit is to assess the effectiveness of QOL, which supports the integrity of payments administered by Centrelink on behalf of the Australian Government. The audit includes an examination of the associated Check the Checking program.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**Customer Feedback – Child Support Agency**

Customers may provide positive or negative feedback on a range of matters, including service delivery or administrative decisions. It is important for Australian Government service delivery agencies to have mechanisms to collect customer feedback in addition to mechanisms for customers to seek a review of an administrative decision. Such mechanisms can allow customer dissatisfaction to be addressed. They can also assist agencies to identify and address systemic issues and be used to identify and implement service delivery improvements.

CSA collects feedback from customers and stakeholders. Feedback can be about service, processes or decisions. In 2009–10, CSA received 9553 complaints. Complaints can be made over the phone, in writing or through CSA’s secure online service, CSAOnline. CSA has a three-step process for managing complaints.

The objective of the audit is to examine the effectiveness of CSA’s customer feedback system.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**Potential audits**

**Portfolio**

**‘Tell us once’ – Sharing of Customer Information**

In December 2009, the then Minister for Human Services announced major reforms to Australian Government service delivery. This included a ‘tell us once’ policy aimed at eliminating the need for customers to give the same information to different agencies within the Human Services portfolio.

One example of this arrangement is the process to align the rules used for determining care levels for separated parents who are both child support and family assistance customers. Previously, the Family Assistance Office and the CSA applied different rules to determine the level of care used to calculate family assistance and child support payments. The alignment of care measure allows a single determination of care, using one set of rules, to be made for both family assistance and child support purposes. This allows families receiving child support and
family assistance to have their level of care assessed through one agency, either the Family Assistance Office or the CSA.

An audit, or a series of audits, would examine the effectiveness of the information sharing arrangements within the Human Services portfolio.

**Use of Coercive Information-Gathering Powers**

Coercive information-gathering powers are important administrative and regulatory devices used by many Australian Government agencies. These powers can be used to compel the provision of information, the production of documents and the answering of questions. An overriding principle for the use of such powers is that the exercise of the power is closely controlled, so as to achieve a balance between obtaining the necessary information and safeguarding the rights and freedoms of the individuals or organisations affected.

In 2008, the Administrative Review Council published a report—*The Coercive Information-gathering Powers of Government Agencies*—that outlined 20 best-practice principles it considered, if followed, would ensure that agencies use coercive information-gathering powers effectively, efficiently and with due regard to individual rights. Within the Department of Human Services (DHS), coercive information-gathering powers are used across a variety of functions including Centrelink, Medicare and the CSA.

An audit would examine the use of coercive information-gathering powers within the Department of Human Services.

**Administration of Payments Made Under the Scheme for Compensation for Detriment Caused by Defective Administration**

The Scheme for Compensation for Detriment caused by Defective Administration (CDDA Scheme) is an administrative scheme which provides Australian Government agencies with the discretion to make compensation payments where there is a moral rather than a legal obligation. The CDDA Scheme enables agencies to compensate persons who have experienced detriment as a result of the agency’s defective actions or inaction.

In 2009–10, the Human Services portfolio made 1146 payments totalling $3.4 million under the CDDA Scheme. Centrelink made the majority of the payments (1089 payments costing $3.2 million). In August 2009, the Ombudsman published a report—*Putting things right: compensating for defective administration*—which reported findings on an investigation of the CDDA Scheme. In the report the policies and practices of Centrelink, the CSA and the Australian Taxation Office were used to illustrate emerging and recurring issues.

ANAO Audit Report No. 35, 2003–04, *Compensation Payment and Debt Relief in Special Circumstances*, also examined the CDDA Scheme as part of a cross-agency audit of a number of the discretionary compensation and debt relief mechanisms that are available to the Australian Government. The report concluded that there was insufficient monitoring of act of grace, CDDA and waiver claims by agency management and considered that agencies should put in place appropriate performance indicators, and report against them on a regular basis. The ANAO made eleven recommendations, seven of which were for agencies receiving claims for compensation and debt relief.

An audit, or series of audits, would examine the administration of CDDA Scheme payments made within the Human Services portfolio.
**Property Management**

In 2009–10, the Department of Human Services (excluding CRS Australia) maintained a lease portfolio of over 900 sites, including customer service centres, call centres, and national and area support offices, which occupied more than 750 000m². Office lease and associated costs exceeded $350 million, with related capital expenditure of $106 million. In managing the property portfolio, important considerations include providing accommodation that is well located, is within easy reach for customers, and offers an appropriate environment for the delivery of services.

Following an open market tender process, a new property services contract for the Department of Human Services (with Centrelink as the lead agency) was signed with Jones Lang LaSalle and commenced in July 2010.

An audit would examine the effectiveness of the Department of Human Services’ property management arrangements, including its compliance with the Commonwealth Property Management Framework.

**Centrelink**

**Income Management**

The Welfare Payments Reform program, announced in July 2007 as part of the Northern Territory Emergency Response, included income management as one of five program measures. A new model of income management was introduced on 1 July 2010. The new model is targeted at specific categories of people receiving social security payments who the Australian Government considers to be among the most disengaged and disadvantaged individuals in the welfare system.

Income management directs between 50 to 70 per cent of certain income support and family payments, and 100 per cent of all lump sum payments, to essential expenses such as food, clothing, housing and utilities. One way that customers can access their income managed funds is through the BasicsCard. The BasicsCard is a PIN-protected card which allows customers to access their income managed money through EFTPOS facilities at approved stores and businesses.


**Customer Service Strategies**

Centrelink has developed a range of strategies to deliver services to particular customer groups, including customers from diverse cultural and linguistic backgrounds and Indigenous Australians. Around 20 per cent of Centrelink’s customers are from diverse cultural and linguistic backgrounds, and about 10 per cent need interpreting assistance when accessing services. Centrelink has developed strategies to deliver services to these customers such as language services and a network of 70 Multicultural Service Officers.

With regard to Indigenous Australians, Centrelink has developed an Indigenous Servicing Strategy and a Reconciliation Action Plan, both of which are being redeveloped. Centrelink also
has a range of services and specialised officers aimed at supporting Indigenous customers. Some of these include Indigenous Service Units which assist Centrelink and other agencies to work with Indigenous people, a network of 80 Indigenous Service Officers that act as contact points between Indigenous communities, and Indigenous Call, which provides services to rural and remote Indigenous customers through a national phone number.

A series of audits would examine the effectiveness of Centrelink’s service strategies for particular customer groups. This could include examining the services available to multicultural customers from diverse cultural and linguistic backgrounds and Indigenous Australians.

**Fraud Identification and Investigation for Disaster Payments**

Centrelink is responsible for delivering financial assistance, such as the Australian Government Disaster Recovery Payment (AGDRP) and ex gratia payments, to eligible recipients immediately following the occurrence of a disaster. Between November 2010 and February 2011, the Australian Government authorised payments for people affected by severe weather events occurring in multiple regions in Australia. As at July 2011, some $880 million in AGDRP had been paid to more than 700,000 disaster claimants.

In January 2011, the Minister for Human Services announced that Centrelink had set up a dedicated task force to investigate fraudulent flood claims. As at 4 July 2011, the taskforce had identified 10,709 payments for examination, of which 7,519 had been finalised resulting in debts raised of $4.7 million.

**Case Management**

Centrelink interacts with over seven million customers in a variety of situations. Certain customers require a more structured approach to meet their needs and, in these circumstances, Centrelink can adopt a ‘case management’ approach. Case management is a more focused approach to addressing a customer’s individual circumstances in order to achieve the desired outcomes and can be used in a wide variety of situations, such as for customers living in extraordinary circumstances due to a natural disaster.

An audit would examine Centrelink’s approach to case management and its effectiveness in achieving the desired outcomes for both the customer and the Australian Government.

**Child Support Agency**

**Customer Feedback (including complaints) and the System of Review and Appeal**

Actively seeking feedback (including complaints) is part of the CSA’s ‘Customer Service Commitment’. Further, having in place an appropriate review and appeals system that is accessible to parents who disagree with a decision is a fundamental part of the Child Support Scheme.

The CSA makes feedback channels available to parents and also has in place an internal review and appeal system. Stage 2 of the Child Support Scheme Reforms included changes to
the review and appeal mechanisms available to parents. Previously, parents who were unhappy with a CSA decision could only appeal to the courts. In 2007, the role of the Social Security Appeals Tribunal was expanded to include reviews of CSA decisions.

The ANAO is currently undertaking an audit examining the CSA’s customer feedback system. Future audits in this area could also include internal and external review and appeal mechanisms.

Management of International Debt

Total child support debt refers to the amount of unpaid child support that has accumulated since the Child Support Scheme began in 1988. International debt is the component of total child support debt that relates to money owed to, or by, parents residing overseas, and any domestic debt associated with these customers. In 2009–10, total child support debt was $1.2 billion, of which international debt accounted for approximately 26 per cent. International debt increased by 14 per cent from 2008–09 and has been growing at a faster rate than domestic debt.

As part of managing international debt, the CSA has in place reciprocal agreements with over 90 countries. In recent years, the CSA has implemented a number of measures designed to improve its management of international debt, including increased online access for international customers, new procedural instructions and revised business processes.

An audit would examine the CSA’s effectiveness in managing and collecting international debts.

Change of Assessment Process

CSA customers (payer or payee) can apply for a change of assessment review if they believe the current determination of child support payable does not reflect their own, their child’s, or the other parent’s true financial circumstances. Change of assessment applications have been rising in recent years and, in 2009–10, the CSA received 20,151 applications. Of the 15,923 applications that were accepted (that is not withdrawn, incomplete or ineligible), 77.6 per cent resulted in a variation to the child support assessment. In 2009–10, the CSA trialled a redesigned change of assessment process and intends to implement the new process in 2010–11.

An audit would examine the CSA’s management of the change of assessment process.

Administration of Departure Prohibition Orders

Since 2001, through the use of a Departure Prohibition Order (DPO), the CSA has the legislative power to make administrative orders preventing a person with an overdue child support debt from leaving Australia. A DPO places significant restrictions on the freedom of movement of citizens and residents of Australia and visitors to Australia. As such, the CSA cites the use of DPOs as a last resort, with their issuance only occurring after an in-depth consideration of all the relevant information about a person’s situation.

Since 2007–08, the CSA has issued over 1500 DPOs and reports collecting or correcting over $14 million in child support payments. An audit would examine the CSA’s administration and use of DPOs as a compliance and enforcement activity.
**Medicare Australia**

**Administration of the Chronic Disease Dental Scheme**

The Chronic Disease Dental Scheme was introduced in November 2007. The Scheme allows chronically ill people, who are being managed under an Enhanced Primary Care Plan, access to Medicare rebates for most dental services. The Scheme entitles eligible patients subsidies of up to $4250. In June 2010, a taskforce was established within Medicare Australia to investigate the level of compliance with the Scheme. At the same time, Medicare Australia commenced a program to educate and inform dentists on the use of the Scheme.

At the time it was established, the Scheme was forecast to cost $385 million over four years. However, in 2009 alone, more than $484 million was claimed under the Scheme.

An audit would examine the effectiveness of Medicare Australia’s administration of the Scheme, including compliance activities.

**Small Business Superannuation Clearing House**

The Small Business Superannuation Clearing House facility, administered by Medicare Australia, commenced on 1 July 2010. The facility is designed to reduce the cost of complying with superannuation guarantee obligations for small businesses with fewer than 20 employees. Eligible employers wanting to use the service are required to register with Medicare Australia. This process includes providing the details of their employees’ superannuation funds, together with each employee’s superannuation contribution amount. The facility is designed to receive the employer’s superannuation contribution amounts and distribute the contribution amounts among the elected superannuation funds.

