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Introduction

The Auditor-General is an independent officer of the Parliament whose responsibilities, as set out in the Auditor-General Act 1997 (the Auditor-General Act), include undertaking financial statement and performance audits of Australian Government entities. In fulfilling this role, the Auditor-General is assisted by the Australian National Audit Office (ANAO). The ANAO’s outcome is:

To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.¹

The key strategy by which the ANAO will seek to achieve this outcome is through its audit services, which include:

- financial statement audits of Australian Government entities; and
- performance audits of Australian Government programs and entities.

The ANAO audits the annual financial statements of Australian Government entities and the Australian Government’s annual consolidated financial statements. The consolidated financial statements present the consolidated whole-of-government financial result inclusive of all Australian Government controlled entities, including entities outside the general government sector. These audits are designed to give assurance to stakeholders that an entity’s financial statements fairly represented its financial operations and financial position at year end. The ANAO also undertakes a range of other assurance reviews.

The ANAO’s performance audit activities generally involve the audit of all or part of an entity’s operations to assess its efficiency or administrative effectiveness. The ANAO identifies areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve their program management performance.

The performance audit activity also extends, under certain circumstances, to conducting performance audits of Commonwealth partners, which are those bodies (such as grant recipients or contractors) that receive money directly or indirectly from the Commonwealth for a particular purpose. Such audits may be conducted only to the extent that they assess the operations of the Commonwealth partner in relation to achieving the Commonwealth’s purpose. This power also extends to state and territory bodies that receive money from the Commonwealth if the audit is conducted at the request of the Joint Committee of Public Accounts and Audit (JCPAA) or the responsible Australian Government Minister.

The ANAO also contributes to improvements in Commonwealth public administration through its series of better practice guides, which are designed to assist entities to perform at their most efficient level and add value to their various services. Adopting better practices can help transform and improve business processes and potentially can lead to overall improvements in the administration of the entity as a whole.

Audit Work Program

Each year the ANAO publishes its Audit Work Program (the Program). This is a forward program designed to inform the Parliament, the public and government entities of the ANAO’s planned financial statement audit coverage, other assurance activities, and potential performance audit coverage for the Australian Government public sector.

The ANAO adopts an ongoing and integrated approach to planning its audit coverage and related publications. To assist with identifying risks, the ANAO’s financial statement and performance audit teams discuss, on an ongoing basis, entity business risks and proposed audit coverage including consideration of potential audit benefits, parliamentary and public interest, and the timing and resource requirements needed for audits. The views of the Parliament, entity management and other stakeholders are also sought during the development of the Program. The ANAO gives consideration to the changing Australian Government public sector environment and seeks to be responsive to stakeholder requests where priorities and resources permit.

The role of entities can often change in line with government priorities, and the ANAO seeks to maintain a current knowledge of their administrative arrangements and operating environment, including how business risks are identified and managed in the delivery of government programs and services. 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.

The Program is divided into two sections:

1. **Financial statement audits and other assurance activities**—includes financial statement audits and those other assurance activities provided for under the Auditor-General Act that will be undertaken during 2014–15.

2. **Performance audits, in progress and proposed**—presents information on performance audits in progress as at July 2014 and a rolling program of potential performance audits by portfolio. The performance audit program also includes cross-entity performance audits that will involve a number of entities, and a series of better practice guides which draw on information from a number of sources, such as past performance audits, to present insights on better practice in areas central to sound public administration.

Financial statement audits

Accountable authorities of Australian Government entities are required to manage their affairs in a manner that promotes the efficient, effective, economical and ethical use of resources. To achieve these goals requires the development and implementation of effective corporate governance arrangements and internal controls. Those arrangements and controls should be designed to meet the individual circumstances of each entity, assist in the orderly and efficient conduct of business and support compliance with applicable legislative and policy requirements, which include the preparation of annual financial statements that state fairly the financial position and results for the year.

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2 Information is also provided on the expected Parliamentary sitting period in which the reports in progress will be tabled. The Parliamentary sitting periods are Autumn (February to April), Winter (May to July) and Spring (August to December).
The preparation of audited financial statements is a key element of the financial management and accountability regime applicable to Australian Government entities. It is generally accepted in both the private and public sectors that a good indicator of the effectiveness of an entity’s financial management is the timely finalisation of its annual financial statements, accompanied by an unmodified audit opinion.

ANAO financial statement audits are an independent examination of the financial accounting and reporting of public sector entities. For large entities, the financial statement audit process is conducted in two main phases, interim and final. The interim phase focuses on an assessment of the entity’s key internal controls, including governance arrangements, information systems and control procedures. During the final audit phase, which applies to all entities, the ANAO completes its assessment of the effectiveness of key controls for the full year, substantively tests material balances and disclosures in the financial statements, and finalises its audit opinion on the entity’s financial statements.

Each year, the Auditor-General presents two reports to the Parliament that summarise the outcomes of the financial statement audits of public sector entities. The first report, the *Interim Phase of the Audits of Financial Statements of Major General Government Sector Agencies*, is tabled in June, while the second report, *Audits of the Financial Statements of Australian Government Entities*, is tabled in December.

### 2012–13 final audit phase results

For the final phase of the 2012–13 financial statement audits of individual entities, there has been a reduction in the number and significance of issues highlighted by our audits. The number of significant and moderate audit findings decreased from 38 in 2011–12 to 30 in 2012–13, a reduction of some 30 per cent. This is consistent with the trend in ANAO financial statement audits of recent years, which has seen a large reduction in the number of significant and moderate audit issues.

Common issues identified in the 2012–13 final audit phase as requiring attention by entities were controls in entities’ IT environments, such as user access and the segregation of duties; asset management processes, including the valuation of assets and reporting of inventory; business system processing controls; and documentation of defined policies and procedures. These issues are generally consistent with audit findings made in previous years.

Each year, the ANAO’s financial statement audit coverage includes a review of Commonwealth payments to the states and territories, including arrangements in place for National Partnership payments to the states and territories under the *Federal Financial Relations Act 2009*. In 2012–13, $11 billion was paid in accordance with more than 100 agreements between the Commonwealth and the states and territories. A number of agreements require the achievement of specified performance benchmarks, project milestones and/or other conditions prior to payment.

The ANAO’s review of a sample of agreements found that relevant entities generally had controls in place to support the payment process. Nevertheless, ANAO audits made the following findings:

- there is wide variation in the accountability and reporting arrangements in individual agreements;
- agreements generally did not provide for information, particularly non-financial information, to be subject to independent assurance or verification;
- agreements generally did not include provisions that allowed the Commonwealth to obtain independent assurance over the accuracy and completeness of information submitted by the states and territories; and
- relevant entities generally did not utilise provisions that allowed them direct access to information and records maintained by the states and territories.
The ANAO also includes an assessment of compliance in relation to annual appropriations, special appropriations, special accounts and the investment of public moneys in its financial statement audits. There continues to be a high level of compliance in most of these areas and while the 2012–13 audits of financial statements continued to identify a large number of entities where there were both breaches ($31 million) and potential breaches ($538 million) of section 83 of the Constitution, the amounts involved were lower than in the previous year.3

2013–14 interim audit phase results

In reporting on the results of the 2013–14 interim phase of the financial statement audit program, the ANAO is providing assurance to the Parliament that the systems, controls and processes that are in place in major Australian Government entities that support the preparation of entities’ financial statements are operating effectively.

The results of the 2013–14 interim audits were reported in ANAO Audit Report No.44 2013–14, Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2014. The results of the 2013–14 interim audits reflect a small increase in the number of moderate (category B) and minor (category C) audit findings. Nevertheless, entity control regimes overall continued to be stable and well maintained and entities have generally addressed prior year audit findings in a timely manner.

However, audits continue to identify control weaknesses in a number of areas particularly relating to: the management of privileged and other user access to key financial business systems; the timely capitalisation of assets to enable the accurate calculation of depreciation; the maintenance of complete and accurate assets registers; and consistency of impairment assessments.

Other assurance activities

In addition to conducting financial statement audits, the Auditor-General undertakes other assurance activities. These generally consist of audits or reviews undertaken by arrangement with the client entity, either at the request of the client or in response to requests from stakeholders, including parliamentarians, parliamentary committees, community groups and members of the public. Following inquiries made by the ANAO, such individual assurance activities may be handled through the issue of a formal report or by correspondence.

One significant assurance activity is the priority assurance review of major Defence equipment acquisition projects (Major Projects) and the production of the yearly Major Projects Report. Increased transparency and accountability on the progress of Defence Major Projects has been an ongoing focus of the Parliament. In 2007–08, an annual program was established in conjunction with the Defence Materiel Organisation to enable the ANAO to review and report to the Parliament on the status of Defence Major Projects. The Major Projects Report includes information relating to the cost, schedule and capability performance of individual projects as at 30 June each year. The 2013–14 Major Projects Report will cover 30 projects.

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3 Section 83 of the Constitution states ‘No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law’.
Additionally, in 2013–14 the ANAO completed the pilot audit project for providing assurance over entities’ key performance indicators (KPIs). This project commenced in 2011–12, following amendments to the Auditor-General Act, which provided the Auditor-General with the explicit authority to audit the performance indicators of entities.

The initial results of the pilot project were reported in ANAO Report No.28 2012–13, *The Australian Government Performance Measurement and Reporting Framework, Pilot Project to Audit Key Performance Indicators*, and reinforced the issues identified in ANAO performance audits over the last decade. The report concluded that the administrative framework supporting the development and auditing of KPIs remains problematic and that entities continued to experience challenges in developing and implementing meaningful KPIs. The final results of the continuation of the pilot project were tabled in ANAO Report No.21 2013–14, *Pilot Project to Audit Key Performance Indicators*. The continuation of the pilot project observed little change within the guidance promulgated by Finance for the 2013–14 financial year and identified that entities’ implementation of performance measurement and reporting requires further development.

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which takes general effect in 2014, introduces new requirements for entities to produce a corporate plan, to measure and assess their performance and to prepare an annual performance statement. Both of these requirements are expected to be implemented in respect of the 2015–16 financial year. The PGPA Act also provides the authority for annual performance statements to be audited by the Auditor-General at the request of the responsible Minister or the Finance Minister.

While the completion of the ANAO’s KPI pilot project has resulted in the development of a preliminary methodology to support ongoing audits of KPIs, the extent of future work undertaken by the ANAO will need to be agreed and resourced appropriately in order to implement a broader regime of performance information audits. In the longer term, once an enhanced performance measurement and reporting regime has been established, greater assurance will be provided if entity performance information is subject to audit. Separately, the ANAO performance audit program will continue to include coverage of the performance measurement arrangements that have been established for the program or area being reviewed.

**Performance Audits**

A performance audit is a review or examination of the operations of an entity. 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, including where they involve a Commonwealth partner. The second is to assist public sector managers by identifying and promoting better administrative and management practices. Entity-specific and cross-entity 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.

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4 Cross-entity audits are performance audits of particular themes or common aspects of administration across a number of entities.
A more detailed explanation of the ANAO’s approach to performance auditing is in the ANAO Guidelines for the Conduct of Performance Audits, which is available from the ANAO’s website (www.anao.gov.au).

The Program of audits seeks to achieve coverage across a wide range of entities and portfolios, either as entity-specific audits or as part of broader cross-entity audits. In addition, the Program endeavours to give appropriate emphasis to the core business activities of entities that underpin effective program and service delivery.

In 2014–15, the ANAO expects to complete:

- 49 performance audits (including cross-entity audits); and
- three updated better practice guides.

The composition of the Program 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.

### Key areas of performance audit focus

Program implementation and management is core business for public sector entities and features strongly in our proposed audit coverage, in particular in the areas of service delivery, procurement and grants management. ANAO audits have identified opportunities for entities to undertake these activities more efficiently and effectively and to achieve better outcomes and more effective compliance with applicable requirements.

A further area where there is a need for improvement in Australian Government administration is in measuring and assessing the performance of government programs. The ANAO’s work in the area of performance measurement and reporting has consistently demonstrated over a number of years that many entities have fallen short in developing and reporting performance measures that demonstrate the achievement of stated program or activity objectives. In addition, the evaluation of programs is uneven and the design phase of programs could include greater consideration of the best way to measure a program’s impact or to achieve a program’s objectives, not just at its conclusion but periodically during the life of the program. Performance audits will continue to have a focus on program and activity performance measurements, and the Program also includes a cross-entity audit on planning and management of evaluations.

This Program has been prepared against a backdrop of financial constraint, significant administrative changes in relation to the responsibilities of particular entities, and the introduction of the PGPA Act. In such an environment there is potentially a higher risk to the effective operation of administrative processes and systems until the new arrangements are bedded down.

### Planning the performance audit program

The performance audit program is primarily organised around the portfolio structures of the Australian Government, with the addition of cross-entity audits in areas of general public administration. Proposed better practice guides that aim to assist entities in managing particular areas of government activity are also included.

In developing the performance audit program, the ANAO undertakes a process that involves:

- consulting Parliament, Australian Government entities and stakeholders;
- consulting state and territory first ministers’ departments, where relevant;
• conducting an environmental scan of key risks and challenges to public administration; and
• understanding the operations of entities and identifying areas that could potentially improve performance.