Medicare Australia has received $16.1 million over three years to operate the facility.

An audit would examine Medicare Australia’s implementation and administration of the Small Business Superannuation Clearing House.

**National Compliance Program**

Medicare Australia publishes, on an annual basis, a National Compliance Program that sets out to inform both providers and the public about Medicare Australia's approach to compliance activities. In addition to outlining the compliance model and approach, the *National Compliance Program 2010–11*, includes key focus areas and priorities across service areas such as general practitioners, specialists, pharmacists and aged care providers.

Medicare Australia uses a range of tools as part of its compliance management. These include audits and reviews, data matching, artificial intelligence analysis and tip-offs from members of the community or the professions. In 2009–10, Medicare Australia initiated action to recover $10.3 million in debts from over 600 individuals.

A series of audits would examine the effectiveness of Medicare Australia’s compliance framework and activities.

**The Australian Organ Donor Register**

The Australian Organ Donor Register provides a service for people wishing to consent or object to becoming organ or tissue donors. People register their consent or objection through a
website, or through completing forms provided by Medicare Australia. The register is administered by Medicare Australia and, in the event of someone’s death, can be accessed by authorised personnel at anytime, anywhere in Australia, to identify the deceased’s organ donor status. In 2009–10, almost 1.4 million people had registered their consent to organ or tissue donation.

An audit would examine the effectiveness of Medicare Australia's administration of the register.

**Compensation Recovery Program**

The Compensation Recovery program aims to prevent ‘double dipping’ in medical benefits, nursing home benefits and residential care subsidies paid by the Australian Government where a person receives compensation in excess of $5000 (including costs) for an injury or illness by way of judgement or settlement. Medicare Australia administers the program on behalf of the Department of Health and Ageing and in 2009–10, 47,876 cases were finalised with $37.9 million being recovered. This was a 6.3 per cent increase in the number of cases finalised, and a 14.2 per cent increase in the value of benefits recovered from 2008–09.

An audit would examine Medicare Australia’s administration of the Compensation Recovery program.
Immigration and Citizenship

Audit strategy overview

The Immigration and Citizenship portfolio comprises the Department of Immigration and Citizenship (DIAC) and the Migration Review Tribunal and Refugee Review Tribunal (MRT-RRT). DIAC’s purpose is to build Australia’s future through the well-managed entry and settlement of people. The MRT-RRT provides independent merits review of general visa decisions and protection visa decisions by DIAC.

In recent years, DIAC has been involved in a number of major reviews of its activities and performance. The successful and timely implementation of the recommendations flowing from these reviews will underpin DIAC’s future performance and capacity for further change. Funding challenges and substantial changes to the migration program and detention policies are also influencing the portfolio’s operating environment.

The ANAO has focused its recent audit coverage on key risks to DIAC achieving its outcomes, centring on the need to balance border security and effective, efficient visa and entry processing; and to facilitate the economic benefits of migration and effective settlement of new migrants in Australia. Recent audit coverage in DIAC has included the management of student visas and the need to be assured about the character of visa and citizenship applicants. The management of unlawful non-citizens and the quality of service they receive in detention is the subject of a proposed audit.

Planned audit work will focus on DIAC’s management of immigration detention arrangements as well as the department’s identity management arrangements, including the use of biometric technologies and the identification and management of visa overstayers.

Potential audits

Detention Centres—Quality of Service and Contract Management

Australia’s Migration Act 1958 requires people who are not Australian citizens and who are unlawfully in Australia to be detained. Unlawful non-citizens may be detained in Immigration Detention Centres (IDCs), community detention, Immigration Residential Housing (IRH) or Immigration Transit Accommodation (ITA). The majority of unlawful non-citizens are held in IDCs. As at 4 February 2011, there were 6659 people in immigration detention, with around 64 per cent housed in IDCs, 32 per cent in community detention and four per cent in IRH or ITA.

In 2009, DIAC signed contracts with Serco Australia Pty Ltd, worth an estimated cost of $415 million over five years, to provide detention services at IDCs, IRHs and ITAs. Given the significant increase in the number of unlawful non-citizens arriving in Australia, the cost of this contract is likely to be greater than the estimate. International Health and Medical Services Pty Limited are separately contracted to provide general and mental health services to people in immigration detention.

An audit would examine DIAC’s management of immigration detention arrangements, focusing primarily on IDCs but potentially also including community detention, IRH and ITA. DIAC’s management of contracts, particularly its monitoring of the seven immigration detention values, and the level and quality of service provided to detainees, will be included.
Identity Management

Establishing and verifying the identity of its clients is one of the key challenges for DIAC. Part of this challenge is ensuring individual visa applicants and holders are identified and recognised consistently by DIAC staff and in DIAC systems. One of the goals of the Systems for People project (DIAC’s $659 million technology-enabled business transformation project to be completed in 2011) was to provide a ‘single view’ of each client across the department. In addition, DIAC aims to strengthen identity management through increased use of biometric technologies and risk-analytics. To that end, DIAC is implementing several identity management initiatives, including establishing an Identity Services Repository, and received $69.4 million to introduce a biometric-based visa system for certain applicants.

An audit would examine DIAC’s current and planned approaches to client identity management. It would complement the ANAO’s audit of biometrics (Audit Report No.24 2007–08 DIAC’s Management of the Introduction of Biometric Technologies), which made four recommendations to strengthen the management of biometric technologies.

Identification and Management of Visa Overstayers

Visa holders who enter Australia lawfully become overstayers if they remain in Australia after their visa has expired or is cancelled. At 30 June 2010, about 53,900 people were estimated to have overstayed their visas and remained in Australia. This was an increase of 5200 over 30 June 2009 estimates. Overstayer numbers are expected to continue to increase as a consequence of the historical growth in the number of people arriving in Australia. DIAC has several approaches to encourage voluntary compliance with Australia’s migration laws and to detect and respond effectively to non-compliance by visa holders. These approaches include: departmental compliance officers who locate overstayers; an immigration dob-in line for advising the department about persons living and/or working illegally in Australia; and a national communication strategy, implemented in 2009–10, to encourage non-compliant visa holders to voluntarily contact the department to resolve their visa status.

An audit would examine DIAC’s strategies for identifying, investigating and taking appropriate action in relation to visa overstayers. The audit would complement a previous ANAO audit, Audit Report No.2 2004–05 Onshore Compliance – Visa Overstayers and Non-Citizens Working Illegally.
Infrastructure and Transport

Audit strategy overview

The responsibilities of the Infrastructure and Transport portfolio include: providing, evaluating, planning and investing in infrastructure; and fostering an efficient, sustainable, competitive, safe and secure transport system.

ANAO’s recent performance audit activities have focused on the funding and delivery of transport infrastructure and an audit of Infrastructure Australia’s conduct of the first national infrastructure audit and development of the first infrastructure priority list.

The ANAO’s current and potential portfolio coverage includes a continued focus on the funding of infrastructure projects as well as an audit of the Tasmanian Freight Equalisation Scheme.

Audits in progress at July 2011

Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund

The $150 million Infrastructure Employment Projects stream of the $650 million Jobs Fund was one of the fiscal measures implemented to support employment and economic recovery in response to the global financial crisis. Funding under the Infrastructure Employment Projects stream was originally announced as being available over two years (commencing on 1 July 2009) for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. In July 2010, the project funding end date was revised to 30 June 2012.

The objective of the audit is to assess the efficiency and effectiveness of the establishment, implementation and administration of the Infrastructure Employment Projects stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Tasmanian Freight Equalisation Scheme

Tasmanian industries, unlike their mainland counterparts, do not have the option of transporting goods interstate by road or rail. In order to reduce sea freight costs and provide Tasmanian shippers with equal opportunities to compete in mainland markets, the Australian Government provides financial assistance to shippers of freight between Tasmania and the mainland of Australia, under the Tasmanian Freight Equalisation Scheme (the Scheme). The Scheme commenced in 1976 and operates as an executive scheme under a set of directions issues by the Minister for Infrastructure and Transport. The Scheme is administered by Centrelink through a Memorandum of Understanding with the Department of Infrastructure and Transport. In 2008, the Scheme was extended to also include King Island and the Furneaux Group of islands.

In 2009–10, the Scheme provided $100 million in assistance. While the amount of assistance delivered though the Scheme has increased moderately in recent years, the number of claims paid has doubled between 2004–05 (6377 claims paid) and 2009–10 (12 955 claims paid).
The objective of the audit is to assess the effectiveness of the Department of Infrastructure and Transport’s and Centrelink’s administration of the Scheme.

The audit report is expected to be tabled in the Spring 2010 Parliamentary Sittings.

**Potential audits**

**Development of Infrastructure Priority Lists by Infrastructure Australia**

Infrastructure Australia was established in April 2008 to improve the quality of infrastructure planning and investment strategy, and to identify those investments expected to make the biggest impact on Australia’s economic, social and environmental goals for least cost to the taxpayer. ANAO Audit Report No.2 2010–11 *Conduct by Infrastructure Australia of the First National Infrastructure Audit and Development of the Infrastructure Priority List*, tabled in July 2010, examined the development of the Infrastructure Priority Lists published in December 2008 and May 2009.

In June 2010, Infrastructure Australia published ‘Getting the Fundamentals Right for Australia’s Infrastructure Priorities-Report to the Council of Australian Governments.’ This publication updated Infrastructure Australia’s Infrastructure Priority List, and noted that it was Infrastructure Australia’s intention to publish a similar report each year, to set out its work in the previous twelve months and its latest advice to Australian Governments and the infrastructure sector. A further report to the Council of Australian Governments, incorporating an updated Infrastructure Priority List, was released in June 2011.

An audit would focus on the development of the June 2011 Infrastructure Priority Lists. The audit would include an examination of Infrastructure Australia’s implementation of the recommendations from the previous audit.

**Nation Building Program Black Spot Projects**

The Nation Building Program Black Spot Projects are intended to target sites or sections of the road network that experience a high incidence of vehicle crashes and fatalities (referred to as ‘black spots’). The Black Spot Projects Program has been a key element of the Australian Government’s efforts to reduce the national road fatality rate, with the draft National Road Safety Strategy 2011–2020 aiming to reduce deaths and serious injuries by 30 per cent over the next decade.

In June 2007, the ANAO tabled Audit Report No.45 2006–07 *National Blackspot Programme*, which examined the administration of the program. An audit would follow-on from the earlier report, and examine the Black Spots Program project nomination, assessment and approval processes as well as the delivery of approved projects by state road transport authorities and local councils.

An audit would examine both the ‘core’ program (which involves a commitment of $59.5 million per annum to 2013–14 for road safety projects) as well as the additional funding of $150 million that was allocated to the Program as part of the Australian Government’s economic stimulus response to the global financial crisis.
Innovation, Industry, Science and Research

Audit strategy overview

The Innovation, Industry, Science and Research portfolio was established in December 2007. The portfolio aims to promote a coordinated approach to innovation, science and research and to foster industry competitiveness. Portfolio agencies include:

- Department of Innovation, Industry, Science and Research (DIISR);
- Australian Institute of Aboriginal and Torres Strait Islander Studies;
- Australian Institute of Marine Science (AIMS);
- Australian Nuclear Science and Technology Organisation;
- Australian Research Council (ARC);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO); and
- IP Australia.

Combined funding for the portfolio in 2010–11 was nearly $6 billion. Recent ANAO audits have covered various industry assistance schemes, including the Automotive Competitiveness and Investment Scheme and the Textile, Clothing and Footwear Scheme; and the portfolio agencies, AIMS, ARC and CSIRO.

The ANAO’s audit program for the coming years proposes to focus on programs primarily administered by DIISR. Many of these programs are underpinned by grants processes, so these audits will incorporate an examination of how the department has adopted the recent changes to grants administration including the requirements of the Commonwealth Grants Guidelines. Balancing this focus will be audits covering other portfolio agencies as well as the implementation of new initiatives such as Commercialisation Australia.

Potential audits

Research Block Grants

DIISR manages seven programs valued at $1.5 billion that support research and research training in Australian higher education providers. Research block grants are allocated according to a performance-based formula and are independent of funding for specific research projects, programs, or fellowships. Higher education providers have considerable autonomy in deciding on the research projects, personnel, equipment and infrastructure that the funding should support.

An audit would examine the administration of the research block grants.

Super Science Initiative

The Super Science Initiative was announced in May 2009, and will contribute $1.1 billion to priority areas of Australian research until 2013. Approximately $900 million of this funding is for research infrastructure designed to make a lasting contribution to Australian science. These infrastructure investments are being funded from the Education Investment Fund, which is one of the three Nation-building Funds established in 2008. The 2010–11 budgeted
expenditure for Australian research infrastructure under the Super Science Initiative is $255 million.

The Super Science Initiative will address three of the priorities identified in the 2008 Strategic Roadmap for Australian Research Infrastructure: space science and astronomy ($160.5 million), marine and climate science ($387.7 million), and future industries, such as biotechnology, nanotechnology and Information Communication Technology ($504 million). The initiative will also provide funding for 100 Super Science Fellowships ($27.2 million) and funding to Questacon to strengthen and improve its science and education facilities ($11.3 million).

An audit would examine the administration of the Super Science Initiative.

**A New Car Plan for a Greener Future**

A New Car Plan for a Greener Future was announced in 2008, and involves a series of initiatives designed to make Australia’s automotive industry greener and more internationally competitive. Under A New Car Plan for a Greener Future, the Australian Government is providing $6.2 billion of assistance over 13 years to help the automotive industry to prepare for a low carbon future and to make the industry indispensable to global markets and supply chains. Approximately half of the program funding has been committed, with the use of the balance of the funding to be determined in future years.

Initiatives under the New Car Plan for a Greener Future include the Automotive Transformation Scheme, which is the $3.4 billion centrepiece of the Plan. The Scheme provides assistance to registered participants for eligible investment and production. Participants in the Automotive Transformation Scheme are required to demonstrate that they are aiming for better environmental outcomes and building the capabilities needed to compete in global markets.

An audit, or series of audits, would examine the administration of the key initiatives under the New Car Plan for a Greener Future.

**The Australian Research Council’s Administration of Grants**

The ARC is a statutory authority that advises the Australian Government on research matters, manages the National Competitive Grants Program (a significant component of Australia’s investment in research and development), and has responsibility for the Excellence in Research for Australia initiative. In 2010–11, total net resourcing for the ARC was $751.9 million, which includes funding for the National Competitive Grants Program and the Excellence in Research for Australia initiative.


**Cooperative Research Centres Program**

Cooperative Research Centres (CRCs) are partnerships between publicly funded researchers and end-users (either from the private, public or community sector) to address clearly articulated, major challenges that require medium to long-term collaborative efforts. The first CRCs were established in 1991. There are currently 42 CRCs operating in four broad CRC sectors: Agriculture, Forestry and Fishing; Mining; Manufacturing; and Services.
The Australian Government has contributed more than $3.3 billion over the life of the program with approximately $10.8 billion being contributed in cash and in-kind by CRC participants. The thirteenth funding round was announced in December 2010, providing $100 million to four CRCs.

An audit would examine the department’s administration of the CRC program.

**Commercialisation Australia**

Commercialisation Australia (within DIISR) is an Australian Government initiative to build the capacity of Australia's talented researchers, entrepreneurs and innovative companies to convert ideas into successful commercial realities and create high-skill, high-wage jobs. Commercialisation Australia will receive $244 million over five years to 2014, with ongoing funding of $82 million per annum thereafter. Commercialisation Australia offers a suite of assistance measures to meet the needs of successful applicants including skills and knowledge grants; proof-of-concept grants; experienced executive grants; and early stage commercialisation repayable grants. Each successful applicant works with a case manager to guide them through the commercialisation process. Commercialisation Australia also provides technical advice to AusIndustry, the program delivery division within DIISR that manages the grants.

An audit would examine the effectiveness of Commercialisation Australia, including the administration of grants delivered under the initiative.

**CSIRO Facilities Management**

CSIRO has a complex property portfolio of owned and leased facilities that comprises over 1000 buildings spread across 56 locations. These scientific and research facilities are diverse both in location and type. As at 30 June 2010, CSIRO land and buildings had a gross book value of $2.6 billion.

An audit would examine the effectiveness of CSIRO’s property estate management arrangements.
Prime Minister and Cabinet

Audit strategy overview

The Prime Minister and Cabinet portfolio agencies produce a range of outcomes and outputs, which assist in providing coordinated, efficient and accountable public administration, supported by a values-based Australian Public Service. The Department of the Prime Minister and Cabinet plays a key role in coordinating portfolio responsibilities in the areas of counter-terrorism policy, national security policy, work and family policy, and freedom of information. It also provides advice to, and support for, the Prime Minister in her capacity as head of the Australian Government and the Cabinet.

Major risks for the department and its portfolio agencies continue to relate to the treatment of complex issues at the forefront of public policy and government administration, and involve change and rapid developments in many areas. These issues include climate change, Commonwealth, state and territory relations and national security, which are included in the audit programs of the relevant portfolios.

The Administrative Arrangements Orders of 14 September 2010 transferred responsibility for arts and cultural policy and the oversight of Australia’s national cultural institutions to the Prime Minister and Cabinet portfolio. The future audit program will cover the portfolio’s new arts and cultural responsibilities.

Potential audits

Australia Council

The Australia Council for the Arts is the Australian Government’s arts funding and advisory body. The Council supports Australian art through funding, strengthening and developing the arts sector. It also collaborates to build new audiences, foster philanthropic support and deepen understanding of the arts through research. In 2009–10 $164.5 million in grant funding was provided to artists and arts organisations.

An audit would examine the Australia Council’s administration of its grants programs.

Cultural Institutions’ Property Management

The cultural institutions administered within the Prime Minister and Cabinet portfolio include the: Bundanoon Trust; Museum of Australian Democracy at Old Parliament House; National Archives of Australia; National Film and Sound Archive; National Gallery of Australia; National Library of Australia; National Maritime Museum; National Museum of Australia; and National Portrait Gallery. These organisations often require specialised facilities for the exhibition, storage and maintenance of unique collections.

An audit would examine whether the property management function for these institutions, including the management of leases, was effective and providing the appropriate level of support for the delivery of each organisation’s services. The audit could also examine the specialised storage requirements of cultural institutions to assess the extent to which properties were meeting these requirements.
Screen Australia

Screen Australia was created under the *Screen Australia Act 2008* and, from 1 July 2008, took over the functions and appropriations of its predecessor agencies: the Australian Film Commission, the Film Finance Corporation Australia and Film Australia Limited. Screen Australia supports the development, production, promotion and distribution of a highly creative, innovative and commercially sustainable Australian screen production industry. In 2011–12, Screen Australia will receive $92 million in Australian Government funding, while also forecasting other income of $10.8 million, including from returns on its investments in film projects, and from sales of goods and services.

An audit would examine the administration of Screen Australia’s film funding activities.
Regional Australia, Regional Development and Local Government

Audit strategy overview

The Administrative Arrangements Order of 14 September 2010 created the Department of Regional Australia, Regional Development and Local Government (RA). The department’s primary focus is to deal with the delivery of regional and rural specific services, regional development and regional Australia policy and coordination.8

ANAO’s performance audit activities will be focusing on the core activities of RA in designing, implementing and administering key regional funding programs, as well as the important role RA is to play in the Australian Government’s response to the natural disasters that occurred over the summer of 2010–11.

Audits in progress at July 2011

Establishment, Implementation and Administration of the Local Jobs Stream of the Jobs Fund

The $650 Jobs Fund included a $300 million Local Jobs stream, which is the subject of a separate but concurrent ANAO performance audit to that being undertaken of the Infrastructure Employment Projects stream. Under the Local Jobs stream, $60 million was quarantined for heritage-related projects and $40 million was quarantined for the construction of bike paths (with $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the Australian Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The objective of the audit is to assess the efficiency and effectiveness of the establishment, implementation and administration of the Local Jobs Stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives. The audit scope includes the two quarantined components of the Local Jobs stream, as well as the remaining funding that was not quarantined.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

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8 As part of the negotiations to form government following the 2010 General election, on 7 September 2010 the Leader and Deputy Leader of the Australian Labor Party signed an agreement with the Independent Members for New England and Lyne. In respect to regional Australia, this agreement included a commitment to a new Cabinet-level Minister for Regional Australia and a new dedicated Department of Regional Australia.
Potential audits

The Design, Implementation and Administration of the Regional Development Australia Fund

As part of the Australian Government's commitment to Regional Australia, funding has been allocated to a Regional Development Australia Fund (RDAF) to provide financial grants to support the growth and development of Australia's regions. More than $1 billion is to be made available under the Fund over five years, commencing in 2011–12. The RDAF is to fund projects that support the infrastructure needs, and enhance the economic and community growth, of Australia's regions. The Minister has announced that grants of between $500 000 and $25 million will be available and that the allocation of funding will be competitive, merit-based and only applications that have the backing of the relevant Regional Development Australia committee will be considered.

An audit would examine the design of the RDAF and the conduct of the first application round (including the processes by which applications were sought, assessed and successful projects approved for funding) so as to provide early assurance on the delivery of the program, and identify and improvement opportunities that merit being addressed in further funding rounds.

The Australian Government Reconstruction Inspectorate

The National Partnership Agreement for Natural Disaster Reconstruction and Recovery signed by the Australian and Queensland Governments in February 2011 established the Australian Government Reconstruction Inspectorate. The role of the Inspectorate is to provide assurance that value for money is being achieved in the expenditure of both Commonwealth and state funds during the recovery from the 2010–11 Queensland floods and Cyclone Yasi. The Reconstruction Inspectorate is supported by the Commonwealth Natural Disaster Recovery Taskforce, established within RA to provide support for reconstruction work.

An audit would examine the Inspectorate's administration of its functions set under the National Partnership Agreement, with a focus on achieving value for money in recovery and reconstruction expenditure.

The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria

A key output from the National Partnership Agreements for natural disaster reconstruction and recovery signed by the Australian and Queensland Governments in February 2011, and the Australian and Victorian Governments in May 2011, is the preparation and agreement of a Natural Disaster/Flood Recovery Work Plan. Under each National Partnership Agreement, the Plan is to:

• identify a set of specific projects to assist with reconstruction and/or recovery;
• build on the planning work undertaken by Regional Development Australia committees and local governments; and
• be developed consistently with principles set out in a schedule to each National Partnership Agreement, including being supported by cost-benefit analysis and appropriate analysis of the expected fiscal cost.
Each National Partnership Agreement also requires each state to report, at least initially, on a monthly basis on its progress against the Natural Disaster/ Flood Recovery Work Plan.