The Program outlines a rolling program of potential performance audits and better practice guides that may commence in 2014-15 or future years. More than 150 potential performance audit topics across the range of Australian Government portfolios are usually identified, and approximately one-third of these are undertaken in any given year.

The ANAO’s better practice guides are based on subject areas 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 identified in some organisations to be recognised and promulgated to all Australian Government entities. In recent years, the range of better practice guides published by the ANAO has included contract management, public sector environmental management, public sector audit committees, internal audit, human resource management information systems, preparation of financial statements, grants administration, administering regulation and public sector governance.

Criteria for selecting individual performance 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. Within the portfolio-based approach, and in the context of available resources the ANAO will generally consider the:

• potential benefits to public administration;
• public and parliamentary interest;
• 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 services or programs; delivery, administrative and financial efficiencies; accountability and transparency; and performance measurement.

Parliamentary proceedings and inquiries and media coverage provide opportunities to identify matters of public interest that can be incorporated into the planning process. Members of Parliament and the public can contact the ANAO in a range of ways to raise matters of interest. In addition, the ANAO has developed a web-based citizen input function which gives members of the public the opportunity to contribute information and perspectives to specific audits as they are being undertaken.

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.

Coverage refers not only to previous ANAO work 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 by external consultants or examinations by parliamentary committees. As a general rule, greater attention 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

As mentioned above, from time to time the Auditor-General receives requests from stakeholders, including the Parliament (through the JCPAA) or individual members 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, such as a formal report, a review or correspondence.

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

We welcome feedback on our Program. Suggestions should be addressed to the Director, Governance and External Relations, Australian National Audit Office, GPO Box 707, Canberra, ACT 2601 Australia or by email to ag1@anao.gov.au.
Section One

Financial statement audits and other assurance activities

This section includes financial statement audits and those other assurance activities provided for under the Auditor-General Act which will be undertaken during 2014–15.
Introduction

During 2014–15, the ANAO will complete or commence a range of financial statement audits for more than 260 Australian Government entities. In addition, the ANAO may undertake a range of other assurance activities, including:

- audits or reviews undertaken by arrangement with a client entity pursuant to section 20 of the Auditor-General Act; (These audits or reviews are either at the request of the client or in response to requests from stakeholders, including ministers and parliamentary committees. The conduct of audits and reviews by arrangement is subject to annual reassessment.);
- priority assurance reviews, pursuant to section 19A of the Auditor-General Act; and

Outlined below is a list of Australian Government entities, by portfolio, which will be subject to ANAO financial statement audits and/or other audits by arrangement (section 20 engagements). This work involves completing financial statement audits and section 20 engagements for 2013–14 and commencing work on 2014–15 financial statement audits (including for newly created entities).

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<tr>
<th>Portfolio</th>
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<td>• Commission for the Conservation of Southern Bluefin Tuna</td>
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5 Section 20 of the Auditor-General Act provides for the Auditor-General to enter into an arrangement with any person or body to audit financial statements of the person or body; to conduct a performance audit of the person or body; or to provide services to the person or body that are of a kind commonly performed by auditors, provided it is within the Australian Government’s legislative power.

6 Subsection 19A(1) of the Auditor-General Act provides for the Auditor-General to conduct an assurance review of an Australian Government entity (excluding Government Business Enterprises). Subsection 19A(5) outlines that the JCPAA can identify an assurance review as a priority. A review so identified is a priority assurance review.

7 To be merged into the Australian Grape and Wine Authority from 1 July 2014.

8 To be merged into the Australian Grape and Wine Authority from 1 July 2014.
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<sup>9</sup> To be wound up 30 June 2014.
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• Australian Securities and Investments Commission  
• Australian Taxation Office  
• Clean Energy Finance Corporation  
• Commonwealth Grants Commission  
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• Productivity Commission  
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• Royal Australian Mint |
| *Section 20 engagements* | • Australian Taxation Office CFS ETM Revenue Estimates Special Purpose Accounts 2013-2014  
• Australian Taxation Office GST Special Purpose Audit Opinion 1 GST Cost Controls  
• Australian Taxation Office GST Special Purpose Audit Opinion 2 GST Cost Controls  
• Reserve Bank of Australia Officers’ Superannuation Fund (subsidiary of RBA) |
Other Assurance Activities

Major Projects Report

One significant assurance activity undertaken by the ANAO is the priority assurance review of major Defence equipment acquisition projects (Major Projects) and the production of the yearly Major Projects Report. Increased transparency and accountability on the progress of Defence Major Projects has been a focus of parliamentary interest for some time. In 2007–08, an annual program was established in conjunction with the Defence Materiel Organisation (DMO) to enable the ANAO to review Major Projects, as set out in the Major Projects Report. The Major Projects Report includes information relating to the cost, schedule, technical progress and capability performance of individual projects as at 30 June each year. On completion of the priority assurance review, the ANAO reports to Parliament on the status of each major project that is subject to review.

The first DMO Major Projects Report, tabled in Parliament in November 2008, reported on nine of DMO’s major projects. Since that time, five further reports have been tabled on an annual basis and the number of projects reviewed has progressively increased and will cover 30 projects in 2013–14.

The ANAO continues to undertake analysis of individual project performance and, over time, the emerging trends across all projects and the governance model in place within DMO. The Major Projects Report is based on guidelines endorsed by the JCPAA and the Auditor-General’s review scope, and is not as extensive in terms of evidence gathering as 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 also influence the review process.

2013–14 Major Projects Report


The report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Section Two

Performance audits, in progress and proposed

This section outlines performance audits in progress as at July 2014 and a rolling program of proposed performance audits by portfolio. The performance audit program also includes cross-entity performance audits that will involve a number of entities, and a series of better practice guides.
Agriculture

Audit strategy overview

The Agriculture portfolio comprises the Department of Agriculture (Agriculture) and seven portfolio agencies. The portfolio has been allocated around $2.1 billion in resources for 2014–15.

The portfolio aims to support the sustainability, profitability and competitiveness of Australia’s agriculture, food, fisheries, and forestry industries. Major priorities within the portfolio in 2014–15 include: developing and implementing deregulation initiatives to reduce the regulatory burden on business and farmers as a result of Agriculture portfolio activities; working to maintain and increase access to global markets for Australia’s agriculture, fisheries, forestry and related industry exports; and supporting the development of a White Paper on Agricultural Competitiveness and the White Paper on the Development of Northern Australia. Agriculture has also outlined additional priorities within its two outcomes, focused on supporting Australia’s agricultural sectors including supporting drought-affected farmers, and strengthening biosecurity and quarantine arrangements.

Audits in recent years have focused on the implementation of grants programs, including those providing research grants and those assisting structural adjustment in the forestry and fishing industries; the regulation of fisheries managed by the Australian Government; the administration of the Northern Australian Quarantine Strategy; and the administration of drought assistance programs.

The ANAO’s future audit program will continue to address key portfolio areas and risks associated with biosecurity, exporter supply chain assurance, preparedness for pest and disease emergencies, and grants administration.

Audits in progress at July 2014

Administration of the Imported Food Inspection Scheme

The annual value of Australian food imports in 2012–13 was around $12.5 billion, and increased by over $1.2 billion from 2010–11 to 2012–13. Australia’s main food imports are processed fruit and vegetables, processed seafood, soft drink and cordials. New Zealand remains the major source of Australia’s imported foods, followed by the United States, China, Singapore and Thailand. Effective inspections of imported foods play an important role in the identification and subsequent management of pests and diseases of quarantine concern and gaining assurance that it is safe and suitable for human consumption.

Agriculture is responsible for administering two sets of requirements with which imported food must comply:

- general biosecurity requirements; and
- food safety requirements set out in the Imported Food Control Act 1992 under the Imported Food Inspection Scheme.

The objective of the audit is to examine the effectiveness of Agriculture’s administration of the Imported Food Inspection Scheme, including the processes for monitoring compliance with requirements and managing non-compliance.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.
Potential audits

Exporter Supply Chain Assurance System

The live animal export trade, which includes companion and assistance animals, racehorses, livestock and genetic material, was worth more than $1 billion in 2010–11 and employs approximately 10,000 people in rural and regional Australia. A significant sector is feeder and slaughter livestock (cattle and sheep), which are transported live to a range of countries for subsequent slaughter and sale.

On 8 June 2011, the Australian Government suspended the export of all feeder livestock to Indonesia following evidence of poor slaughter practices in a number of Indonesian abattoirs. The then Minister for Agriculture, Fisheries and Forestry also instigated an independent review of the complete supply chain for live exports up to and including the point of slaughter. In addition, the Chief Veterinary Officer coordinated an independent scientific review of the restraint boxes in use in Indonesian abattoirs. The trade of feeder livestock to Indonesia resumed in July 2011 after a new animal welfare framework had been established. On 21 October 2011, the Minister announced that the framework—the Exporter Supply Chain Assurance System (ESCAS)—would be extended to all feeder and slaughter livestock export markets in stages. The ESCAS was fully implemented by 1 January 2013.

Under the system, exporters must be licensed by Agriculture to legally export feeder livestock from Australia and are accountable to the Australian Government for the welfare of each consignment of livestock across the supply chain. At February 2014, Australia had exported nearly five million animals to more than 30 markets since the commencement of the ESCAS.

An audit would examine Agriculture’s implementation and monitoring of compliance with the ESCAS.

Biosecurity System

Australia’s biosecurity system aims 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, including impacts on Australia’s $38 billion agriculture export industries. A range of technologies and approaches are used to help prevent the introduction and spread of disease, including research and shared international resources and intelligence.

In response to various reviews of the biosecurity system, Agriculture has been implementing reforms to the biosecurity system under five key themes:

- implementing a risk-based approach to biosecurity management;
- managing biosecurity risk across the continuum—offshore, at the border and onshore;
- strengthening partnerships with clients and stakeholders;
- using robust science, being intelligence-led and evidence-based; and
- developing and implementing modern legislation, technology, funding and business systems.

A series of audits on aspects of Australia’s biosecurity operations would examine the effectiveness of strategies applied across the continuum that aim to prevent and manage incursions on a risk basis. This may include an examination of systems that support Agriculture’s implementation of its biosecurity responsibilities, including the development of the Biosecurity Import Conditions (BICON) information technology system.
Managing Exotic Pests and Diseases

Pest and disease outbreaks have the potential to cause significant damage to Australia’s agricultural sector. While state and territory governments are responsible for managing responses to pest and disease outbreaks within their jurisdiction, the Australian Government has a role in coordinating the response to emergency pest and disease incursions on a national scale. Two formal agreements—the Emergency Animal Disease Response Agreement and the Emergency Plant Pest Response Deed—set out cost sharing and other responsibilities of the Commonwealth, state and territory governments and relevant industry parties in an emergency response.

An audit would examine Agriculture’s current preparedness for national pest and disease emergencies, and the effectiveness of the department’s arrangements for managing the response to pest and disease incursions.

National Landcare Programme

In August 2013, the Government announced the merger of the Caring for Our Country Initiative and the Landcare Program to create a single National Landcare Programme that reflects both local and regional program priorities. The new program design is intended to increase access, including to farmers and landcare groups, as well as establish a base operational funding pool for Landcare.

The former Caring for Our Country Initiative aimed to achieve an environment that was healthier, better protected, well managed and resilient, and provided essential ecosystem services in a changing climate. The first stage of the program ran from 2008 to 2013, providing around $2 billion in funding for natural resource management. As part of the 2012–13 Budget, the then Government announced the continuation of the initiative, with funding of $2.2 billion over the period from 2013–14 to 2017–18 in two streams—Sustainable Environment and Sustainable Agriculture.

An audit would examine aspects of Agriculture’s and Department of the Environment’s administration of the National Landcare Programme, and the predecessor programs, Caring for Our Country and Landcare.

Australian Government Reef Programme (Reef Rescue Initiative)

The Great Barrier Reef is the world’s largest coral reef ecosystem, covering 348 000 square kilometres and incorporating 2500 individual reefs and 900 islands. A continuing decline in water quality from catchment run-off, impacts from fishing and climate change have been identified as issues affecting the health of the reef in various assessments, including the Great Barrier Reef Outlook Report 2009. In response, the Australian Government committed $200 million in funding over five years (2008–13) under the Reef Rescue Initiative to reduce the discharge of dissolved nutrients and chemicals from agricultural lands into the Great Barrier Reef lagoon by 25 per cent and the discharge of sediment and nutrients by 10 per cent.

In April 2013, the Australian Government committed a further $200 million to the Reef Rescue Initiative (now named the Australian Government Reef Programme) to continue efforts to protect the reef through improvements to the quality of water flowing into the Great Barrier Reef lagoon. This additional funding will support a second phase of the program from 2013–18, and is intended to enhance the reef’s resilience to the threats posed by climate change and nutrients, pesticides and sediment run-off through a number of complementary approaches. Agriculture and the Department of the Environment jointly administer aspects of the programme.