The audit would examine the development and agreement of each recovery work plan, including the extent to which each plan has been developed in accordance with the principles outlined in the schedules to the respective National Partnership Agreement. An audit would also examine the efficiency and effectiveness of the processes implemented to monitor and report to decision-makers and other stakeholders on the delivery of each plan.
Resources, Energy and Tourism

Audit strategy overview

The Resources, Energy and Tourism portfolio was established in December 2007 and is responsible for Australia’s resources, energy and tourism industries. Combined funding for the portfolio in 2010–11 was $1.2 billion. The Department of Resources, Energy and Tourism (RET) plays an important role in assisting the Australian Government to achieve its outcome of enhancing Australia’s economic prosperity, by providing high quality advice and programs to achieve improved productivity, competitiveness, security and sustainability of the resources, energy and tourism industries. Portfolio agencies include:

• Australian Solar Institute;
• Geoscience Australia;
• National Offshore Petroleum Safety Authority (NOPSA); and
• Tourism Australia.9

Major initiatives within the portfolio include: the continued planning and implementation of its share of the $5.1 billion Clean Energy Initiative; and planning for the establishment of a single national regulator for offshore petroleum activities, including expanding the functions of the existing NOPSA.

Recent audits have given priority to the portfolio agencies of Tourism Australia and Geoscience Australia. The future audit program will focus on the department’s major energy and resource programs.

Audits in Progress at July 2011

Renewable Energy Demonstration Program

The Renewable Energy Demonstration Program is intended to accelerate the development, commercialisation and deployment of renewable energy technologies in Australia. The Renewable Energy Demonstration Program was originally allocated $435 million in funding, however this was reduced to $327 million following a funding redistribution by the Australian Government.

The objective of the audit is to examine the administration of the Renewable Energy Demonstration Program, including progress towards achieving the program's objectives.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

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9 On 10 July 2011, the Australian Government announced its Climate Change Plan—Securing a clean energy future. As part of this announcement new administrative arrangements were foreshadowed, however they were not finalised at the time of printing this document.
Potential audits

Clean Energy Initiative

In May 2009, the Australian Government announced the establishment of the Clean Energy Initiative (initially $4.5 billion, but later increased to $5.1 billion) to support the growth of clean energy generation and new technologies, and to reduce carbon emissions and stimulate economic activity in a sector that will support thousands of new green-collar jobs. The Australian Government’s Clean Energy Initiative is administered principally by RET and the Department of Innovation, Industry, Science and Research (DIISR). The Clean Energy Initiative includes:

- $2.1 billion for Carbon Capture and Storage (CCS) (including the National Low Emission Coal Initiative, the CCS Flagships program, the National CO2 Infrastructure Plan and $100 million of the Education Investment Fund (EIF));
- $1.7 billion for Solar (including the Flagships program, Australian Solar Institute, United States/Australia Solar Initiative and $200 million of EIF funds);
- $0.7 billion for programs managed by the Australian Centre for Renewable Energy (including the Renewable Energy Demonstration Program, Renewable Energy Venture Capital Fund and Emerging Renewables); and
- $0.5 billion in other Clean Energy Initiative programs (Low Emission Technology Demonstration Fund and Connecting Renewables Initiative).

A series of audits examining the Clean Energy Initiative would be conducted as the implementation of its programs progresses. A performance audit of the Renewable Energy Demonstration program is currently underway. The Solar Initiative is likely to be the next component to be subject to an audit.

Smart Grid, Smart City

The Australian Government has committed up to $100 million under the Smart Grid, Smart City program to gather information about the costs and benefits of smart grids in order to inform future decisions by government, electricity providers, technology suppliers and consumers across Australia. After a competitive grants process, in June 2010 the Australian Government announced Energy Australia as the successful bidder to demonstrate Australia’s first commercial-scale smart grid, based in Newcastle. The initiative is being delivered by RET, in consultation with the Department of the Prime Minister and Cabinet, the Department of Broadband, Communications and the Digital Economy, and the Department of Climate Change and Energy Efficiency.

An audit would examine the administration of the Smart Grid, Smart City program, including the selection process and progress towards achieving the program’s objective.
Sustainability, Environment, Water, Population and Communities

Audit strategy overview

The Sustainability, Environment, Water, Population and Communities portfolio was established on 14 September 2010. It includes the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) and six portfolio agencies: Bureau of Meteorology; Director of National Parks; Great Barrier Marine Park Authority; Murray-Darling Basin Authority; National Water Commission; and Sydney Harbour Federation Trust.

SEWPaC is the lead portfolio agency, responsible for developing and implementing national policy, programs and legislation to protect and conserve Australia’s environment and to meet Australia’s future population needs. A major funding program is Water for the Future, the Australian Government’s long-term initiative to better balance the water needs of communities, farmers and the environment. SEWPaC also has an ongoing role in administering the Environment Protection and Biodiversity Conservation Act 1999, the Australian Government’s central piece of environmental legislation. The Environment Protection and Biodiversity Conservation Act 1999 provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.

In 2010, the ANAO undertook three performance audits that examined the: Home Insulation program; Green Loans program; and the Restoring the Balance in the Murray-Darling Basin program. In coming years the ANAO will continue to focus on programs concerned with managing water use, conservation and biodiversity, natural resource management, and portfolio agencies.

Audits in progress at July 2011

The Implementation and Management of the Housing Affordability Fund

In September 2008, the Australian Government launched the Housing Affordability Fund (HAF). The HAF is a grants program designed to increase the supply, and reduce the cost of new homes by:

- encouraging best practice in housing development assessment and planning processes, and
- reducing the cost of infrastructure works associated with housing developments.

Through the HAF, the Australian Government planned to make available to eligible organisations $500 million over five years.

The objective of the audit is to assess the effectiveness of the administration of the HAF. The HAF was planned and implemented by the Department of Families, Housing, Community Services and Indigenous Affairs. Following the Administrative Arrangements Order of 14 September 2010, responsibility for the function was transferred to SEWPaC.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.
The objective of the audit is to examine SEWPaC’s administration of the Private Irrigation Infrastructure Operators Program in New South Wales. Future audits would examine other material.

Indigenous Protected Areas Program

The Indigenous Protected Areas program is a partnering arrangement between Indigenous land owners and the Australian Government to preserve culturally significant habitats and promote biodiversity on areas of Indigenous owned land and/or sea. The program will provide around $50 million over five years, and aims to contribute to meeting national conservation objectives by contributing to the growth of the National Reserve System. The National Reserve System is the nation-wide network of protected areas conserving examples of Australia’s unique natural environment. The National Reserve System includes government, Indigenous and privately owned land. Indigenous Protected Areas are one of several options available to Indigenous land owners to be assisted in the management of their land.

The objective of the audit is to examine the administrative effectiveness of SEWPaC’s management of the Indigenous Protected Areas program.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Establishment, Implementation and Administration of the Local Jobs Stream of the Jobs Fund

The Jobs Fund also included a $300 million Local Jobs stream, which is the subject of a separate but concurrent ANAO performance audit to that being undertaken of the Infrastructure Employment Projects stream. Under the Local Jobs stream, $60 million was quarantined for heritage-related projects and $40 million was quarantined for the construction of bike paths (with $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the Australian Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The objective of the audit is to assess the efficiency and effectiveness of the establishment, implementation and administration of the Local Jobs Stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives. The audit scope includes the two quarantined components of the Local Jobs stream, as well as the remaining funding that was not quarantined.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

Private Irrigation Infrastructure Operators Program in New South Wales

Under the Basin Agreement of 3 July 2008, the Australian Government committed to establishing a process, similar to that being applied to the states, to enable private irrigation infrastructure operators in New South Wales to gain access to Australian Government funding to modernise and upgrade irrigation infrastructure. The Private Irrigation Infrastructure Operators Program in New South Wales has been developed to meet this commitment. The Private Irrigation Infrastructure Operators Program is a $650 million discretionary grants program administered by SEWPaC.

The objective of the audit is to examine SEWPaC’s administration of the Private Irrigation Infrastructure Operators Program, including the acquisition of water access entitlements and progress towards achieving the program’s objective.

The audit is expected to be tabled in the Autumn 2012 Parliamentary Sittings.
Potential audits

Administration of New Water Information Functions Under the Water Act 2007

In 2007, the Bureau of Meteorology (the Bureau) was given responsibility, under the Water Act 2007, for compiling and delivering a range of water information, in addition to its national weather and climate functions. One of its specific tasks is to produce the first-ever National Water Account (due in 2011). Funding of $450 million was provided for the Bureau’s water information functions, allocated under the Water for the Future initiative.

An audit would examine the integration and management of the new water information functions in the Bureau.

Weather Forecasting and Warnings by the Bureau of Meteorology

The Bureau is Australia’s national weather and climate agency, operating under the authority of the Meteorology Act 1955. The Bureau provides expertise and services to assist Australians in dealing with the natural environment, including drought, floods, fires, storms, tsunami and tropical cyclones. Through regular forecasts, warnings, monitoring and advice spanning the Australian region and Antarctic Territory, the Bureau provides one of the most fundamental and widely used services of government.

An audit would examine the Bureau’s responsibility for providing weather forecasts and warnings.

Sustainable Rural Water Use and Infrastructure Program

The Sustainable Rural Water Use and Infrastructure Program is a major component of the Australian Government’s $12.6 billion Water for the Future initiative. Under the program, some $5.8 billion has been provided to fund a range of sub-programs and projects throughout Australia, with a particular focus on the Murray-Darling Basin. These include competitive grant programs; state priority projects, jointly funded by the Commonwealth and the respective state; and one-off funding for particular projects, such as engineering improvements to the Menindee Lakes.

Key elements of the program are being implemented ahead of the finalisation of the Basin Plan (now expected in 2012) and in parallel with the purchase of permanent water entitlements under the Restoring the Balance in the Murray-Darling Basin program.

In 2010–11, the ANAO commenced an audit of the $650 million Private Irrigation Infrastructure Operators Program in New South Wales. Future audits would examine other material sub-programs or funding elements within the Sustainable Rural Water Use and Infrastructure program.

Caring for Our Country

The goal of the Caring for Our Country program is to achieve an environment that is healthier, better protected, well managed, resilient, and provides essential ecosystem services in a changing climate. The program is jointly administered by SEWPaC and the Department of Agriculture, Fisheries and Forestry, and aims to deliver funding to local communities through a regional funding model. In its initial five years (from 1 July 2008 to 30 June 2013), the program will provide around $2 billion in funding for natural resource management. The program also
includes two Indigenous–specific programs: Indigenous Protected Areas ($50 million over five years) and Working on Country ($90 million over five years).

An audit would examine the administration of the Caring for Our Country program and the progress towards achieving its objectives. The audit would complement current ANAO audits of Indigenous Protected Areas and Indigenous Employment in Government Service Delivery (which include aspects of Working on Country).

**The Environment Protection and Biodiversity Conservation Act 1999—Follow-on**

The *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act) is the Australian Government’s ‘flagship’ legislation to protect Australia’s biodiversity. The Act was designed to provide a legal framework for the conservation and sustainable use of Australia’s biodiversity.

Treasury

Audit strategy overview

The Treasury portfolio undertakes a range of activities aimed at achieving strong sustainable economic growth and the improved wellbeing of Australians. The portfolio comprises 15 agencies, including the Department of the Treasury (the Treasury).

A key area of ANAO audit activity in 2011–12 relates to the Council of Australian Governments (COAG) reform agenda. The reform agenda is supported by the Intergovernmental Agreement on Federal Financial Relations, which commenced on 1 January 2009, and provides the overarching framework for the Commonwealth’s financial relations with the states and territories. Under the new framework, Commonwealth payments to the states are centrally processed by Treasury and paid directly to each state treasury, who are responsible for distributing the funding within their jurisdiction. ANAO’s audit strategy includes a focus on the implementation of the COAG reform agenda. Given the role played by Treasury in making payments to the states, and in the development of National Partnership Agreements, it is expected that the department will be involved in a number of these audits, although the focus of each audit will be on the relevant portfolio agency. Planned audit activity also covers the costings (by Treasury and the Department of Finance and Deregulation (Finance)) of election commitments under the Charter of Budget Honesty.