An audit would examine the administration of the Australian Government Reef Programme (Reef Rescue Initiative) and the extent to which the program is achieving its objectives.
Farm Finance Program

Successive Australian governments have implemented a range of measures to support farm families and farm businesses in managing and recovering from periods of hardship, including drought, and to assist them in preparedness and planning. The Farm Finance Program was announced in April 2013 as a two-year program comprising the following components:

- $420 million in short-term assistance in the form of concessional loans for productivity enhancement projects or debt restructuring. The Concessional Loans Scheme is being delivered via joint arrangements with states and the Northern Territory;
- $6.3 million for around 17 additional full-time counsellors with the Rural Financial Counselling Service;
- increasing the non-primary production income threshold for farm management deposits (FMD) and allowing consolidation of existing FMD accounts; and
- establishing a nationally consistent approach to farm debt mediation.

Since its announcement, the Government has made changes to the scheme, including a reallocation of funding across states and territories. Subsequently, in February 2014, the Government announced an additional $320 million assistance package for farmers in drought-affected areas, including $280 million in Farm Finance Concessional Loans in targeted drought areas.

An audit would examine the establishment and administration of aspects of the Farm Finance Program.

Regulation of Pesticides and Veterinary Medicines: Follow-on

Effective regulatory oversight of pesticides and veterinary medicines is necessary to maintain the quality of food and fibre production in Australia. The Australian Pesticides and Veterinary Medicines Authority (APVMA) is responsible for the regulation of agricultural and veterinary (agvet) chemicals, including the evaluation of applications for registering pesticides and veterinary medicines for use in Australia. It also monitors manufacturer compliance within prescribed standards and reviews currently registered products to ensure that they remain compliant with current standards. The APVMA’s 2013–14 budget was $31.9 million.

In June 2013, the Parliament passed legislative reforms to the regulation of agvet chemicals, and a revised framework is to commence on 1 July 2014. The amendments are designed to improve the consistency, efficiency and transparency of agvet chemical approvals, better align regulatory effort with chemical risk, improve the ability of the APVMA to enforce compliance with a suite of new powers, and improve consistency in data protection provisions. The Government has also announced its intention to remove the requirement for agvet chemicals to be periodically reapproved and reregistered.

An audit would examine the APVMA’s establishment of the revised regulatory framework and its performance of its key regulatory functions. The audit would also examine the APVMA’s implementation of recommendations made by the ANAO in Audit Report No.14 2006–07, Regulation of Pesticides and Veterinary Medicines.
Border Management of Foreign Military Personnel and Equipment

Foreign military personnel and equipment are regularly deployed to Australia, both on a long-term basis and for temporary exercises. For example, in November 2011 the Australian and United States (US) governments announced a joint defence force initiative involving a rotation of around 1100 members of the US Marine Corps stationed in northern Australia for periods of six months. Around 200 to 250 US Marines were deployed in 2012 and 2013, and 1150 were intended for deployment in 2014. The visiting US Marines are accompanied by a range of equipment, including vehicles; weapons such as small arms, mortars and towed cannons; and aircraft, including transport helicopters and fighter jets. US Defense Force personnel have also been deployed in Australia biennially since 2005 to undertake shared training with the Australian Defence Force (ADF). In 2013, around 21 000 US Defense Force personnel participated with 7000 ADF personnel for about four weeks in Queensland, the Northern Territory and Australian Maritime Zones.

Australian border agencies provide immigration clearance, inspection for prohibited and restricted goods and screening for quarantine items under specific agreements relating to the entry of foreign military personnel.

An audit would examine the effectiveness of the border agencies’ regulation of the immigration, customs and biosecurity aspects of the entry of foreign military personnel and equipment into Australia. Consideration would be given to having the audit coverage coincide with planned periodic movements of foreign military personnel and equipment.
Audit strategy overview

The Attorney-General’s portfolio is responsible for law and justice; national security; emergency management; natural disaster relief; cultural affairs (including support for the arts); and the management of government records. In terms of 2014–15 budget estimate allocations, the largest entities are the Australian Federal Police (AFP) ($1.4 billion), the Attorney-General’s Department (AGD) ($1.1 billion) and the Australian Security Intelligence Organisation ($0.4 billion). The 2014–15 Budget estimate allocation for the remaining 28 entities which comprise the portfolio is $1.4 billion, for a portfolio total of $4.3 billion.

Audits in recent years have focused on the provision of policing services to the Australian Capital Territory, the management arrangements for selected treaties, security assessments of individuals and the administration of financial intelligence functions. Current audit activity includes audits of the AFP’s arrangements to provide policing services at Australia’s international airports and AGD’s administration of the Natural Disaster Relief and Recovery Arrangements.

Planned audit work places particular emphasis on how well the justice, law enforcement and intelligence agencies in the portfolio are maintaining core capabilities and delivering key functions. Consideration is also given to audit coverage of the portfolio’s newly acquired responsibility for the Ministry for the Arts.

Audits in progress at July 2014

Administration of the Natural Disaster Relief and Recovery Arrangements

Prime responsibility for the protection of life and property in response to a disaster rests with a state/territory. Nevertheless, as natural disasters often result in large-scale expenditure by state governments in the form of disaster relief and recovery payments and infrastructure restoration, the Commonwealth has in place arrangements to assist with this burden by providing financial assistance to the states in some circumstances. The key national mechanism for providing financial assistance is the Natural Disaster Relief and Recovery Arrangements, which is a Commonwealth Ministerial Determination.

The objective of the audit is to assess:

- the effectiveness of the AGD administration of the terms of the Natural Disaster Relief and Recovery Arrangements Ministerial Determination; and
- whether the performance by three sampled states (New South Wales, Victoria and Western Australia) in delivering reconstruction and recovery work funded under Natural Disaster Relief and Recovery Arrangements provides confidence that value for money is being achieved.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Indigenous Legal Assistance and Policy Reform Program

Indigenous Australians experience higher rates of adverse contact with the criminal justice system and incarceration than non-Indigenous Australians. This adversely affects other aspects of their lives and their ability to participate fully in society.

AGD administers the Indigenous Legal Assistance and Policy Reform Program. The objective of the program is to deliver culturally sensitive, appropriate, accessible, equitable, efficient and effective legal assistance and related services to Indigenous Australians, so that they can fully exercise their legal rights as Australian citizens. The program funds Indigenous organisations to deliver legal assistance services at a number of permanent sites, court circuits and outreach locations in urban, rural and remote areas. The funded providers work collaboratively and in an integrated way with other Indigenous and non-Indigenous service providers. The Australian Government has committed $286.4 million over four years from 2013–14.

The objective of the audit is to assess the effectiveness of AGD’s administration of the Indigenous Legal Assistance and Policy Reform Program.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

Potential audits

Administration of the Telecommunications Data Provisions of the Telecommunications (Interception and Access) Act 1979

The interception and use of telecommunications by law enforcement and intelligence agencies globally has been the subject of considerable attention. In Australia, the Telecommunications (Interception and Access) Act 1979 (the Act) seeks to protect the privacy of people who use the Australian telecommunications network. The Act, which is administered by AGD, provides for law enforcement agencies to access the content of telecommunications in specified circumstances. The Act also provides for a range of ‘enforcement agencies’\(^\text{11}\) to authorise telecommunications agencies to disclose ‘telecommunications data’, also known as metadata. This information does not include the content of the communication (which could be a telephone call or text message), but includes information about the identity of the sending and receiving parties; related subscriber details; the time, date, duration and type of the communication; and the physical location of each of the parties to the communication.

The telecommunications data provisions of the Act came into effect in 2007. The total number of authorisations by enforcement agencies has increased from 188,748 in 2007–08 to 330,640 in 2012–13. The Attorney-General is required to table an annual report in Parliament providing statistics about the number of authorisations made each year. While the interception of telecommunications content is subject to biannual scrutiny by the Commonwealth Ombudsman, there is no equivalent independent monitoring of telecommunications data authorisations.

An audit would examine AGD’s administration of the telecommunications data provisions of the Act. The audit may involve detailed assessment of the management of authorisation to obtain telecommunications data at selected enforcement agencies.

\(^{11}\) Enforcement agencies are defined broadly in the Act to mean Commonwealth, state and territory law enforcement agencies and anti-corruption bodies, as well as any body whose functions include administering a law imposing a pecuniary penalty or a law relating to the protection of the public revenue (including local councils and certain sporting bodies, such as turf clubs). The Act is currently the subject of a parliamentary inquiry, which is due to report in August 2014.
The Australian Federal Police’s Administration of Assumed Identities and Aliases

An assumed identity is a false identity adopted by an individual to facilitate intelligence and investigative functions, or for the infiltration of criminal, hostile or insecure environments with a view to collecting information and investigating offences. An alias is a false name used to conceal one’s identity. While important for law enforcement purposes, assumed identities and aliases pose heightened risks for agency management, including reputational and other risks if the concealed identity is perceived to be misused or poorly controlled.

Some assumed identities require formal authorisation. Part 1AC of the Crimes Act 1914 (the Act) creates a framework within which specified Australian Government intelligence and law enforcement agencies can formally authorise the creation of an assumed identity, which may include applying to Commonwealth or state/territory agencies for evidence of identity (such as a driver’s licence, birth certificate or Medicare card) in the assumed name. The Act also imposes a number of obligations in relation to assumed identities, including submission of an annual report to the relevant Minister, record keeping, auditing of records and revocation of assumed identities when they are no longer required. In 2012–13, the AFP issued 100 authorities for the acquisition of formally authorised assumed identities. In addition, there were 22 variations and 179 revocations of existing formally authorised assumed identities. The number of assumed identities and aliases that did not require formal authorisation is not reported.

An audit would examine the AFP’s administration of assumed identities and aliases, including its compliance with the statutory obligations imposed by the Act in relation to formally authorised assumed identities.

The Australian Federal Police’s Management of the Spectrum Program

The aim of the Spectrum Program is to improve operational policing efficiency by modernising the AFP’s core operational systems in line with modern policing practice and the Australian Government’s expanding law enforcement objectives. It is a significant organisational change initiative, encompassing changes to business process, policy and information technology systems. Among other things, the Spectrum Program is intended to replace the AFP’s current case management system, the Police Real-time Online Management Information System (PROMIS).

The Spectrum Program was originally funded for $82.4 million from 2008 to 2012. However, progress has been slower than expected, and in April 2012 the deadline for expenditure of $29.9 million of existing capital funding was extended to 2013–14. Three contracts with a value of almost $35 million were signed in June 2013 for the design and construction of a new investigations system.

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

Management of the CrimTrac Agency

The CrimTrac Agency (CrimTrac) was established in July 2000 and operates under an Inter-Governmental Agreement (IGA) as a collaborative partnership between the Commonwealth and the states and territories. CrimTrac’s functions are set out in the IGA and include the implementation of a national automated fingerprint identification system, a national DNA database, a national child sex offender system, and the provision of rapid access to national operational policing data. CrimTrac’s budget allocation for 2014–15 was $78.7 million.
In 2003–04, the ANAO assessed CrimTrac’s progress in achieving key deliverables since its establishment. Eleven recommendations were made, focusing primarily on improving effective cooperation between Australia’s police services and CrimTrac. Subsequently, in June 2006, all state, territory and federal police commissioners entered into a partnership Memorandum of Understanding supporting the IGA. This sought to underpin a common goal of meeting the agreed information needs of policing agencies across Australia.

An audit would examine the effectiveness of the management of CrimTrac, with a particular focus on the management of one or more of its key functions. The audit would complement ANAO Audit Report No.53 2003–04, *The Implementation of CrimTrac.*

**Australia Council’s Grants Programs**

The Australia Council (the Council) is the Australian Government’s principal arts funding and advisory body. Its mission is to support the creation, presentation and appreciation of distinctive cultural works by providing assistance to Australian artists and making their works accessible to the public. The Council’s budget allocation for 2014–15 was $216.7 million, a reduction of 4.7 per cent when compared to the previous year.

In 2012–13, the Council funded 2021 grants and projects to a total of $174.8 million. The largest proportion of this funding was for major performing arts, such as two grants of $100,000 to a circus. Around two per cent of grant recipients accounted for more than half of the total grants made ($99.6 million).

An audit would examine the Council’s grants administration processes and include a detailed examination of selected grants. The assessment would take account of the extent to which the Council’s administration of grants accords with the practices and principles outlined in the ANAO Better Practice Guide, *Implementing Better Practice Grants Administration.*
Communications

Audit strategy overview

The Communications portfolio is responsible for developing a sustainable and internationally competitive broadband, broadcasting and communications sector. The portfolio comprises the Department of Communications (formerly the Department of Broadband, Communications and the Digital Economy) and four portfolio entities: two national broadcasters, the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service Corporation (SBS); and two statutory authorities, the Australian Communications and Media Authority (ACMA) and the Telecommunications Universal Service Management Agency (TUSMA). Total resourcing across these entities in 2014–15 is approximately $5.6 billion. The portfolio also includes two Government Business Enterprises—the Australian Postal Corporation (Australia Post) and the National Broadband Network Co Limited (NBN Co).

The Communications portfolio deregulation agenda includes a number of reviews and potential reforms in relation to telecommunications regulation, the radiofrequency spectrum management framework, digital television regulations, and captioning requirements.

The strategic priorities of the Department of Communications (Communications), as outlined in its Corporate Plan 2014–17, are to:

- enhance digital productivity through a revision of the National Digital Economy Strategy in light of recent technological developments, with an emphasis on expanding Government entities’ online presences;
- expand digital infrastructure through an expansion of trusted and secure broadband and mobile coverage, alongside the continued restacking and management of the spectrum; and
- promote efficient communications markets through regulatory reform and industry engagement, with a focus on the online safety of children.

Recent audit coverage in the portfolio has included the Regional Backbone Blackspots Program, to improve the competition in fibre-optic backbone services, and the Digital Television Switchover—Household Assistance Scheme, to support the switchover to digital television. The ANAO’s future audit program will continue to address the key risks associated with these initiatives and responsibilities within the portfolio. Areas of focus will include the management of the digital spectrum; mobile coverage in regional areas; the management of public interest telecommunication services; and the administration of broadcasting regulation.

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12 The Government has agreed to transfer the functions of TUSMA to Communications. Transitional arrangements will be in place for 2014–15, prior to the passage of legislation.
Potential audits

Regulation of Broadcasting

ACMA is responsible for regulating broadcasting in accordance with the Broadcasting Services Act 1992 (the Act). Its responsibilities include: planning the channels that radio and television services use; issuing and renewing licences; regulating the content of radio and television services; and administering the ownership and control rules for broadcasting services.

ACMA investigates matters related to broadcasting codes of practice and compliance with obligations under the Act, including licence conditions and program standards. It can initiate an investigation based on a complaint and conduct investigations at the direction of the Minister for Communications. In 2012–13, ACMA reported that it had received 2178 complaints and enquiries, and of these, 2149 were actioned within seven days. ACMA also reported that it completed 212 investigations.

An audit would examine the effectiveness of ACMA’s regulation of broadcasting, including processes for issuing and renewing licences, monitoring licensees’ compliance with licence conditions, and managing non-compliance. This audit would complement ANAO Audit Report No.46 2007–08, Regulation of Commercial Broadcasting.

Mobile Coverage Programme

The Mobile Coverage Programme was established by the Australian Government to improve mobile phone and wireless broadband services and extend competition in the provision of those services in regional Australia. To fulfil this commitment, the Government has undertaken to invest $100 million in telecommunications network infrastructure and to seek co-investments from the private sector and state, territory and local governments.

The Mobile Coverage Programme has two components:

- the $80 million Mobile Network Expansion Project to improve mobile phone coverage along major transport routes, in small communities and in locations prone to experiencing natural disasters; and
- the $20 million Mobile Black Spots Project to address unique mobile phone coverage problems caused by, for example, increased populations in small communities during peak seasonal periods.

An audit would examine the effectiveness of Communications’ administration of the Mobile Coverage Programme.

Do Not Call Register

The Australian Government established the national Do Not Call Register in May 2007 under the Do Not Call Register Act 2006 (the Act) to enable individuals to elect not to receive unsolicited telemarketing calls. Under the Act, ACMA is responsible for administering the register in addition to maintaining industry standards for the telemarketing industry.

As the prevalence of telemarketing activity had increased in recent years, so too had widespread public criticism of some telemarketing practices. Some telemarketing sales techniques were seen as high-pressure, aggressive or deceptive, which could confuse or take advantage of the more vulnerable members of the community. Consumers’ concerns principally related to the use of personal information for purposes that they did not intend or provide permission for, and the intrusive and invasive manner of telemarketing, particularly with calls often occurring repeatedly and at inconvenient times.
At October 2013, there were nine million telephone numbers recorded in the Do Not Call Register, representing two-thirds of Australian homes and four million mobile phones. In 2012–13, ACMA received over 15,000 complaints in relation to the Act, giving rise to enforcement action including 918 advisory letters, 139 informal warnings, the acceptance of two enforcement undertakings, three infringement notices and three formal warnings.

An audit would examine ACMA’s ongoing administration of the Do Not Call Register. This audit would complement ANAO Audit Report No.16 2009–10, Do Not Call Register.

**Enabling Next-Generation Communications**

The radiofrequency spectrum carries signals used for radio, television, mobile phones, mobile broadband, scientific research, defence activities, public safety and other personal communications systems (such as wireless microphones and garage-door remote controls). ACMA is the statutory authority responsible for the day-to-day management of spectrum in Australia and is required to manage Australia’s finite spectrum in accordance with the [Radio Communications Act 1992](#).

On 23 April 2013, ACMA commenced an auction to allocate spectrum licences in the 700 MHz band that have been made available through the switchover from analogue to digital television and in the 2.5 GHz band that have been made available by relocating free-to-air broadcasters’ electronic news-gathering functions to an alternative spectrum. ACMA adopted a combinatorial clock auction model, which is a price clock-based auction format used to sell multiple items in a single process. Auctioning the 700 MHz and 2.5 GHz bands in a single process was intended to allow bidders to bid on packages of spectrum in the two bands and acquire the specific combinations of spectrum that would best meet business needs. The auction was part of the Australian Government’s strategy to meet industry demand for spectrum for wireless broadband and other applications, and was intended to provide opportunities to bring new and improved services to the Australian market—such as fourth-generation (4G) mobile services.

While the auction, which concluded on 7 May 2013, raised total revenues of around $1.96 billion, spectrum worth up to $1 billion remained unsold. This unsold spectrum may be offered for allocation by a procedure and at a time to be determined by ACMA.

An audit would examine the effectiveness of ACMA’s administration of the auction process.

**Managing Spectrum to Support Next-Generation Communications**

To release the radiofrequency spectrum for auction, Communications is overseeing the implementation of:

- the relocation (restacking) of television broadcasting services to new channels to release the digital dividend of 700 MHz spectrum ($143.2 million over four years from 2011–12); and
- assistance to commercial broadcasters with the purchase and deployment of electronic news-gathering equipment to release 2.5 GHz spectrum for new services ($53.5 million over three years from 2012–13).

An audit would examine the effectiveness of Communications’ activities to manage Australia’s spectrum in preparation for next-generation communications.
ABC and SBS Complaints Handling

Complaints about radio or television programs broadcast by Australia’s national broadcasting services—the ABC and SBS—are to be made directly to each broadcaster in the first instance. In 2012–13, the ABC reported that it had received 21,857 complaints, while the SBS reported 127 formal complaints in addition to an unreported number of informal complaints. The ABC and the SBS have established frameworks for receiving, managing and investigating complaints.

An audit would examine the effectiveness of complaints handling across the two broadcasting corporations, including collection and coordination mechanisms, the timeliness of responses and the effectiveness of the complaints management process.

Digital Economy Grant Programs

The social and economic activities enabled by advances in information technology such as broadband and mobile internet have the potential to generate employment and economic growth across the national economy. The Australian Bureau of Statistics estimated that Australian businesses generated $237 billion in revenue from online sales during 2011–12, a 25 per cent increase over the previous year.

To promote increased engagement with the digital economy, Communications administers a range of government grant programs, including:

- Digital Business Kits—grant funding of up to $5 million over four years to industry peak bodies to develop and promote digital business kits for their respective sectors; at January 2014, nine peak bodies had received funding up to $500,000 through the first funding round;
- Digital Enterprise—grant funding of $16.8 million over three years to support small-to-medium enterprises and not-for-profit organisations to help improve the way they do business and deliver services online, delivered in five funding rounds, each targeted to a geographical region;
- Digital Hubs—grant funding of $13.6 million over four years since 2011 to enable local communities to increase their online engagement and better understand the opportunities of the digital economy; and
- Digital Local Government—grant funding to encourage local governments to develop online services that make use of high-speed broadband. At January 2014, $18.7 million had been awarded to 48 local governments across four funding rounds of the program.

An audit would examine the effectiveness of Communications’ administration of digital economy grants programs, including the selection of grant recipients and the management of funding agreements.
Defence

Audit strategy overview

To protect and advance Australia’s strategic interests, the Defence organisation prepares for and conducts naval, military and air operations and other tasks as directed by the government of the day. The Defence organisation is large and complex. The three most significant bodies are the Department of Defence, the Australian Defence Force (ADF) and the Defence Materiel Organisation (DMO). Defence has a total workforce of around 100,000 people and assets of some $75 billion. Defence was allocated funding of more than $24 billion in 2013–14 to defend Australia and its national interests. The ANAO’s performance audit strategy takes account of both the substantial resources allocated to achieving that aim and the changing strategic and budgetary environment in which Defence is operating.

In 2013–14, Defence continued its operational transition from Afghanistan and concluded ADF operations in the Solomon Islands. ADF operations in Timor-Leste concluded in March 2013. This transition is expected to release capabilities that have been on high-tempo operations for more than a decade and enable the remediation of deployed equipment.

A key strategic initiative is the implementation of the Australian Government’s commitment to release a new Defence White Paper within 18 months of taking office. The White Paper is intended to provide the Government’s strategic direction and priorities to Defence on defence policy, operations, force posture and structure, budget, and the Defence organisation. Other current Government priorities include enhanced ADF activities in the Indo-Pacific region, agreed recommendations of the ADF Posture Review (subject to changes through the White Paper), and the introduction into service of new major capabilities such as Landing Helicopter Dock ships. Defence has also indicated its commitment to drive cultural change through the Pathway to Change: Evolving Defence Culture implementation strategy.

Recent ANAO performance audits have examined Defence’s implementation of reforms to capability development, and individual major capital acquisitions, such as the Air Warfare Destroyer Program. Other defence activities have also received audit coverage, including the provision of emergency Defence assistance to the civil community.

As a consequence of the level of government expenditure and related risks, major capital equipment acquisitions continue to be a priority of the ANAO’s audit program. In 2014–15, potential audits include Defence’s management of the test and evaluation aspects of its capital acquisition program, and its Early Indicators and Warnings system for the purpose of identifying problems in projects in the formative stages of the project life cycle. This audit coverage complements the annual Major Projects Report on the cost, schedule, technical progress and capability performance of individual major Defence acquisition projects. Wider Defence activities also continue to attract audit attention, particularly the sustainment of Defence assets, force development, and investments to support the defence industry and defence innovation. Potential audits in these areas may address the development and application of networks and communication systems to enhance the ADF’s situational awareness, Defence’s industry engagement and support initiatives, and the research priorities and outcomes of the Defence Science and Technology Organisation.
Management of the Disposal of Specialist Military Equipment

Over the next 15 years, the ADF will replace or upgrade up to 85 per cent of its equipment. As part of that process, over the next 10 years Defence expects to dispose of up to 24 ships, 70 combat aircraft, 110 other aircraft, 120 helicopters, 600 armoured vehicles, 12,000 other vehicles and a range of communications systems, weapons and explosive ordnance. This will be the biggest disposal of military equipment since World War II. When disposing of specialist military equipment, Defence seeks to obtain the best outcome for the Commonwealth, while taking account of any heritage aspects of the equipment being retired, possible hazardous materials it may contain and any costs likely to be incurred by the Commonwealth.

The objective of the audit is to assess the effectiveness of the Department of Defence’s management of its disposal of specialist military equipment.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

Recruitment and Retention of Specialist Skills for the Navy

To maintain and build the military capability needed to carry out its mission, the ADF needs to recruit and retain the required number of personnel with the right skills and abilities. The ADF has experienced difficulties attracting and retaining staff with certain critical skills, particularly engineers. Over the next few years, a number of major capabilities will come into service, particularly in the Royal Australian Navy, and the ADF needs sufficient qualified personnel to operate them.

The objective of the audit is to examine the effectiveness of the Navy’s strategy for recruiting and retaining personnel with specialist skills. The main focus of the audit is on the recruitment and retention of personnel in employment categories that are fundamental to the Navy’s ongoing capability, some of which are experiencing critical shortages of personnel.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

Materiel Sustainment Agreements

Materiel Sustainment Agreements (MSAs) are entity-level agreements between DMO and Defence groups for the sustainment of Defence assets ranging from military platforms such as aircraft and ships through to smaller items such as rifles and ADF clothing. The MSAs detail the level of performance and support required at an agreed price and the key performance indicators against which service delivery is measured. MSAs are used as the basis for providing sustainment funding from Defence to the DMO.

Sustainment activities accounted for approximately 58 per cent of the DMO’s budget for 2013–14, at a value of $5.639 billion. Sustainment has grown as a proportion of DMO’s expenditure by five per cent since 2011–12.

The objective of the audit is to examine the contribution made by the Department of Defence’s Materiel Sustainment Agreements to the effective sustainment of specialist military equipment.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.
**Administration of Security Clearances**

On 1 December 2009, the Australian Government centralised the vetting of all Australian Government agencies’ staff security clearances (apart from those of exempt entities) into the Australian Government Security Vetting Agency (AGSVA) in the Department of Defence. AGSVA undertakes security clearance processes for most Australian Government entities under a fee-for-service model. The clearances granted by AGSVA have a whole-of-government effect. Implementation of AGSVA has been directed towards reducing costs and improving the efficiency of security vetting.

AGSVA began processing Australian Government security clearances from 1 October 2010. AGSVA currently employs more than 200 staff, who are located in all major Australian capital cities.