Potential audits

Tax Expenditure Statements

The annual Tax Expenditure Statement provides details of concessions, benefits, incentives and charges provided through the tax system (tax expenditures) by the Australian Government. The publication of information on the Australian Government’s tax expenditures is a requirement under the Charter of Budget Honesty Act 1998. The Tax Expenditure Statement 2010 lists 349 tax expenditures and, in dollar terms, total measured tax expenditures in 2009–10 were estimated at around $113 billion.

The ANAO conducted a performance audit in 2007–08 on the preparation of the Tax Expenditure Statement 2006. At the time of the earlier audit, 272 tax expenditures were reported for 2006–07, with an aggregate value of more than $41 billion. Among other things, the earlier audit concluded that there were unreported categories of tax expenditures, and that the Tax Expenditure Statement 2006 included quantified estimates for less than 60 per cent of the tax expenditures that were reported and, of these, two-thirds were not based on reliable estimates.

A further audit would follow-on from the earlier report, including examining improvements to the completeness and reliability of the estimates reported in the Tax Expenditure Statement 2010.

Administration of the Costing of Election Commitments

The Charter of Budget Honesty Act 1998 (the Charter) outlines arrangements under which the Secretaries of the Department of the Treasury and Finance (the Secretaries) may be asked to cost Government and Opposition election commitments during the caretaker period before a general election. Under the Charter, the Secretary to the Treasury is responsible for costing
aspects of policies affecting revenue, while the Secretary of Finance is responsible for costing aspects of policies that affect government outlays and expenses. The Secretaries have, in accordance with the Charter, issued guidelines for the methodology to be used in the preparation of policy costings (the guidelines). The guidelines outline the principles and processes to be followed by the Treasury and Finance, with the aim of achieving consistent and transparent policy costings.

An audit would assess the timeliness and effectiveness of the costing of election commitments under the Charter, with particular reference to the caretaker period for the 2010 Federal Election.
Australian Taxation Office

Audit strategy overview

The Australian Taxation Office (ATO) is the Australian Government’s principal revenue collection agency. The ATO’s key role is to manage and shape tax, excise and superannuation systems that fund services for Australians. The business intent of the ATO is to ‘optimise voluntary compliance and make payments under the law in a way that builds community confidence’. To help satisfy this intent, the ATO has a range of processes and practices to help taxpayers understand their rights, to make it as easy as possible to comply, and to verify compliance.

Particular risks for ATO administration in 2011–12 include:

• realising the benefits of improvements to the ATO’s Information and Communications Technology (ICT) environment developed through its long-running ‘Change Program’;

• appropriate responses to changes in taxpayer behaviours; and

• responding to the changing global economy.

Given the ATO’s key risks and roles, the ANAO has given priority to audits that examine the delivery of services to taxpayers, particularly services that are underpinned by the ATO’s evolving ICT environment.

Audits in progress at July 2011

The ATO’s Management of Compliance in Small to Medium Enterprises

There are 175 000 businesses with an annual turnover of between $2 million and $250 million in Australia. These small to medium enterprises employ 26 per cent of the Australian workforce and account for 15 per cent ($15.7 billion) of the total tax revenue collections. The ATO compliance work surrounding small to medium enterprises includes comparing information that businesses provide in tax returns with information supplied by third parties, including financial institutions, government agencies and industry. This data matching is increasingly automated and comprehensive, and includes reviews of unusually high refunds and unusual pay-as-you-go instalment payment patterns. The ATO also uses statistical analysis to help identify tax risks based on business results that are outside industry norms or expected economic performance.

The objective of the audit is to assess the effectiveness of the ATO’s management of compliance in the small to medium enterprises market segment, with particular emphasis on governance, risk assessment and compliance activities.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Project Wickenby

Project Wickenby is a multi-agency task force that was formally established in February 2006. The objective of the task force is to make Australia unattractive for tax fraud and evasion. The work aims to detect, deter and deal with: tax avoidance and evasion; breaches of financial laws and regulations; attempts to defraud the community including investors and creditors; money laundering; and concealment of income or assets.
The agencies involved in administering Project Wickenby are the ATO, the Australian Securities and Investments Commission, the Australian Crime Commission, the Commonwealth Director of Public Prosecutions, the Australian Federal Police, the Australian Taxation Reports and Analysis Centre, and the Attorney-General’s Department with the support of the Australian Government Solicitor. For improved collaboration the Project Wickenby Cross-agency Advisory Committee was established, while the ATO remained the lead agency reporting to the Australian Government on progress. Australian Government resourcing for Project Wickenby is approximately $430 million over eight years.

The objective of the audit is to assess the effectiveness of Project Wickenby to detect, deter and deal with international tax fraud and evasion by Australian taxpayers. Particular emphasis is being given to: the ATO’s development and implementation of strategies as lead agency in the Project Wickenby taskforce; and investigations for Project Wickenby conducted by the Australian Crime Commission and Australian Federal Police.

The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**External Debt Collection Services**

A key element of the ATO’s debt collection activity is the timely initiation of action with taxpayers. In May 2007 the ATO announced the appointment of a panel of external collection agencies to assist with the collection of debt, including tax debts over two years old and employer superannuation guarantee charge debt. In 2009–10, the ATO reported a total collectable debt of $14.7 billion, represented by 1.5 million cases. Of the total collectable debt, 59 per cent related to activity statement debt.

In the 2009–10 Budget, the ATO received additional funding of $337.5 million over four years to increase and enhance compliance activities. A key goal associated with the additional funding was maintaining collection rates for outstanding Goods and Services Tax debts.

The objective of the audit is to assess the effectiveness of the ATO’s administration of its external debt collection arrangements. Particular emphasis will be given to the planning and execution of contractual and administrative arrangements; the effectiveness of the operational strategy for identifying and referring debt cases to external agencies; and the performance measures used to monitor and report on services provided by external agencies.

The audit report is expected to be tabled in the Winter 2012 Parliamentary Sittings.

**Interpretative Assistance for Self Management Superannuation Funds**

Interpretative assistance is one of the mechanisms the ATO uses to support people to understand their rights and responsibilities within the tax and superannuation systems. Interpretative assistance and advice are the basis for explaining and clarifying the ATO’s interpretation of the law and giving taxpayers more certainty about the taxation implications of their business activities.

The provision of interpretative assistance supports the ATO’s compliance assurance, revenue collections, transfers and superannuation programs. It crosses all ATO responsibilities and comprises advice and guidance, objections, disputes and reviews. IT support for interpretative assistance activities was released into the Change Program in July 2009.

The objective of the audit is to assess the effectiveness of the ATO’s management of its interpretative assistance activities for self managed superannuation funds.
The audit report is expected to be tabled in the Winter 2012 Parliamentary Sittings.

Potential audits

Complaints Handling

The Commonwealth Ombudsman has identified an upward trend in the number of complaints against the ATO. This increase is in contrast to a decrease in complaints about Australian Government agencies overall. The Ombudsman encourages individuals to complain first to the agency concerned, and transferred more than 20 per cent of the complaints it received about the ATO in 2009–10 to the ATO Complaints section. However, the Ombudsman also notes that a common area of complaint about the ATO is its handling of complaints.

The ATO introduced a new complaints handling system and business practices during 2009–10. Service standards also include performance measures related to the timeliness of complaints handling. During 2009–10, the ATO did not meet these performance targets, in part due to an increase in the number of complaints it received in relation to the implementation of its Change Program initiatives and their impact on the processing of income tax returns.

An audit would examine the ATO’s complaints handling systems, having regard to ATO service standards and the Ombudsman’s better practice guidance.

Data and Information Management

The ATO’s Change Program replaced the large number of specialised legacy ICT systems that supported internal administrative functions with a single management system. This included a single Integrated Core Processing system for registrations, accounting and forms processing, combined with client, case and work management capabilities. This integrated system was to provide a single way of working within the ATO, and would be supported by document and content management systems, and reporting and data analytics capabilities. The ATO has reported that the implementation of these organisation-wide systems would deliver improved capabilities for reviewing and managing individual processes and operational activities across all areas of the ATO. This had, in turn, enabled the development of ATO-wide measures of efficiency, productivity, effectiveness and quality. The ATO has also paid particular attention in recent years to developing methodologies for measuring the effectiveness of its compliance activities.

An audit would examine the ATO’s systems and processes for providing data and information to support compliance management decision-making and performance reporting.

Data Integrity of Client Information

One of the key aims of the ATO’s Change Program has been to provide a single system for case management and client relationship management that would give staff a single view of taxpayer information and enable them to undertake all their work electronically. In considering individual cases, the ATO seeks to deliver quality decision-making by applying the law consistently, while also taking individual circumstances into account.

ATO processes are governed by its Integrated Quality Framework. The purpose of the framework is to assist the ATO to produce work of a consistent and sustainable quality standard, and promote a culture of continuous improvement.
An audit would examine the ATO’s Integrated Quality Framework system in supporting effective data integrity.

**Identity Crime Risks**

Identity crime happens when someone uses a manipulated, stolen or assumed identity to commit fraud or other crimes. The ATO estimates that identity crime costs the Australian economy more than $1 billion each year. Criminals may steal personal details such as tax file numbers, which may then be used to fabricate an identity and commit a range of crimes including tax refund fraud. In some cases, identity fraud can take years to resolve.

The ATO has identified identity crime as a risk to both the collection of revenue and to the community’s confidence in the ATO’s ability to properly manage the taxation and superannuation systems. Identity crime is particularly relevant to individual tax refund integrity and to the ATO’s identification of superannuation illegal early release schemes.

An audit would examine the ATO’s strategies to address identity crime risks.

**Negotiated Settlements with Large and International Business**

To guide its settlement of taxation disputes, the ATO has developed a Code of Settlement Practice, as well as supporting Law Administration Practice Statements. These documents assist administrative processes in circumstances where, for reasons of good management of the tax system, the ATO decides to settle a disputed liability to tax. In 2009, the Inspector-General of Taxation reviewed the ATO’s processes for negotiating disputed settlements. This review noted that, where large businesses are involved in disputes over liabilities, there may at times be a strengthened case for the ATO to negotiate a settlement because of uncertainty in the ATO sustaining its view of the law due to the complexity of the issues in dispute.

An audit would examine the ATO’s application of the Code of Settlement Practice and associated Practice Statements in negotiating disputed settlements.

**Management of Taxation Debt**

As the broader Australian economy strengthens post the global financial crisis, the ATO is carefully managing its approach to debt collection to contain debt levels at acceptable limits. In 2009–10 the ATO collected $253.2 billion in net revenue and was managing $14.7 billion of total collectable debt—that is, debt outstanding as at 30 June 2010 that was not subject to objection or appeal, or some form of insolvency administration. The major components comprising total collectable debt were: activity statement debt ($8.7 billion); income tax debt ($5.6 billion) and superannuation guarantee charge debt ($0.3 billion).

An audit would examine the effectiveness of the ATO’s strategies to manage collectable debt, and would build on the findings of the ANAO’s previous debt audits and its current audit of the ATO’s use of external debt collection services.

**Personal Services Income**

In July 2000, the *New Business Tax System (Alienation of Personal Services Income) Act 2000* introduced changes to the tax treatment of personal services income earned by contractors and consultants. Income is defined as personal services income if it is mainly a reward for an
individual's personal efforts or skills. This definition applies regardless of whether the income is received directly by the individual or is received by a company, trust or partnership (known as a personal services entity). The changes to the tax law clarify what deductions can be claimed against affected personal services income and limit some deductions.