The objective of the audit is to examine whether AGSVA provides an efficient and effective security vetting service for Australian Government agencies.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Potential audits**

**Defence Major Capital Equipment Acquisition Test and Evaluation**

The ADF relies on advanced technology, complex logistics support systems and skilled personnel to defend Australia and its national interests. The costly, advanced technologies involved in military equipment require well-developed test and evaluation (T&E) procedures and skilled T&E personnel within the organisations that acquire, support and operate the equipment. The fundamental purpose of T&E, which can occur at various stages of the equipment life cycle, is to reduce the risk that equipment will not satisfy user expectations for cost, quality, delivery time, mission success, system vulnerability and personnel safety.

An audit would examine Defence’s management of the T&E aspects of its capital equipment acquisition program. Because most Defence equipment is sourced from foreign governments and firms, the audit would examine the T&E applied to Defence equipment before delivery and during and after the integration of the equipment into ADF systems.

**Reforming Sustainment of the Collins Class Submarine Fleet**

The Royal Australian Navy has six Collins Class submarines that entered service between 1996 and 2004. The submarine force is funded to conduct multiple roles, including maritime strike and interdiction, maritime surveillance, reconnaissance and intelligence collection, undersea warfare, and Special Forces operations. The 2000 Defence White Paper included a plan to bring all six submarines to an improved capability, to meet current and future requirements, by the end of 2008. In April 2007, Defence advised the ANAO that achievement of the planned improvement to capability was unlikely to occur before 2012 because of the need to align implementation with the submarines’ full-cycle docking (maintenance) schedule. In June 2012, DMO and ASC Pty Ltd entered into a new five-year rolling Collins Class sustainment contract. The aim is to deliver more efficient and effective sustainment services that improve the availability and reliability of the Collins submarine fleet. The estimated cost to sustain the Collins Class submarines for 2014–15 is $560 million.

An audit would examine the effectiveness of the reformed sustainment arrangements for the Collins Class submarine fleet in delivering both improved value for money and better availability and reliability.
Overlander Vehicles – LAND 121 Phase 3B Medium and Heavy Capability

In July 2013, Defence contracted Rheinmetall MAN Military Vehicles Australia to deliver approximately 2700 medium and heavy vehicles under LAND 121 Phase 3B. Haulmark Trailers (Australia) was contracted to deliver 1700 trailers under Phase 3B. The vehicles will replace Defence’s ageing fleet of Mercedes Benz, Mack and S-Liner vehicles, most of which were acquired in the 1980s. The contract with Rheinmetall was signed some five years after Defence withdrew from negotiations with the original preferred contractor, BAE Systems.

An audit would examine Defence’s progress in making these acquisitions and the procurement processes undertaken by Defence to select the preferred vehicle suppliers.

Canberra Class Landing Helicopter Dock Project

The Canberra Class Landing Helicopter Docks (LHDs) are new amphibious assault ships being developed for the Royal Australian Navy. The Australian Government has approved a $3 billion project to build two LHDs, which will have air support, amphibious assault, transport and command centre roles. The LHDs are intended to transport up to 1000 troops and 150 vehicles, six helicopters operating from a full-length flight deck, and a fully equipped hospital. The hulls are being constructed in Spain. The first, for HMAS Canberra, was delivered to Australia in early 2013, and the second, for HMAS Adelaide, was delivered in early 2014. The superstructure and other equipment are to be constructed and fitted by BAE Systems Australia at its Williamstown facility.

An audit would examine Defence’s management of the project and the progress of the LHD build and outfit.

Air-to-Air Refuelling Capability – AIR 5402

The ADF is acquiring five KC-30A Multi Role Tanker Transport (MRTT) aircraft to be used for air-to-air refuelling under the $1.8 billion AIR 5402 project. The project was approved by the then Government in 2003 and the ADF is the lead customer for the aircraft. These aircraft are heavily modified Airbus A330 airliners, and are a force enabler necessary to support the range, reach and flexibility of the Royal Australian Air Force (RAAF). The project is currently running more than four years behind schedule.

The MRRT aircraft will be used to refuel a number of ADF aircraft including the future Joint Strike Fighter. The aircraft can also be used for strategic transport and can be configured to carry either 270 passengers, or military and civilian cargo pallets and containers. The aircraft are fitted with two forms of air-to-air refuelling systems: a pair of refuelling pods underneath each wing, which unreel to refuel probe-equipped aircraft; and an Aerial Refuelling Boom System (ARBS) mounted on the tail of the aircraft. The ARBS is a developmental system that has encountered problems, including having a boom detach in flight from a prototype destined for the RAAF in 2011.

An audit would examine Defence’s oversight of modifications to some of the aircraft’s systems, the completion of operational testing and certification of the aircraft, and its transition to the RAAF to achieve final operational capability. The audit would also complement the proposed audit on Defence Major Capital Equipment Acquisition Test and Evaluation.

Sustainment of the Armed Reconnaissance Helicopter

The $2.93 billion Armed Reconnaissance Helicopter (ARH) project commenced in March 1999 and since then has acquired 22 Eurocopter Tiger helicopters fitted with government-furnished equipment from Australia and the United States. In the 2012–13 Major Projects Report, DMO reported that the most significant issue for the project is the underperformance of the maintenance and supply support
networks. This underperformance has affected the availability of serviceable spares and support and test equipment in the required configuration. The estimated cost to sustain the ARH for 2014–15 is $114 million.

An audit of the ARH project would include key issues related to the sustainment of the 22 ARHs accepted by DMO. The audit would assess the effectiveness of the ARH fleet’s maintenance and support arrangements. The audit would also seek to identify any weaknesses in, and recommend improvements to, the ARH fleet in-service management arrangements.

**Management of the Defence Minor Capital Acquisition Program**

A Defence minor capital project is generally classified as having a low to medium risk or low strategic significance, is nominally valued at up to $20 million and generally will not exceed $100 million. Minor capital equipment projects are not included in the Defence Capability Plan, but are funded through a Defence group budget allocation under the Minor Capital Acquisition Program and are generally passed to DMO for acquisition. During 2014, DMO was managing approximately 50 minor acquisition projects with an average value of $8.9 million.

An audit would examine the management of the Minor Capital Acquisition Program, including the effectiveness of process, governance and reporting structures and adherence to relevant procurement and financial management requirements.

**Mulwala Redevelopment Project – JP2086 Phase 1**

The Commonwealth-owned, contractor-operated, Mulwala Facility in southern New South Wales manufactures propellants and high explosives for use in the manufacture of explosive ordnance for the ADF. In 2007, Defence commenced the Mulwala Redevelopment Project at a cost of approximately $400 million to remediate and improve the Mulwala Facility, which dates back to the 1940s. The project aims to deliver a modernised facility that will meet more stringent and contemporary environmental work, health and safety standards. The project has been a DMO Project of Concern since December 2012.

An audit would assess the effectiveness of Defence’s management of the Mulwala Redevelopment Project.

**Early Indicators and Warnings System**

In 2011, Defence established the Early Indicators and Warnings (EI&W) system to identify problems in projects in the formative stages of the project life cycle. The EI&W system incorporates a set of mandatory triggers that require a project to be reported to Defence senior stakeholders if schedule, cost, capability, industry or risk thresholds are breached. Separate EI&W triggers exist for pre-second-pass (or unapproved) projects and post-second-pass (or approved) projects.

An audit would assess the development and effectiveness of the EI&W system and related administrative arrangements, including the management of identified project risks for selected projects.

**Cost, Schedule and Capability Executive Reporting**

The Department of Defence’s capital equipment assets provide fundamental inputs to the ADF’s capability for achieving the Defence mission of defending Australia and its national interests. The DMO is responsible for the acquisition and through-life support of defence equipment and systems. DMO reported that its 2012–13 Major Projects Report was an important component in providing transparency to Parliament on the management of 29 major projects worth more than $44 billion. Key considerations for DMO in its oversight of major projects include quantifying the level of maturity of the projects, as well as assessing and mitigating project implementation risks and issues.
An audit would examine the effectiveness of the reporting systems that DMO uses to monitor and report each major project’s progress in meeting its schedule, cost and quality targets. It would also consider DMO’s monitoring and reporting of major project risks and issues.

**Defence Industry Engagement and Support Initiatives**

Defence manages a range of programs intended to assist the development of Australian’s defence manufacturing industry. These programs are predominantly focused on the areas of skilling, innovation and export market development and provide grants or other direct forms of assistance to eligible companies. Funding for these programs has been estimated at $445.7 million for the period from 2010 to 2018–19.

An audit would examine Defence’s overall design, implementation and management of the range of programs and the level of compliance with relevant guidelines and procedures.

**Defence Science and Technology Organisation**

The Defence Science and Technology Organisation (DSTO) is the Australian Government’s lead entity charged with applying science and technology to protect and defend Australia and its national interests. DSTO is responsible for the delivery of expert, impartial advice and innovative solutions for Defence and other elements of national security.

Headed by the Chief Defence Scientist, DSTO has an annual budget of approximately $440 million and employs around 2600 staff (predominantly scientists, engineers, IT specialists and technicians). DSTO’s national headquarters is in Canberra and it has research facilities in Melbourne, Edinburgh (near Adelaide), Canberra, Brisbane, Sydney, HMAS Stirling at Rockingham (near Perth), Scottsdale in Tasmania, and Innisfail in northern Queensland.

An audit would examine selected aspects of DSTO’s administration, such as its advice to government on science and technology matters, the selection of research projects and arrangements for monitoring research program outcomes.

**Network Centric Warfare**

Network Centric Warfare (NCW) is one of the key enabling concepts that underpin the ADF’s Future Joint Operations Concept. Success in an NCW context is achieved by effectively linking command and control, sensor and engagement systems via a network to facilitate enhanced situational awareness, collaboration and offensive potential. Personnel in the networked force rely on secure and responsive linkages that allow the right information to be accessed at the right time by the right force elements.

In 2005, Defence published the Network Centric Warfare Roadmap, which identified four key actions to set the ADF on the road to becoming an NCW force: set NCW-related targets and milestones for the ADF; establish the network that will link engagement systems with sensor and command and control systems and provide the underlying information infrastructure upon which the networked force will be developed; explore the human dimensions of the networked force and initiate changes in doctrine, education and training with appropriate support mechanisms; and accelerate the process of change and innovation through the establishment of a rapid prototyping, development and evaluation capability in partnership with industry. The four actions are in concert with an increased use of experimentation to accelerate the introduction of NCW capability.

An audit would examine the progress that Defence has made towards achieving its NCW objectives.
Defence Home Ownership Assistance Scheme

The Defence Home Ownership Assistance Scheme (DHOAS) was established in order to support the Australian Government’s retention and recruitment initiatives, and encourage ADF members to stay beyond critical career points. The scheme came into effect on 1 July 2008. The legal basis for DHOAS is the Defence Home Ownership Assistance Scheme Act 2008 and the Defence Home Ownership Assistance Scheme Regulations 2008. The scheme provides eligible ADF members and ex-serving members with assistance to either purchase a home, purchase land for the purpose of building a home, or to renovate or extend an existing home. The scheme contains a three-tiered subsidised loan limit structure that provides increasing entitlements as members serve beyond key exit points. In 2012–13, subsidies provided under DHOAS totalled $94 million.

The Department of Veterans’ Affairs provides administrative services to Defence for the DHOAS, and there is a panel of three home loan providers including the National Australia Bank, the Australian Defence Credit Union and the Defence Bank.

An audit of DHOAS would examine the effectiveness of Defence’s and the Department of Veteran Affairs’ administration of the subsidies provided to eligible current and former ADF members. The audit would also complement the current audit on Recruitment and Retention of Specialist Skills for the Navy.

Implementation of Defence’s Joint eHealth Data and Information Project

At a budgeted cost of $133 million, the Joint eHealth Data and Information (JeDHI) Project is intended to facilitate the provision of one electronic health record for 80,000 serving military personnel from recruitment to discharge and then through to management in other agencies. It aims to deliver functionality that supports the delivery and management of health care, and the management of health records.

JeDHI is a web-based system that allows health information to be shared securely over the internet while maintaining confidentiality and data integrity. It is intended to complement the Government’s $467 million personally controlled eHealth record system being developed by the National E-Health Transition Authority.

The audit would examine the implementation and management of JeDHI, with a focus on initial planning, advice to government, and the adequacy of the systems used to collect, use and store individuals’ electronic health records.

Defence procurement

In 2012–13, the Department of Defence and the Defence Materiel Organisation reported the commencement of some 28,000 contracts valued at approximately $19.5 billion. These contracts involved the purchase of a very broad range of goods and services, from high value specialist military equipment acquisitions and sustainment activities, through to information technology equipment and software, and health, security and consultancy services. When undertaking procurement, Defence is required to follow the principles and requirements set out in the Commonwealth Procurement Rules and associated legislation, including achieving value for money.

An audit would examine Defence’s management of the procurement cycle for specific procurements, including approaches to obtaining value for money when procuring goods and services, ongoing contract management, and the evaluation of contract performance.
Veterans’ Affairs

Audit strategy overview

The Department of Veterans’ Affairs (DVA), on behalf of the Repatriation Commission and the Military Rehabilitation and Compensation Commission, is responsible for developing government policy and implementing programs to fulfil Australia’s obligations to the veteran, defence and peacekeeping communities. DVA and other Australian Government entities administered by the Minister for Veterans’ Affairs, such as the Australian War Memorial, the Veterans’ Review Board and the Office of Australian War Graves, are part of the Defence portfolio. DVA is also responsible for the acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peacekeeping operations. In the 2014–15, DVA had budgeted resources of approximately $12.4 billion.