Decisions about whether a worker is an employee or a contractor are important for businesses engaging their services, as they may affect the business' taxation and superannuation obligations. In addition, a personal services entity may have an additional pay as you go withholding obligation in relation to affected income that has not been paid out within a certain time as salary or wages to the individual service provider. The ATO provides a range of decision tools and checklists to help businesses and individuals understand their employment arrangements and their resulting obligations.

An audit would examine the effectiveness of the ATO's arrangements for promoting compliance with personal services income obligations and for addressing non-compliance.

**Property Management**

The ATO is the Australian Government's largest holder of property leases in terms of office space. At 30 June 2010, the ATO was located at 61 sites across Australia, including customer service shopfronts, call centres, and office accommodation. In 2009–10 office lease expenses amounted to more than $360 million. In managing the property portfolio, important considerations include the attraction and retention of suitable staff and delivering value for money while achieving business outcomes.

During 2010, the ATO settled on a long-term office location strategy. As its business model relies increasingly on online strategies, the ATO is consolidating sites to focus on a smaller number of major centres.

An audit would examine the ATO's property management arrangements, including its compliance with the Australian Government's Property Management Framework.

**Research and Development Tax Concessions**

The Research and Development (R&D) tax concession allows companies to claim a tax deduction of up to 125 per cent of their eligible expenditure on Australian-owned R&D activities. Since 30 June 2007, a 100 per cent deduction has also available for expenditure on foreign-owned R&D that meets certain eligibility requirements.

At 30 June 2010, a total of 8440 companies had registered their research and development activities with AusIndustry to obtain a concessional deduction or a research and development tax offset. The value of the research and development tax offset for 2009–10 was $535 million.

An audit would examine the ATO's administration of the R&D tax concession.

**Strategies to Address the Cash Economy**

The cash economy presents risks that people in business will operate in the informal economy to hide income and evade tax obligations. The cash economy can also reduce the amount of revenue collected by the Australian Government that is available to fund community services.

The ATO has identified in its Compliance Program 2010–11 an ongoing focus on the cash economy, and has recently implemented additional strategies to improve voluntary compliance,
including the development of industry benchmarks covering key cash economy businesses. In the 2010–11 Budget, the ATO received $107.9 million over four years to address non-compliance in the cash economy.

An audit would examine the ATO’s strategies and compliance activities for dealing with the cash economy.
Cross-portfolio Audits

Audits in progress at July 2011

**Administration of the Gateway Review Process**

Gateway is a project assurance methodology that involves short, intensive reviews at critical points in the project’s lifecycle by a team of reviewers not associated with the project. The intention is to provide an arm’s-length assessment of the project against its specified objectives, and early identification of areas needing corrective action.

The objective of the audit is to examine:

- the effectiveness of the administration of the Gateway Review Process by the Department of Finance and Deregulation (Finance) and Financial Management and Accountability Act 1997 (FMA Act) agencies; and
- the extent to which those Gateway Reviews that have been conducted have contributed to improvements in the delivery of major projects.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Administration of Government Advertising Arrangements**

Governments use advertising to inform the public about taxpayer-funded programs, to promote government policies and to support the establishment and delivery of services. Australian Government departments and agencies subject to the FMA Act are required to: buy the media space for their advertising through the Central Advertising System; comply with the Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (March 2010); use the Communications Multi-Use List to select consultants for campaigns with expenditure over $250 000; and comply with applicable procurement policies for campaigns with expenditure under $250 000.

The objective of the audit is to examine the administration of the Australian Government’s advertising framework by Finance. The audit is also assessing the process within selected agencies to establish compliance with the Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (March 2010), and appropriate procurement practices in accordance with the legal and process requirements. The audit forms part of a periodic series of audit reports on government advertising that the ANAO expects to undertake over time.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**The Development of Key Performance Indicators to Support the Outcomes and Programs Framework**

In preparation for the 2009–10 Budget, a number of revisions were made to the budget reporting framework. The most significant of these involved changes to the arrangements for outcomes to reflect an increased emphasis on programs. As part of the new framework, agencies were required to develop Key Performance Indicators (KPIs) to demonstrate the performance of programs in achieving objectives and contributing to outcomes. The KPIs were required to be included in the 2009–10 Portfolio Budget Statements.
The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Establishment and Use of Panel Procurement

Effective procurement of property and services underpins the delivery of programs by Australian Government agencies. In 2009–10, the Australian Government purchased over $42 billion in property and services through procurement processes. For some agencies panel procurement is a significant component of their procurement expenditure.

Panels are intended to be a means of improving the efficiency and effectiveness of procurement. When undertaking procurement (including from panels), agencies are required to follow the principles and requirements set out in the Commonwealth Procurement Guidelines (CPGs) and associated legislation.

The objective of the audit is to assess whether agencies’ establishment and use of panels supports value for money, efficiency and effectiveness in procurement.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Information and Communications Technology Security – Management of Portable Storage Devices

A 2009 Privacy Commissioner survey found a high incidence of data, including client information, on agencies’ portable storage devices (such as flash drives) not being properly secured and some agencies that did not have controls around the use of personal storage devices and loss or theft of such devices.

The objective of the audit is to assess the effectiveness of the management of the risks arising from the use of portable storage devices in selected Australian Government agencies.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Recordkeeping

Recordkeeping is a key element of sound public administration and accountability for all Australian Government entities. As part of a continuing series of audits focusing on recordkeeping, the audit is examining the extent to which entities meet their recordkeeping responsibilities and requirements, including those established under the Archives Act 1983. The audit includes an examination of how effectively entities manage records that are created and stored electronically in corporate recordkeeping systems and in other electronic systems.

The objective of the audit is to assess whether agencies create, manage and dispose of records in accordance with key legislative and administrative requirements.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

Senate Order for Departmental and Agency Contracts (Calendar Year 2010 Compliance)

The Senate Order for Departmental and Agency Contracts requires agencies operating under the FMA Act to place lists of contracts valued at $100 000 or more on the Internet. These lists...
must, among other things, indicate whether each contract requires the parties to maintain the confidentiality of any of the contract’s provisions.

The objective of the audit is to assess the appropriateness of the use and reporting of confidentiality provisions in Australian Government contracts.

The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

**Implementation of Key Aspects of the Commonwealth Grant Guidelines**

Grants administration is an important activity for many Australian Government entities, involving the payment of many billions of dollars of public funds each year. With effect from 1 July 2009, the legislative and policy framework applying to the assessment and approval of grants has been significantly enhanced. A key aspect of the new framework is the promulgation under the *Financial Management and Accountability Regulations 1997* of the Commonwealth Grant Guidelines (CGGs). The CGGs identify a number of mandatory processes, decision-making and reporting requirements for both Ministers and officials involved in grants administration. The CGGs also include guidance on sound practice in grants administration that agencies should have regard to in implementing grant programs.

The new grants administration framework has a particular focus on the establishment of transparent and accountable decision-making processes for the awarding of grants. Accordingly, it includes requirements for reporting key aspects of decision-making to the Finance Minister, including in relation to instances where Ministers who are Members of the House of Representatives award a grant within their own electorate, and reporting to the Finance Minister of instances where Ministers have decided to approve a particular grant which the relevant agency has recommended be rejected. The effectiveness of these reporting processes depend on agencies meeting their obligation under the CGGs to provide advice to Ministers on the merits of any proposed grant before a funding decision is taken. Another key obligation under the new grants policy framework is for all grants programs to have guidelines in place, with the guidelines representing one of the policy requirements that grants must be consistent with in order to be approved under the program. The CGGs also outline the role that Ministers are to play in considering and approving guidelines for new grants programs, and any changes proposed to the guidelines for an existing program.

The ANAO is undertaking two audits examining the implementation of key aspects of the CGGs. The objective of the first audit is to examine the administration of the new grant reporting process by agencies and Finance. The audit report is expected to be tabled in the Spring 2011 Parliamentary Sittings.

The objective of the second audit is to assess the development and approval of grant program guidelines. The audit report is expected to be tabled in the Autumn 2012 Parliamentary Sittings.

**Potential audits**

**Performance Reporting Against the Financial Reporting Framework**

In the 2009–10 Budget, a number of revisions were made to the financial reporting framework. The most significant of these involved changes to the arrangements for outcomes to reflect an increased emphasis on programs. Beginning in 2009–10, all General Government Sector agencies are required to report in accordance with an Outcomes and Programs Framework. Programs are the building blocks of government financial and non-financial reporting,
management and analysis, and should provide a tangible link between Australian Government decisions, activities and the impacts of those actions.

An audit would build on the findings from the current audit—Development of Key Performance Indicators to Support the Outcomes and Programs Framework—and examine the appropriateness of a sample of agency performance indicators and the reporting against them.

**Management of the Communications Multi-Use List and the Central Advertising System and the Government Master Media Agencies**

Finance administers the Australian Government’s Advertising Framework. In addition to providing guidance to agencies on campaign processes, Finance also maintains the Communications Multi-Use List—a list of communications companies to be used by agencies for advertising campaigns—and administers the Australian Government’s Central Advertising System, which consolidates government advertising expenditure to secure optimal media discounts on Australian Government-wide media rates. In operating the Central Advertising System, Finance manages the contracts of two master media agencies that assist in media planning, placement and rates negotiations with media outlets.

An audit would examine Finance’s administration of the Communications Multi-Use List and the Central Advertising System, and the management of the contract entered into with the external agency attributed with the functions of the whole-of-government master media agency.

**Management of Information Campaigns**

All Australian Government agencies subject to the FMA Act are required to comply with the Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (March 2010) (the Guidelines) when booking advertising placements. In particular, as directed in the Guidelines, all information/non-campaign advertising needs to be placed through the appointed master media agency, Adcorp Australia Limited (1 June 2009 – 5 May 2012). Non-campaign advertisements are Australian Government advertisements that do not include paid media placement but instead involve advertisements that are simple and informative, generally appear only once or twice, contain factual statements, and contain typically low creative content. Some typical types of information campaigns or non-campaign advertising includes, but is not limited to:

- recruitment for specific job vacancies;
- auction and tender notices;
- invitations to make submissions or apply for grants;
- notification of date and/or location specific information (for example, notification of a public meeting at a particular time and place); and
- other public notices.

An audit would examine Finance’s management of the information/non-campaign elements of the Australian Government advertising framework, and would also examine non-campaign advertising placements from selected portfolios for their compliance with relevant policies and procedures.

The placement of recruitment advertising is proposed as a separate potential audit in 2011–12.
Management of Recruitment Advertising

Recruitment advertising promotes specific and general job vacancies, including graduate opportunities, within Australian Government agencies. When undertaking recruitment advertising, agencies must comply with the Guidelines on Non-campaign Recruitment Advertising (the Guidelines) that are administered by Finance. The Australian Government released updated Guidelines in July 2009 to provide a consistent framework for agencies in achieving value for money. The Guidelines relate to non-campaign recruitment advertising in print media, and specify such elements as: the size of the advertisement; the use of colour; the number of times a vacancy can be advertised; and the use of composite advertising.

An audit would assess the effectiveness of Finance’s administration of the Guidelines and a selection of agencies’ compliance with the Guidelines.

Closing the Gap in Indigenous Disadvantage Initiative: Agency Coordination and Performance Information Reporting

In December 2007, the Council of Australian Governments (COAG) agreed to a series of six targets to address the gap between Indigenous and non-Indigenous Australians in a range of socio-economic indicators. In 2008, these targets were developed into the National Indigenous Reform Agreement, which now provides the overarching framework for the delivery of the Closing the Gap strategy. The six targets are:

• to close the life-expectancy gap between Aboriginal and Torres Strait Islander people and other Australians within a generation;
• to halve the mortality gap between Aboriginal and Torres Strait Islander children and other children under age five within a decade;
• to halve the gap in literacy and numeracy achievement between Aboriginal and Torres Strait Islander students and other students within a decade;
• to halve the gap in employment outcomes for Aboriginal and Torres Strait Islander people within a decade;
• to at least halve the gap in attainment at Year 12 schooling (or equivalent level) by 2020; and
• to provide all Aboriginal and Torres Strait Islander four-year-olds in remote communities with access to a quality preschool program within five years.

Underpinning these targets are the seven COAG-agreed Building Blocks (Early Childhood, Schooling, Health, Economic Participation, Healthy Homes, Safe Communities, and Governance and Leadership) which form the strategic areas for action by governments. The Closing the Gap initiative has been designed as a collaborative, whole-of-government effort and contributions to the targets are expected to come from a range of programs administered within the building block areas.

An audit or series of audits would consider aspects of the Australian Government’s involvement in the Closing the Gap initiative. These include examining the lead agency arrangements, agency coordination mechanisms for planning, prioritising and implementing programs within the building blocks, and agency performance information systems to consider the extent that these enable reporting on progress toward the six targets.
Implementation of the COAG Service Delivery Principles for Programs and Services for Indigenous Australians

In 2004, COAG agreed on a National Framework of Principles for Government Service Delivery to Indigenous Australians. The principles covered the following areas: sharing responsibility; harnessing the mainstream; streamlining service delivery; establishing transparency and accountability; developing a learning framework; and focusing on priority areas. In 2008, COAG endorsed the National Indigenous Reform Agreement. As part of the National Indigenous Reform Agreement, COAG reissued an expanded set of principles entitled the Service Delivery Principles for Programs and Services for Indigenous Australians. All governments were required to take these principles into account in designing policies and delivering services. The service delivery principles are intended to guide the design and delivery of Indigenous-specific and mainstream government programs and services provided to Indigenous people as well as guide the development and negotiation of National Partnership Agreements.

The 2008 service delivery principles are: the Priority Principle (programs and services should contribute to Closing the Gap by meeting targets endorsed by COAG), Indigenous Engagement Principle (engagement should be central to the design and delivery of programs and services), Sustainability Principles (programs and services should be directed and resourced over an adequate period of time to meet the COAG targets), Access Principle (programs and services should be physically and culturally accessible to Indigenous people), Integration Principle (there should be collaboration between and within governments at all levels and their agencies to effectively coordinate programs and services) and the Accountability Principle (programs and services should have regular and transparent performance monitoring, review and evaluation).

An audit would examine the organisational initiatives undertaken to date by Australian Government agencies to put these principles into operation and monitor their use.

Procurement

The Australian Government purchased over $42 billion in property and services in 2009–10 through procurement processes. When undertaking procurement, agencies are required to follow the principles and requirements set out in the CPGs and associated legislation. It is expected that revised CPGs will be issued in 2011–12.

In recent years the ANAO has completed cross-portfolio audits on contract management and direct source procurement. Another procurement audit is underway on agencies’ establishment and use of panels. The ANAO plans to build on this series of audits by conducting audits on specific aspects of procurement, such as agencies’ approaches to attaining value for money when procuring property and services.

Management of Property

Australian Government organisations require access to property to carry out their business and deliver their services. Property costs are one of the largest recurrent expenses of government. In October 2009, the Minister for Finance and Deregulation issued the Commonwealth Property Management Guidelines (the Property Guidelines) to assist organisations subject to the FMA Act improve the efficiency and effectiveness of Commonwealth property management. The Property Guidelines established mandatory requirements which require organisations to have a property management plan and report data on property leased and owned to Finance. The Property Guidelines also established an office accommodation occupational density target for
new leases or buildings and major fit-outs. Application of the Property Guidelines was expected to result in net budget savings increasing to around $100 million per annum by 2025.

An audit or series of audits would examine the efficiency and effectiveness of entities’ management of property in support of business outcomes. The audit would include an assessment of entities’ application of the Property Guidelines.

**The Implementation of the Protective Security Policy Framework**

On 8 June 2010, the Attorney-General announced that a new Protective Security Policy Framework (PSPF) had come into effect. The PSPF replaces the Protective Security Manual and contains 33 mandatory protective security requirements for Australian Government agencies to implement, followed by a tiered framework of core standards, policies and guidelines. The Information Security Manual, authored by the Defence Signals Directorate, provides detailed technical measures for information security and continues to apply under the PSPF.

The PSPF applies to Australian Government agencies and any organisations working on their behalf, or handling Australian Government information and assets. This may include other governments and contracted service or goods providers.

The Attorney-General’s Department has policy responsibility for the development and implementation of the PSPF. Following the announcement of the PSPF, a 12-month transition period between the Protective Security Manual and the full PSPF was planned.

A cross-portfolio audit would examine the effectiveness of the implementation of the PSPF, including communication and guidance to Australian Government entities from the Attorney-General’s Department, and an assessment of the implementation of the PSPF in selected entities.

**The Implementation of the Australian Government Security Vetting Agency**

On 1 December 2009, the Australian Government announced that the vetting of all Australian Government agencies’ security clearances (apart from those exempt agencies) would be conducted by a single centralised security vetting agency. Responsibilities of the Australian Security Vetting Service, within the Attorney-General’s Department, were subsequently transferred to the newly formed Australian Government Security Vetting Agency (AGSVA) in the Department of Defence. Implementation of the AGSVA has been part of a Better Regulation Ministerial Partnership initiative between the Attorney-General, the Minister for Finance and Deregulation and the Minister for Defence to reduce costs and improve the efficiency of the security vetting process.

The AGSVA began processing Australian Government security clearances from 1 October 2010. The AGSVA currently employs over 200 staff in all major capital cities around Australia and all clearances granted by them have a whole-of-government effect.

An audit would examine the implementation of the AGSVA, including the transitional and outsourcing arrangements for the processing of the security clearances, and the degree to which the initial aims associated with setting up the AGSVA have been realised. The audit would complement the potential audit of security assessments of individuals by the Australian Security Intelligence Organisation.
Physical Security

The Australian Government requires a variety of resources, including people, information and assets to make and implement its decisions. Agencies hold significant resources on behalf of the Australian Government and the Australian people to fulfil government functions. The Australian Government expects each of its agencies to create and maintain an appropriate physical security environment for the protection of these functions and associated resources. The appropriate physical security environment should support the efficient and effective performance of agency outputs, without compromising the application of protective security measures.

The Commonwealth’s Protective Security Policy is outlined in the Protective Security Policy Framework. It provides specific guidance to agencies on the protection of the Commonwealth’s information, assets, personnel and clients from potential security threats. The framework outlines the Commonwealth’s physical security policy, including the recommended physical security framework, procedures and minimum standards.

An audit would assess selected Australian Government entities’ implementation of physical systems and practices to protect the Commonwealth’s information, assets, personnel and clients from potential security risks in accordance with legislative and policy requirements.

Security Risk Management

Agencies are required to adopt a risk management approach to cover all areas of protective security activity across their organisation. The Protective Security Policy Framework advises that the security risk management process should:

- identify specific risks to their people, information and assets;
- identify the agency’s level of risk tolerance;
- identify appropriate protections to reduce or remove risks; and
- identify and accept responsibility for untreatable residual risks (such as undertaking business on the Internet).

Within this context, agencies are to establish the scope of any security risk assessment and identify the people, information and assets to be safeguarded and determine the threats to people, information and assets in Australia and abroad, including the need to appropriately classify information. Agencies also need to consider the requirements of the FMA Act for the efficient, effective and ethical use of Commonwealth resources.

An audit would assess the effectiveness of security risk management in selected Australian Government entities. It would include an examination of the appropriate classification of information in accordance with the security framework.

Information and Communications Technology Security: Management of Privileged Accounts

Privileged accounts in an Australian Government entity’s Information and Communications Technology (ICT) environment are those that give the user the capacity to modify system configurations, account privileges, audit logs, data files or applications. These accounts are highly desirable for an attacker to access due to the high level of access granted, and inappropriate use of privileged accounts can be a major contributory factor to failures of security
or cyber security incidents on ICT systems. The Defence Signals Directorate has identified the control of privileged access to ICT systems as one of the most effective strategies that Australian Government entities can take to mitigate targeted cyber intrusions.

The Protective Security Policy Framework and the Information Security Manual outline the requirements for Australian Government entities’ management of ICT privileged access accounts. An audit would examine whether selected entities are effectively managing their privileged access accounts, in accordance with Australian Government protective security requirements, and the entities’ own policy requirements.

Managing Data Privacy

Under the Privacy Act 1998 (the Privacy Act), entities are required to comply with 11 Information Privacy Principles (IPPs) when handling personal information. The IPPs outline how an entity may collect, use, store and disclose personal information. The Privacy Act’s IPP 4 specifically relates to how entities store and secure personal information, indicating that a recordkeeper who has possession or control of a record that contains personal information, including staff and public information, shall ensure that the record is protected.

IPP 4 applies to all personal information held by entities, regardless of how it was collected. It is based on the principle that a person whose information is held by a government entity has a right to expect that the entity will hold it securely, and will ensure that access to the information is permitted only for legitimate purposes.

An audit would examine the effectiveness of controls put in place by entities to secure personal information, including for staff or public related data, and personal data collected as a function of any agency’s role in collating, assessing and maintaining personal information.

Information and Communications Technology: Software Licensing

Computer software is a core part of the infrastructure of Australian Government entities, and its use permeates every aspect of their daily business. Software is available as Commercial-Off-The-Shelf (COTS) systems, or open source, or is developed internally by an organisation to meet a specific business requirement. In January 2011, the Australian Government released its Open Source Software Policy, requiring entities to consider open source software for all software procurements from 1 March 2011. When Australian Government entities choose to implement COTS or open source software, both are issued to an entity under a license which sets out the conditions under which the entity may use the software, and any costs attached to the license.

An audit would examine how selected Australian Government entities are managing software licenses, including an examination of whether the entities’ current licensing arrangements are efficient and effective, compliance with software licensing conditions is being adequately monitored, and whether the Australian Government’s policies and guidance for the use of open source software are being effectively implemented.

10 Open source systems are generally available without an up-front cost, and with the source code available, giving the ability for the software to be used, copied or modified to suit any purpose, generally without payment of a royalty or other fee.
Management of Business Continuity

Australian Government agencies deliver a wide range of programs and services which are critical to the economic and social wellbeing of our society. Single or multiple events may cause a significant disruption or outage to the ‘business as usual’ operations of agencies, compromising their ability to function, which could have significant consequences for citizens, businesses and governments.

In order to respond to such disruptions, agencies need to consider business continuity management (BCM) as an integral part of their organisational risk management framework. BCM planning guides agencies in responding to unplanned disruptions or outages, variously described as an emergency, crisis and/or disaster, when normal management practices and procedures may be unable to cope.

In 2010, the ANAO reported that:

> Overall, our assessment of continuity management indicates agencies are aware of the importance of BCP and DRP [Disaster Recovery Planning] to the continuous delivery of their services. However, many agencies had not fully embedded the establishment, maintenance, and testing of business continuity and recovery plans into their normal business activities.11

The objective of the audit would be to examine BCM arrangements in a selection of Australian Government entities. Better practice characteristics and principles identified in the ANAO’s Better Practice Guide Business Continuity Management June 2009 would be considered as part of the examination.

Implementation and Management of Electronic Document Records Management Systems

The decision to implement an Electronic Document Records Management System (EDRMS) to assist in the management of paper and electronic records and documents can be driven by a range of factors. These may include the need to improve efficiency, administration, customer service and compliance with standards or legislation.

An audit would assess EDRMS implementation, management and effectiveness in selected Australian Government entities.