The current challenges facing DVA include the continued provision of a high level of service, care and commitment to the veteran community and their families, while meeting the changing needs of the defence force community, particularly the needs of veterans of contemporary operations.

Recent ANAO audit coverage has focused on portfolio outcomes involving the administration of residential care payments, the education of disabled veterans’ children and compensation entitlements, the implementation of the government response to the F-111 fuel tank maintenance workers’ support package, and the administration of mental health services for younger veterans. The ANAO’s audit program for 2014–15 is based on the business risks and recent initiatives in the portfolio and takes into consideration DVA’s approach to engaging with the veteran community, including administering government programs; decision-making and appeals processes; purchasing and protecting government outlays; and the integrity of payments.

Potential audits

Integrity of Veterans’ Disability Support Program Payments

The Veterans’ Disability Support Program provides compensation to eligible veterans for the tangible effects of war or defence service under the Veterans’ Entitlements Act 1986 and related legislation. In 2013–14, DVA paid around 103,000 veterans approximately $1.6 billion in disability pensions, allowances and special purpose assistance. Several rates of pension apply, depending on the accepted disability.

DVA established an administrative framework that encourages compliance but allows for intervention when clients and providers do not comply with their obligations. This framework includes processes and practices to verify compliance and a risk management approach to select an appropriate compliance response.

An audit would examine the effectiveness of DVA’s compliance framework, including processes and practices that provide assurance about the integrity of Veterans’ Disability Support Program payments.
Rehabilitation Services under the Military Rehabilitation and Compensation Act 2004

The Military Rehabilitation and Compensation Act 2004 puts a strong focus on early intervention and the rehabilitation of injured veterans. Vocational, medical and psychosocial rehabilitation is an integral part of military compensation arrangements, and DVA and the ADF support programs to improve and encourage rehabilitation and early intervention. The focus on rehabilitation rather than compensation aims to restore an injured person to at least the same physical, psychological, social, vocational and educational status as they enjoyed prior to their injury. This focus was to achieve lasting outcomes and improve the quality of life for veterans.

An audit would examine the effectiveness of the joint DVA and ADF processes that provide support, rehabilitation and return-to-work programs for wounded, injured and ill ADF members to achieve lasting outcomes and improve the quality of life for veterans.

Major Projects Commemorating the Anzac Centenary

From 2014 to 2018, Australia will commemorate the Anzac Centenary. The Australian Government has provided more than $325 million in funding for the program until 2018. This funding includes support for the Australian Remembrance Trail on the Western Front and the Australian War Memorial in New Zealand. In addition to these initiatives, DVA has responsibility for managing and supporting various overseas ceremonies, such as those in France, Malaysia, Papua New Guinea and Thailand.

As part of the centenary celebrations, the Government announced that it would introduce a ballot for attendance at the 2015 Anzac Day Dawn Service at Gallipoli, for which the total number of places available was capped at 10,500.

An audit would examine the effectiveness of DVA’s planning of the Anzac Centenary program and its administration and delivery of selected elements of the program.

Anzac Centenary Local Grants Program

The Anzac Centenary Local Grants Program is part of the Anzac Centenary commemorations funded by the Australian Government. It provides grants of up to $125,000 per electorate for local community projects commemorating the First World War, with funds first allocated in 2012–13. The total allocation for this grants program is $18.75 million over four years. A key priority of the program is input from the local community, and each member of Parliament is responsible for establishing an electorate committee of community representatives, selected by them, who will be involved in the assessment of proposals against the key priority. Guidelines and criteria for funding proposals are provided on the Anzac Centenary website, including advice about who is eligible to apply and the types of projects that may be funded.

An audit would examine the effectiveness of DVA’s administration of the Anzac Centenary Local Grants Program, particularly the identification and management of risks.

Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme Pricing Arrangements

The Pharmaceutical Benefits Scheme (PBS) provides subsidised medicines to the Australian public and eligible overseas visitors at a cost to the Australian Government of approximately nine billion per year. The Repatriation Pharmaceutical Benefits Scheme (RPBS) provides subsidised medicines to eligible veterans and their dependants at a cost to the Government of approximately $425 million per year.
The PBS Schedule is a list of over 4500 brands of around 750 drugs, and the RPBS Schedule is a supplementary list of medicines, bandages and dressings.

The responsible policy entities are the Department of Health for the PBS and the DVA for the RPBS. The Department of Health is responsible for: negotiating and coordinating PBS pricing arrangements for PBS medicines; the administration of price disclosure, whereby prices are periodically amended to reflect the actual market price; and publishing the PBS and RPBS schedules. DVA is responsible for negotiating RPBS pricing arrangements for RPBS medicines. The Department of Human Services administers payments to pharmacists for dispensing PBS and RPBS medicines, using pricing information provided by DoH.

An audit would examine the efficiency and effectiveness of DVA’s and the Department of Health’s administration of PBS and RPBS pricing arrangements, including the provision of information to the Department of Human Services.

**Defence Home Ownership Assistance Scheme**

The Defence Home Ownership Assistance Scheme (DHOAS) was established in order to support the Australian Government’s retention and recruitment initiatives, and encourage ADF members to stay beyond critical career points. The scheme came into effect on 1 July 2008. The legal basis for DHOAS is the *Defence Home Ownership Assistance Scheme Act 2008* and the Defence Home Ownership Assistance Scheme Regulations 2008. The scheme provides eligible ADF members and ex-serving members with assistance to either purchase a home, purchase land for the purpose of building a home, or to renovate or extend an existing home. The scheme contains a three-tiered subsidised loan limit structure that provides increasing entitlements as members serve beyond key exit points. In 2012–13, subsidies provided under DHOAS totalled $94 million.

DVA provides administrative services to Defence for the DHOAS, and there is a panel of three home loan providers including the National Australia Bank, the Australian Defence Credit Union and the Defence Bank.

An audit of DHOAS would examine the effectiveness of Defence’s and DVA’s administration of the subsidies provided to eligible current and former ADF members. The audit would also complement the current audit on Recruitment and Retention of Specialist Skills for the Navy.

**Repatriation Pharmaceutical Benefits Scheme**

The Pharmaceutical Benefits Scheme subsidises the cost of many prescription medicines, making them more affordable for all Australian residents. Under the Repatriation Pharmaceutical Benefits Scheme (RPBS), eligible veterans, war widows and widowers and their dependants can access additional pharmaceuticals at concessional rates.

The Department of Human Services is responsible for processing RPBS benefit payments and approving pharmacists, private hospitals, participating public hospitals and certain doctors to supply medicines to eligible patients.

In 2012–13, the Department of Human Services processed 12.4 million RPBS services and paid $423.6 million in RPBS benefits.

An audit would examine the effectiveness of the Department of Human Services’ administration of the RPBS, including the department’s relationship with DVA.
Administration of the Repatriation Transport Scheme

DVA’s Repatriation Transport Scheme is intended to assist veterans, war widows, widowers and their authorised attendants when travelling to healthcare services for treatment. The Australian Government allocated $184 million for veterans’ travel to access healthcare services in the 2014–15 Budget and expects this expenditure to increase in the future as an ageing veteran population accesses a greater quantity and variety of healthcare services. To improve the transport service, DVA introduced a new transport booking and invoicing system in 2011.

An audit would examine the effectiveness of DVA’s administration of the Repatriation Transport Scheme, including the procurement of transport services.
Education

Audit strategy overview

The Education portfolio is responsible for national policies and programs that help Australians access quality and affordable child care, early childhood education, school education, higher education, international education and academic research. To fulfil these responsibilities, portfolio entities work with state and territory governments, contracted service providers, industries and other government entities, including by making payments and providing services to individuals and organisations. The portfolio also provides policy advice and carries out regulatory and information provision roles. The portfolio is responsible for expenditure of $38.1 billion annually, mainly for school funding and childcare fee assistance.

The portfolio comprises the Department of Education (Education); the Australian Curriculum, Assessment and Reporting Authority; the Australian Institute of Aboriginal and Torres Strait Islander Studies; the Australian Institute for Teaching and School Leadership; the Australian Research Council; and the Tertiary Education Quality and Standards Agency (TEQSA).

Education administers programs in six key areas: early childhood; schooling; youth; higher education teaching; higher education research; and international education. The Australian Government has recently made substantial investments to improve the quality of education for Australians, including through the use of National Partnership Agreements.

Recent audit coverage of the portfolio has focused on early childhood programs and the implementation of National Partnerships Agreements. Building on this work, the ANAO’s future audit coverage will have a focus on programs relating to child care and higher education quality and funding.

Audits in progress at July 2014

Early Years Quality Fund

On 19 March 2013, the Australian Government announced that it would provide $314 million (over five years) to boost the quality of early childhood education and support workplace reform. Of this funding, up to $300 million was to be used to establish an Early Years Quality Fund (EYQF), to support long day care centres to attract and retain qualified professionals. Long day care centres would be able to apply for EYQF grants to supplement wages increases of $3 per hour for Certificate III qualified educators, with proportionally adjusted wage increases for other childcare workers and diploma and degree qualified educators.

The Early Years Quality Fund Special Account Act 2013 was established on 1 July 2013 to give effect to the EYQF, with the objective of improving quality outcomes for children in early childhood education and care services by enhancing professionalism in the sector, including through improved attraction and retention of a skilled and professional workforce.

The objective of the audit is to assess the effectiveness of the establishment, implementation and operation, by Education, of the EYQF against the requirements of the relevant special account and the Commonwealth grants administration framework. The audit will also consider the role of the
departments of the Prime Minister and Cabinet and Finance in key program elements of the EYQF, such as the design and conduct of the fund and its ongoing operation and management. The audit will not examine the $6.2 million allocated to establish a Pay Equity Unit in the Fair Work Commission.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

### Potential audits

#### Administration of Childcare Fee Assistance

Childcare fee assistance is provided by the Australian Government to enable more families to access quality childcare services. There are two main forms of assistance: Childcare Benefit, which assists parents with the cost of approved and registered child care; and Childcare Rebate, which covers families for 50 per cent of their out-of-pocket approved childcare expenses after Childcare Benefit has been received. In 2013–14, more than $5 billion has been budgeted for childcare fee assistance. The Productivity Commission has been tasked with conducting an inquiry into future options for child care and early child school learning, the final report of which is scheduled to be provided to the Government on 31 October 2014; and reporting and making recommendations on a range of areas, including in relation to ‘options—within existing funding parameters—for improving the accessibility, flexibility and affordability of childcare for families with diverse circumstances.’

Childcare fee assistance payments involve a range of Australian Government entities, such as Education and the Department of Human Services and childcare service providers in activities such as eligibility assessment of service providers and parents, attendance recording, making payments (primarily to service providers on behalf of parents) and related compliance activities. Education’s responsibilities include policy advice, overall operational coordination and eligibility assessments of service providers.

An audit would examine the administration of childcare fee assistance and may include other Australian Government entities involved in selected aspects of administration and implementation, such as the underlying information technology systems, assurance processes or the management of service providers.

#### Australian Children’s Education and Care Quality Authority

More than one million Australian children used approved child care in the September quarter of 2012, attending more than 15 000 services. In December 2009, the Council of Australian Governments endorsed the National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care. The National Partnership established a jointly governed system of regulation for early childhood education and care and outside school hours care services known as the National Quality Framework (NQF) for Early Childhood Education and Care.

The Australian Children’s Education and Care Quality Authority (ACECQA) is a national statutory authority responsible for guiding the implementation and administration of the NQF. The NQF sets the National Quality Standards for education and care providers in Australia. The framework covers most long day care, family day care, outside school hours care and preschools/kindergartens. The NQF introduced several changes, including:

- the introduction of national learning frameworks;
- improved educator to child ratios;
• new educator qualification requirements; and
• a new quality rating system for early childhood education and care services.

Funding of approximately $11.5 million per annum for ACECQA is jointly provided by the Australian Government and the state and territory governments under the National Partnership. ACECQA also receives fee revenue relating to its functions of assessing qualifications, reviews and determining quality ratings.

An audit would examine the effectiveness of ACECQA’s guidance and monitoring of the implementation and administration of the NQF.

**Australian Curriculum, Assessment and Reporting Authority**

The Australian Curriculum, Assessment and Reporting Authority (ACARA) is an independent authority responsible for providing a rigorous, national approach to education. ACARA’s key responsibilities include delivering:

• an Australian curriculum from the first year of schooling to Year 12 in specified learning areas;
• a national assessment program aligned to the national curriculum that measures students’ progress (known as the National Assessment Program—Literacy and Numeracy, NAPLAN); and
• a national data collection and reporting program that supports analysis, evaluation, research and resource allocation, and accountability and reporting on schools and broader national achievement (including via the MySchool website).

To allow ACARA to fulfil its responsibilities, $35 million in funding was budgeted for it for the 2013–14 financial year.

An audit would examine the effectiveness of ACARA’s management of its responsibilities.