Freedom of Information

The Commonwealth Freedom of Information Act 1982 (FOI Act) creates a legally enforceable right of access to documents in the possession of Commonwealth ministers and agencies. The Act was introduced in order to improve accountability of government for administrative decision–making. The Act does not require a person to establish a special interest or ‘need to know’ before he or she is entitled to seek to have access granted. It also details the circumstances under which access to information can be denied.

Reforms to the Act in 2010, and the passage of the Australian Information Commissioner Act 2010, have introduced fundamental changes to the way information held by government is managed and accessed by members of the public. These reforms are designed to promote a pro-disclosure culture across government and build a stronger foundation for more openness.

An audit would assess agencies' compliance with the new FOI Act requirements, and the appropriateness of their policies and processes for dealing with requests for information. The audit scope would complement work undertaken by the Office of the Australian Information Commissioner in overseeing the operation of the FOI Act, and reviewing decisions made under the FOI Act.

Managing Conflicts of Interest

The community has a right to expect that all public officials will perform their duties in a fair and unbiased way, and that the decisions they make are not affected by self-interest, private affiliations, or the likelihood of personal gain or loss. It is, therefore, crucial that public officials and public sector entities protect the public interest by ensuring that private interests that conflict or may conflict with it are identified and managed effectively. A clear conflict of interest policy which details specific reporting procedures is an effective tool to ensure that potential and actual conflicts of interests are handled appropriately, before they give rise to allegations of misconduct. Even the perception that a conflict of interest has influenced an outcome can undermine public confidence in an agency and its staff.

An audit would examine the policies and practices used by a selection of public sector entities to manage conflicts of interest and potential conflicts of interest.

The Handling of Public Money by Persons Outside the Commonwealth

Public sector administration can sometimes involve 'outsiders' handling public money, which can have implications for agencies in relation to the FMA Act and *Financial Management and Accountability Regulations 1997* (FMA Regulations). For the purposes of the FMA Act and FMA Regulations, an outsider is defined as: ‘any person other than the Commonwealth, an official or a Minister’. Section 12 of the FMA Act provides that an official or Minister must not enter into an arrangement for the receipt, custody or payment of public money by an outsider, unless the Finance Minister has first given written authorisation, or the arrangement is expressly authorised by an Act. In late 2010, the Finance Minister's Delegation to agency Chief Executives was extended to permit outsiders to make payments of public money. To support agencies' use of the Delegation, Finance issued agencies with further guidance on outsiders handling public money in early 2011.

An audit would examine the extent to which a selection of public sector agencies are complying with their obligations under Section 12 of the FMA Act.

Internal Audit

Internal audit is a key component of any organisation's governance framework, and plays a critical role in providing assurance regarding the conformance and performance of the organisation's systems and administrative processes.

An audit would assess whether selected Australian Government entities have applied better practices contained in the ANAO's Better Practice Guide *Public Sector Internal Audit* (2007) when establishing the role and managing the use of their internal audit functions. For the selected entities, the audit would examine the internal audit function's accountabilities within the overall governance framework, work priorities and practices, and evaluation. The audit would also assess whether the recommendations contained in Audit Report No.3 2004–05 *Management of Internal Audit in Commonwealth Organisations* have been implemented.
**Evaluation**

Evaluation involves the systematic and objective assessment of policies and programs to assess their efficiency and effectiveness. Within the Australian Government, responsibility for evaluation is usually devolved to the entities responsible for program oversight and implementation. The evaluation experience and capability of these entities is variable.

In March 2010, *Ahead of the Game: Blueprint for Reform of Australian Government Administration* emphasised the importance of evaluative work to continuous improvement and identified actions to strengthen government evaluation. These actions involve the consultative development of central policy guidance covering evaluation by the Department of the Prime Minister and Cabinet, and organisations taking steps to enhance their evaluation of policy and programs.

An audit would examine Australian Government entities’ evaluative capacity and, for selected entities, the efficiency and effectiveness of differing models and approaches to evaluation. The audit would also explore the progress of work underway to improve evaluation in response to the Ahead of the Game report.

**Senate Order for Departmental and Agency Contracts (Calendar Year 2011 Compliance)**

The Senate Order for Departmental and Agency Contracts requires agencies operating under the FMA Act to place lists of contracts valued at $100,000 or more on the Internet. These lists must indicate, among other things, whether each contract requires the parties to maintain the confidentiality of any of the contract’s provisions.

An audit would assess the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2011 calendar year listings, and the processes used by selected agencies for compiling contract listings.

**Agency Management of Arrangements to Meet Australia’s International Obligations Under Selected Treaties**

Treaties are agreements between countries which are binding at international law. Through a process, known as ratification or accession, countries indicate their commitment to undertake the obligations under a treaty. Since 1901, Australia has ratified 335 treaties and acceded to 258 treaties, all of which are currently in force. Australia is a party to treaties on postal, shipping and social security and health arrangements, defence and security, nuclear non-proliferation, the environment, civil aviation, maritime delimitation, technological exchanges, and agreements designed to establish universal standards in relation to the treatment of civilians in time of war.

An audit would examine how relevant agencies are managing arrangements to meet Australia’s international obligations under selected treaties.

**Workforce Planning**

Many agencies are facing increasing challenges in engaging and retaining suitably qualified people that will enable them to deliver quality, timely and cost-effective services. The changing demographics of the Australian population and skills shortages are likely to further drive competition for highly performing staff. Effective workforce planning can assist agencies anticipate the staffing and skill requirements needed to enable them to deliver organisational
objectives now and in the future. In 2010, Ahead of the Game: Blueprint for the Reform of Australian Government Administration recommended an Australian Public Service (APS)-wide workforce planning framework be developed for use by agencies to develop fit-for-purpose workforce plans.

An audit, following establishment of the APS-wide workforce planning framework, would assess whether selected Australian Government entities have developed and implemented policies and practices to enhance the effectiveness of their workforce and enable them to meet their business challenges in the medium to longer-term. The audit would also examine work being undertaken by the Australian Public Service Commission to coordinate workforce planning.
Better Practice Guides

Potential guides

Public Sector Audit Committees Update

In February 2005, the ANAO released the Better Practice Guide Public Sector Audit Committees. The guide aimed to update the original ANAO guide (issued in 1997) following developments in better practice around that time, and an increased focus on regulatory reforms to governance practices.

An audit committee plays a pivotal role in the governance framework of organisations in both the public and private sectors. Chief Executives and boards are placing increased reliance on audit committees to provide them with independent assurance and assistance in areas such as management of risk, internal control, legislative compliance and financial reporting.

To continue to support good governance of public sector entities, the ANAO plans to update the Better Practice Guide Public Sector Audit Committees to reflect contemporary practices and requirements.

Developing and Managing Contracts Update

Contracting is an integral part of doing business in the public sector. The delivery of many, if not most, Australian Government programs involves some contracting with the private sector. As a result, developing and managing contracts is a skill required by public sector entities in the management of most programs.

In February 2007, the ANAO, in partnership with the Department of Finance and Deregulation, released the Better Practice Guide Developing and Managing Contracts. The guide aimed to help public sector entities achieve effective practices in the development and management of contracts. The ANAO plans to update the guide to reflect contemporary practices in the development and management of contracts.

Green Office Procurement and Sustainable Office Management Better Practice Guide

Australian Government operations are diverse and vary depending on role, function and size. However, common to all agencies are office-based activities. Office-based activities consume natural resources such as paper and water, require energy to operate, and lead to waste products, including greenhouse gas emissions and used computer equipment. This better practice guide will identify a spectrum of guidance material ranging from: mandatory Australian Government policies and requirements; policies that are discretionary and allow some flexibility in the extent to which they are adopted by agencies; and better practice examples that have been shown to be useful in integrating environmental considerations into agency operations over time and/or in a significant number of cases.

Public Sector Governance Update

In June 2003, the ANAO released the Better Practice Guide Public Sector Governance. The guide aimed to help Australian Government agencies implement better public sector governance arrangements by discussing the overarching public sector governance framework
and proposing processes and practices to address commonly encountered governance problems.

A number of important developments in public sector governance have occurred since the release of that guide. To continue supporting good governance of Australian Government entities, the ANAO plans to update the 2003 better practice guide.

**Performance Reporting Update**

Annual reports are a key mechanism by which agencies are accountable through the Australian Government to the Parliament for the efficiency, effectiveness and economy with which they manage resources. An important function of annual reports is to provide sufficient information and analysis so that Parliament can make a fully informed judgement on performance.

The ANAO plans to update its 2004 Better Practice Guide *Better Practices in Annual Performance Reporting* to reflect changes in the guidance for annual performance reporting provided by the Department of the Prime Minister and Cabinet and relevant changes flowing from the introduction of the Outcomes and Programs framework.

**Public Sector Internal Audit Update**

Internal audit is a key component of any organisation’s governance framework, and plays a critical role in providing assurance regarding the conformance and performance of the organisation’s systems and administrative processes.

While many of the principles remain the same, the role of internal audit has continued to evolve over time. In this context, the ANAO plans to update its 2007 Better Practice Guide *Public Sector Internal Audit* to provide contemporary guidance relevant to public sector entities operating under both the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*.

**Implementation of Program and Policy Initiatives Update**

In October 2006 the ANAO released the Better Practice Guide *Implementation of Program and Policy Initiatives: Making implementation matter*. The guide, which was developed in partnership with the Department of the Prime Minister and Cabinet, sought to identify better practice considerations when implementing a policy or program initiative and translating policy into reality. The guide gave particular focus to the up-front planning and development phases leading up to an initiative’s readiness for ongoing delivery, and was intended for public sector chief executives and senior officers responsible for overseeing the implementation of an initiative(s).

The ANAO plans to update the guide in consultation with the Department of the Prime Minister Cabinet, to reflect contemporary practices and lessons learned from the implementation of major initiatives in recent years.
## Financial Statement Audits by ministerial portfolio/entity

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|                                   | ASC Pty Ltd                                                     |
|                                   | Australian Electoral Commission                                 |
|                                   | Australian Government’s Consolidated Financial Statements       |
|                                   | Australian Health Management Group Ltd                         |</p>
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# ANAO Senior Contact Officers

<table>
<thead>
<tr>
<th>Contact Officer</th>
<th>Telephone/email</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td><strong>Steve Chapman</strong></td>
<td>(02) 6203 7800</td>
<td>Performance and Financial statement audits</td>
</tr>
<tr>
<td>Deputy Auditor-General</td>
<td><a href="mailto:steve.chapman@anao.gov.au">steve.chapman@anao.gov.au</a></td>
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</tr>
<tr>
<td><strong>Matt Cahill</strong></td>
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<td>Performance audit portfolios:</td>
</tr>
<tr>
<td>Group Executive Director</td>
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<td>• Defence</td>
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<td>• Education, Employment and Workplace Relations</td>
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<td>• Innovation, Industry, Science and Research</td>
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<tr>
<td><strong>Barbara Cass</strong></td>
<td>(02) 6203 7677</td>
<td>Performance audit portfolios:</td>
</tr>
<tr>
<td>A/g Group Executive Director</td>
<td><a href="mailto:barbara.cass@anao.gov.au">barbara.cass@anao.gov.au</a></td>
<td>• Agriculture, Fisheries and Forestry</td>
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<td>• Attorney-General’s</td>
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<tr>
<td><strong>Andrew Pope</strong></td>
<td>(02) 6203 7850</td>
<td>• Indigenous programs</td>
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<tr>
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<tr>
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<tr>
<td><strong>Warren Cochrane</strong></td>
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<td>Group Executive Director</td>
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<tr>
<td><strong>Ian Goodwin</strong></td>
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<tr>
<td>Group Executive Director</td>
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