**Commonwealth Grant Scheme for Higher Education**

The Commonwealth Grant Scheme provides funding to eligible higher education providers to subsidise tuition costs for students enrolling in bachelor degrees and some other courses of study. The program aims to lift higher education attainment rates, as well as enrolment rates of people from disadvantaged backgrounds. Since the beginning of 2012, public universities have determined the number of domestic students they enrol in bachelor-level courses (excluding medicine) and receive funding for those places. For courses specified by the relevant Minister, the Australian Government provides funding for an agreed number of Commonwealth-supported places each year.

In 2013, the Government provided $6.1 billion through the Commonwealth Grant Scheme to fund more than 540,000 student places. Providers must enter into a funding agreement with the Commonwealth in order to receive funding under the scheme. There are 44 funding agreements in place for the period from 2014 to 2016.

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

**Higher Education Loan Program**

The Higher Education Loan Program (HELP) is an Australian Government loan program to assist eligible higher education students to pay their student contribution amounts. A HELP loan will cover all or part of the student contribution amount. If a student receives a HELP loan, the Australian Government
pays the loan amount directly to the higher education provider on the student’s behalf. The student will subsequently repay the HELP debt when their income is above a certain threshold. The amount repaid each year is calculated as a percentage of income. Students can also make upfront and voluntary repayments, both of which attract ‘bonuses’ to encourage early payment of HELP debts.

HELP is administered by Education and the Australian Taxation Office. The total amount of HELP debt at 30 June 2013 was $30.1 billion. Education estimated that around $7 billion of this debt was unlikely to be ever recovered.

An audit would examine the effectiveness of one or more elements of HELP’s administration, such as determining the value of debts, and the management of debts not expected to be paid.

Home Interaction Program for Parents and Youngsters

The Home Interaction Program for Parents and Youngsters (HIPPY) is a home-based parenting and early childhood enrichment program that focuses on empowering parents and carers to be their child’s first teacher. The program aims to build the confidence and skills of parents and carers to create a positive learning environment in preparing their child for school. The program also offers some parents and carers a path to employment and local community leadership.

More than $100 million has been committed to HIPPY to support ongoing program delivery in the first 50 locations and to expand the program to an additional 50 locations in 2014 and 2015, with a focus on Aboriginal and Torres Strait Islander families. HIPPY sites can be found in all Australian states and territories. The Brotherhood of St Laurence, through HIPPY Australia, has exclusive licensing rights to run the program in Australia. The Brotherhood of St Laurence has sub-licence arrangements with other not-for-profit organisations to deliver the program to selected communities.

An audit would examine the effectiveness of Education’s administration of HIPPY. The audit may also include consideration of the program licensing arrangements.

Tertiary Education Quality and Standards Agency

TEQSA, formed in 2012, regulates Australia’s higher education sector, including both public and private universities, and other higher education providers. The higher education sector in total employs more than 100,000 people in Australia and receives over $20 billion in total revenue.

TEQSA registers and assesses the performance of higher education providers against the Higher Education Standards Framework. The framework comprises five domains: Provider Standards, Qualification Standards, Teaching and Learning Standards, Information Standards and Research Standards. TEQSA undertakes assessments of higher education providers’ compliance with the standards, and may also conduct quality assessments across the whole higher education sector, a sample of providers or a single provider. To support these activities, TEQSA was allocated funding of almost $21 million for 2014–15. TEQSA operates on a cost-recovery basis under the Commonwealth Cost Recovery Guidelines.

During October 2013, the Minister for Education directed TEQSA to simplify reporting requirements and deregulate and focus on processing registrations and course accreditations in a more timely way. An audit would examine one or more aspects of TEQSA’s functions, including regulation and quality assurance activities.
Audit strategy overview

The Employment portfolio is responsible for national policies and programs that help Australians find and keep employment and work in safe, fair and productive workplaces. To fulfil those responsibilities, portfolio entities work with state and territory governments, contracted service providers, industries and other Australian Government entities, including by making payments and providing services to individuals and organisations. The portfolio is responsible for expenditure of $3.1 billion annually, mainly for the delivery of employment services. The portfolio comprises the Department of Employment (Employment); the Asbestos Safety and Eradication Agency; Comcare; the Fair Work Commission; the Office of the Fair Work Building Industry Inspectorate; the Office of the Fair Work Ombudsman; Safe Work Australia; and the Workplace Gender Equality Agency.

In recent years, the Australian Government has identified skills and workforce participation as important priorities to assist in improving economic productivity.

Recent audit coverage of the portfolio has focused on workplace relations and employment programs. Building on this work, the ANAO’s future audit coverage will have a focus on programs and organisations that aim to promote cooperative and productive workplace relations and to support employers and employees.

Potential audits

Administration of Comcare

Comcare partners with workers, their employers and unions to keep workers healthy and safe and to reduce the incidence and cost of workplace injury and disease. Comcare implements the Australian Government’s policies in federal workplaces to drive social inclusion and productivity.

The Comcare scheme provides federal workers and their employers with an integrated safety, rehabilitation and compensation system, no matter which Australian state or territory an employer operates in or where its employees are located. In 2012–13, Comcare took in around $342 million in workers compensation premiums and paid out claim payments of around $309 million.

Comcare measures its performance against three key outcomes: the protection of health, safety and welfare at work through education, assurance and enforcement; an early and safe return to work and access to compensation for injured workers through working in partnership with employees to create best practice in rehabilitation and quick and accurate management of workers compensation; and access to compensation for people with asbestos-related diseases where the Commonwealth has a liability, through management of claims.

An audit would examine the effectiveness of the administration of Comcare and the outcomes being achieved.
**Fair Entitlements Guarantee**

Employees who are owed a portion of their employee entitlements after losing their job because their employer went bankrupt or into liquidation may suffer from financial hardship. Through the Fair Entitlements Guarantee, the Australian Government provides financial help to such employees. The program which replaced the General Employee Entitlements and Redundancy Scheme (GEERS) in December 2012, is to act as a legislative safety net scheme of last resort.

In 2012–13, $262 million was advanced in financial assistance through the Fair Entitlements Guarantee and GEERS to more than 16,000 eligible claimants from over 2,000 insolvent entities. Of that amount, approximately $37 million was recovered on behalf of the Commonwealth in 2012–13. Employment is responsible for administering the scheme and working with insolvency practitioners to determine applicant outcomes.

An audit would examine elements of the program’s administration, such as the assessment of applications for assistance and the recovery of assistance by the Commonwealth.

**Fair Work Commission**

The Fair Work Commission (FWC) is one of two institutions established to administer the provisions of the *Fair Work Act 2009* and to provide a balanced framework for cooperative and productive workplace relations that promote economic prosperity and social inclusion. Before 2013, the FWC was named Fair Work Australia. The FWC has the power to vary awards, make minimum wage orders, approve agreements, resolve workplace and other disputes, determine unfair dismissal claims and make orders in relation to such things as good faith bargaining and industrial action. The FWC is also responsible for administering the provisions of the *Fair Work (Registered Organisations) Act 2009*, which deal with registrations and the accountability of unions and employer associations registered under that Act.

An audit would examine the effectiveness of the FWC’s administration, particularly in relation to the registration and accountability of unions and employer associations. An audit may also consider the FWC’s actions to improve the planning and management of its investigations into unions and employer associations.

**Management of Employment Services**

The Employment Services program aims to assist job seekers, particularly those in receipt of government benefits, to obtain sustainable employment. Expenditure on the program is approximately $1.5 billion each year. Since 2009, the program has been delivered by a range of service providers under the Job Services Australia (JSA) contract. Those organisations are currently contracted for the period 2012–15. An audit of Employment’s management of JSA providers Audit Report No.37 2013-14, *Management of Services Delivered by Job Services Australia* was tabled on 11 June 2014. The audit considered Employment’s setting of service requirements, its support and management of service providers, and its overall management of program effectiveness.

A tender process for organisations to help deliver employment services beyond 2015 is expected to commence in late 2014. A further audit would build upon the previous audit and would assess further elements of Employment’s management of employment services. This may involve examination of Employment’s management of funds aimed at direct support to job seekers, the conduct of any tender for organisations to help deliver employment services beyond 2015 and subsequent implementation, or the performance of the program in delivering services to Indigenous and culturally and linguistically diverse clients.
Audit strategy overview

The Environment portfolio advances the Australian Government’s policy interests and administers programs covering the environment, domestic climate change, water and heritage matters with a national focus, or matters that are the direct responsibility of the Australian Government. In 2014–15, $2.5 billion has been allocated to the portfolio. The portfolio comprises the Department of the Environment (Environment), six prescribed entities—the Bureau of Meteorology, the Great Barrier Reef Marine Park Authority, the Climate Change Authority\(^\text{13}\), the Clean Energy Regulator, the National Water Commission, and the Murray–Darling Basin Authority and two Commonwealth authorities—the Director of National Parks and the Sydney Harbour Federation Trust.

Environment is the lead portfolio entity and is responsible for developing and implementing national policy, programs and legislation to protect and conserve Australia’s environment and to meet the nation’s future population needs. The programs and initiatives of the department are designed to protect and improve the environment through the four pillars of clear air, clean land, clean water and heritage protection. A major funding area is the $15.5 billion package of water reform measures, the Australian Government’s long-term initiative to better balance the water needs of communities, farmers and the environment. The department also has an ongoing role in administering the Environment Protection and Biodiversity Conservation Act 1999 (the EPBC Act), the central piece of Commonwealth environmental legislation, which provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.

Recent audit activity has included audits of the administration of the Strengthening Basin Communities Program (one of the programs under the Sustainable Rural Water Use and Infrastructure Program within the package of water reform measures); the administration of the Improving Water Information Program; the administration of the Smart Grid, Smart City Program; and the management of compliance with EPBC Act conditions of approval. The ANAO’s future audit program will continue to focus on programs concerned with managing water use, conservation and biodiversity, natural resource management, and portfolio entity functions.

**Audits in progress at July 2014**

**Biodiversity Fund**

The Biodiversity Fund is a multi-round competitive grant program administered by Environment. The grants provided under the fund are intended to assist land managers to store carbon, enhance biodiversity and build greater environmental resilience by supporting the establishment of native vegetation, or contribute to the improved management of existing native vegetation.

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\(^{13}\) In November 2013, the Government introduced a Bill before the Parliament to abolish the authority (on a date to be proclaimed or six months after royal assent, whichever is earlier).
While the fund was initially allocated $946 million over six years from 2011–12 to 2016–17, the funding was reduced by $34 million in the 2013–14 Budget and a further $225 million was rephased to beyond the forward estimates. In December 2013, the Government announced that no further funding rounds would be conducted under the program.

At December 2013, four funding rounds had been completed and funding was provided for 333 projects at a total cost of $324 million. Funding recipients include catchment management groups, local councils, landcare groups, Indigenous land management groups, cooperatives of public and private landowners, and several individual landowners. There are projects in every Australian state and territory, mainly involving activities such as revegetation and pest control (plants and animals), erosion protection and remediation, and the establishment of wildlife corridors.

The objective of the audit is to assess the effectiveness of Environment’s administration of the Biodiversity Fund.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Potential audits**

**National Landcare Programme**

In August 2013, the Government announced the merger of the Caring for Our Country Initiative and the Landcare Program to create a single National Landcare Programme that reflects both local and regional program priorities. The new program design is intended to increase access, including to farmers and landcare groups, as well as establish a base operational funding pool for Landcare.

The former Caring for our Country Initiative aimed to achieve an environment that was healthier, better protected, well managed and resilient, and provided essential ecosystem services in a changing climate. The first stage of the program ran from 2008 to 2013, providing around $2 billion in funding for natural resource management. As part of the 2012–13 Budget, the then Government announced the continuation of the initiative, with funding of $2.2 billion over the period from 2013–14 to 2017–18 in two streams—Sustainable Environment and Sustainable Agriculture.

An audit would examine aspects of Environment’s and Agriculture’s administration of the National Landcare Programme, and the predecessor programs, Caring for Our Country and Landcare.

**Australian Government Reef Programme (Reef Rescue Initiative)**

The Great Barrier Reef is the world’s largest coral reef ecosystem, covering 348,000 square kilometres and incorporating 2500 individual reefs and 900 islands. A continuing decline in water quality from catchment run-off, impacts from fishing and climate change have been identified as issues affecting the health of the reef in various assessments, including the *Great Barrier Reef Outlook Report 2009*. In response, the Australian Government committed $200 million in funding over five years (2008–2013) under the Reef Rescue Initiative to reduce the discharge of dissolved nutrients and chemicals from agricultural lands into the Great Barrier Reef lagoon by 25 per cent and the discharge of sediment and nutrients by 10 per cent.

In April 2013, the Australian Government committed a further $200 million to the Reef Rescue Initiative (now named the Australian Government Reef Programme) to continue efforts to protect the reef through improvements to the quality of water flowing into the Great Barrier Reef lagoon. This additional funding will support a second phase of Reef Rescue (2013–18), and is intended to
enhance the reef's resilience to the threats posed by climate change and nutrients, pesticides and sediment run-off through a number of complementary approaches. Environment and Agriculture jointly administer aspects of the programme.

An audit would examine the administration of the Australian Government Reef Programme (Reef Rescue Initiative) and the extent to which the programme is achieving its objectives.

**Sustainable Rural Water Use and Infrastructure Program**

The Sustainable Rural Water Use and Infrastructure Program is a major component of the Australian Government’s $15.5 billion package of water reform measures. Under the program, $10 billion has been provided to fund a range of programs and projects throughout Australia, with a particular focus on the Murray–Darling Basin. They include the former Restoring the Balance program; competitive grant programs; state priority projects, jointly funded by the Australian Government and the respective state; and one-off funding for particular projects, such as engineering improvements to the Menindee Lakes.

An audit, or series of audits, would examine Environment’s administration of material subprograms or funding elements within the Sustainable Rural Water Use and Infrastructure Program.

**Preparations for Expeditions to Antarctica**

The Australian Antarctic Division of Environment advances Australia's strategic, scientific, environmental and economic interests in Antarctica and the Southern Ocean. The pursuit of those national interests requires Australia to maintain a strong presence in the Australian Antarctic Territory and the Southern Ocean, and in the Southern Ocean subantarctic regions at the Territory of Heard Island and McDonald Islands, and Macquarie Island, and their adjacent waters.

Expeditions to Antarctica help to ensure that Australia’s four Antarctic stations (Casey, Davis and Mawson on the Antarctic continent, and Macquarie Island in the subantarctic region) are operated in a safe and efficient manner, as well as undertaking important scientific research. The isolation and harsh weather conditions in Antarctica present a number of challenges to expeditioners, particularly in relation to communications; logistics; the provision of stores and supplies; training; and station amenities and operations.

An audit would examine Environment’s management of preparations for expeditions to Antarctica.

**Administration of the National Greenhouse and Energy Reporting Scheme: Follow-on**

The passage of the National Greenhouse and Energy Reporting Act 2007 through the Parliament in September 2007 created a new regulatory regime for Australia, requiring 775 constitutional corporations to self-assess and report their greenhouse gas emissions, energy use and production. The assessment and reporting of greenhouse gas emissions and energy use underpins the transparent reporting of Australia’s national and global commitments to reduce greenhouse gas emissions and energy use. Accurate and complete datasets are also critical to the integrity of Australia’s National Greenhouse Gas Inventory and other international reporting obligations under the United Nations Framework Convention on Climate Change.

In 2011–12, the ANAO undertook an audit of the National Greenhouse and Energy Reporting Scheme (NGERS), assessing the effectiveness of the then Department of Climate Change and Energy Efficiency’s implementation and administration of the scheme. The audit made three recommendations designed to: better target departmental compliance efforts; improve data sharing with Australian
Government and authorised state or territory agencies; and advance efforts to further streamline greenhouse gas emissions and energy use reporting requirements.

Since the tabling of the NGERS audit, new administrative arrangements for the scheme have been implemented. Environment is now responsible for NGER-related policy development and review, while the Clean Energy Regulator is responsible for the administration of the scheme.

An audit would examine the Clean Energy Regulator’s administration of NGERS, including its implementation of recommendations from the previous ANAO audit.

**Regulation of Permits in the Great Barrier Reef Marine Park**

The Great Barrier Reef Marine Park Authority (GBRMPA) is responsible for managing the Great Barrier Reef Marine Park. GBRMPA’s goal is to protect the reef for the future while also ensuring that it remains a multiple-use marine park open to sustainable use, including tourism, commercial fishing, shipping and other operations.

The Great Barrier Reef Marine Park Zoning Plan 2003 identifies those activities that are allowable and whether an activity requires a marine park permit. The use of permits helps GBRMPA to manage the conservation of the Great Barrier Reef. Permits are designed to assist the authority to:

- reduce impacts on high-use and sensitive areas;
- separate potentially conflicting activities;
- encourage responsible behaviour by all marine park users;
- collect data for planning of the marine park; and
- monitor activities that may become damaging to the marine park.

In many cases, the issuing of a permit includes conditions that may be in addition to those placed on the proponent under the EPBC Act or Queensland state legislation.

An audit would examine GBRMPA’s regulation of permits and approvals relating to the Great Barrier Reef Marine Park.

**Management of Wildlife Permits and Approvals**

The international movement of wildlife and wildlife products is regulated under Part 13A of the EPBC Act, which covers the:

- export of Australian native wildlife species other than those identified as exempt;
- export and import of species included in the appendices to the Convention on International Trade in Endangered Species (CITES); and
- import of live plants and animals that (if they became established in Australia) could adversely affect native species or their habitats.

Each year, Environment issues permits and assesses and approves programs and holding facilities in support of its regulation of the wildlife trade. In 2012–13, the department issued 1810 permits for the import or export of regulated specimens. Of that number, 1556 permits were issued for CITES specimens, 233 permits for the export of regulated native specimens and 21 permits for the import of live specimens.

An audit would examine Environment’s regulation of Part 13A of the EPBC Act.
National Television and Computer Recycling Scheme

Under the Product Stewardship Act 2011 and related regulations, Environment has established a co-regulatory approach with industry to recycle television and computer waste. The legislative framework establishes timetables for implementing collection services and targets for collecting television and computer waste and recycling constituent components. Three co-regulatory arrangements were operating in 2012–13, having been approved in early 2012. A further two co-regulatory arrangements were approved in early 2013 to commence operation in 2013–14. During 2012–13, a total of 635 collection services were provided under the scheme and 40 813 tonnes of televisions and computers were recycled, equivalent to 98.8 per cent of the annual recycling target. Recycling of television and computer waste under the scheme in 2013–14 is expected to be 44 000 tonnes.

An audit would examine the effectiveness of Environment’s establishment and administration of the National Television and Computer Recycling Scheme.

Green Army Programme

In the lead-up to the 2013 federal election, the incoming Government announced its commitment to establishing a ‘Green Army’ of 15 000 young Australians to work in small teams on environmental improvement projects for up to 26 weeks. These projects, to be undertaken alongside existing work of local landcare groups, are to address issues such as weed control, revegetation, water quality and sand dune stabilisation. The programme is designed as an alternative to Work for the Dole, and is to be open to the unemployed, school leavers, and those on a ‘gap year’. The Green Army Programme is administered by Environment and is a key component of the Clean Land Plan.

Environment concluded a consultative process on the draft statement of requirements in February 2014 and, on 31 March 2014, issued a request for tender to engage service providers to recruit, deploy and supervise the Green Army teams. Service providers will be required to train participants, provide protective equipment, administer remuneration and report to the department against project outputs and outcomes. The request for tender process closed on 7 May 2014 and contracts with the successful tenderers are expected to be executed by the end of June 2014.

Programme funding is capped at $300 million, with $50 million available for 250 projects planned for completion in 2014–15. Project applications closed in May 2014. Projects are expected to commence on 1 July 2014 and be completed by 30 June 2017, when it is estimated that 1500 projects will have been undertaken.

An audit would examine the establishment of the Green Army Programme, including the engagement of programme service providers and the selection of Green Army projects.
Audit strategy overview

The Finance portfolio is diverse and provides an array of support and services to the Australian Government. This includes budget and financial management services and advice; electoral services and support; and the administration of parliamentarians’ entitlements.

Working at the centre of government, the Department of Finance (Finance) plays an important role in assisting and advising in a wide range of policy areas to ensure that its outcomes are met. Essential services that Finance provides include: supporting delivery of the Budget; administering the provision of entitlements provided to parliamentarians; and developing and maintaining the financial framework for Australian Government entities.

The ANAO’s planned performance audit strategy reflects Finance’s central role in providing budget and financial management services and advice. In particular, reflecting the changes to the resource management framework as a result of the PGPA Act, performance audit work is planned in relation to key aspects of the implementation of the new framework. This work is in addition to Finance often being included in the scope of various cross-portfolio audits in the context of the Commonwealth financial framework and budgetary arrangements.

Other planned performance audit work relates to the proposed sale of Medibank Private (given their significance, the ANAO typically undertakes a performance audit of major privatisation projects) and the Joint Standing Committee on Electoral Matters request that, in the light of matters raised concerning the loss of Western Australian Senate ballot papers from the September 2013 election, the ANAO examine the implementation of earlier ANAO recommendations by the Australian Electoral Commission (AEC).

Audits in progress at July 2014

The Australian Electoral Commission’s Workforce Planning and Management, and Selection of Polling Places and Scrutiny Centres: Follow-up Audit

The recommendations made in ANAO Audit Report No.28 2009–10, The Australian Electoral Commission’s Preparation for and Conduct of the 2007 Federal General Election, included that the AEC improve its workforce planning and the selection, training and performance evaluation of polling staff; the accessibility and suitability of polling booths and scrutiny centres; and the transport and security of completed ballot papers.

Consistent with the request made by the Joint Standing Committee on Electoral Matters for the ANAO to examine the AEC’s implementation of earlier ANAO recommendations, the objective of the audit is to assess the adequacy and effectiveness of the AEC’s implementation of the recommendations made in the 2009–10 audit report relating to:

- a more strategic approach to election workforce planning, with a particular focus on the selection, recruitment, training and performance evaluation of polling staff (Recommendations 5 and 6);
- the suitability and accessibility of polling booths and fresh scrutiny premises (Recommendation 7); and
• the transport and storage of completed ballot papers (Recommendation 8(b)), in respect of matters not fully addressed in the report of the first follow-up audit.

The audit report is expected to be tabled in the Winter 2014 Parliamentary Sittings.

**Administration of Travel Entitlements Provided to Parliamentarians**

Parliamentarians have certain entitlements to travel within Australia at Commonwealth expense, both during their service in Parliament and after retirement. For current parliamentarians, travel is typically required to be for parliamentary, electorate or official business, but not party business. Spouses (or nominees) and dependent children of parliamentarians also have certain entitlements to travel at Commonwealth expense. In aggregate, the various travel entitlements comprise a significant proportion of the cost of all entitlements provided to parliamentarians.

The objective of the audit is to assess the effectiveness of Finance’s administration of travel entitlements provided to parliamentarians. The audit is examining whether the entitlements framework and its administration assist parliamentarians to adhere to any conditions and limitations on the travel entitlements provided to them. The audit is focusing on two particular travel entitlements (travelling allowance and charter travel) and assessing the effectiveness of the administrative arrangements that are in place, including arrangements to respond to any issues that arise in respect to entitlements use.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Early Years Quality Fund**

On 19 March 2013, the Australian Government announced that it would provide $314 million (over five years) to boost the quality of early childhood education and support workplace reform. Of this funding, up to $300 million was to be used to establish an Early Years Quality Fund (EYQF), to support long day care centres to attract and retain qualified professionals. Long day care centres would be able to apply for EYQF grants to supplement wages increases of $3 per hour for Certificate III qualified educators, with proportionally adjusted wage increases for other childcare workers and diploma and degree qualified educators.

The *Early Years Quality Fund Special Account Act 2013* was established on 1 July 2013 to give effect to the EYQF, with the objective of improving quality outcomes for children in early childhood education and care services by enhancing professionalism in the sector, including through improved attraction and retention of a skilled and professional workforce.

The objective of the audit is to assess the effectiveness of the establishment, implementation and operation, by Education, of the EYQF against the requirements of the relevant special account and the Commonwealth grants administration framework. The audit will also consider the role of the departments of the Prime Minister and Cabinet and Finance in key program elements of the EYQF, such as the design and conduct of the fund and its ongoing operation and management. The audit will not examine the $6.2 million allocated to establish a Pay Equity Unit in the Fair Work Commission.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Potential audits

Sale of Medibank Private

In October 2013, the Finance Minister announced the commencement of a scoping study into the sale of Medibank Private. The Minister further announced that the proceeds of the sale would allow the Government to fund other policy priorities or pay off debt. The announced sale objectives are:

- to contribute to an efficient, competitive and viable private health insurance industry;
- to maintain service and quality levels for Medibank contributors, including in regional and rural Australia;
- to ensure that the sale process treats Medibank employees in a fair manner, including through the preservation of accrued entitlements;
- to minimise any post sale residual risk and liabilities to the Government; and
- having regard to all of the above objectives, to maximise the net proceeds from the sale.

The results of the scoping study are to be considered in the context of the 2014–15 Budget.

An audit would examine the extent to which the Government’s sale objectives were achieved, including maximising overall value for money; assess the effectiveness of the management of the sale; and identify principles of sound administrative practice to facilitate potential improvements in any future asset sales.

The Australian Electoral Commission’s Implementation of ANAO Recommendations: Follow-up Audit

ANAO Audit Report No.28 2009–10, The Australian Electoral Commission’s Preparation for and Conduct of the 2007 Federal General Election concluded that the most significant long-term issue facing the AEC remains the state of the electoral roll. Accordingly, four of the nine audit recommendations related to improving the accuracy and completeness of the electoral roll.

An audit would examine the AEC’s implementation of the four recommendations related to the electoral roll. It would also examine the implementation of any further recommendations not already addressed in the ANAO’s earlier follow-up audits relating to the 2009–10 audit report.

Implementation of Key Aspects of the Public Governance, Performance and Accountability Act Framework

The PGPA Act established a new legislative framework for the proper management of public money. The PGPA framework is to be supported by detailed rules made under the Act, which are to be rolled out progressively over several years, and the establishment of entity-specific systems of internal control, risk oversight and management.

The PGPA Act includes (at section 71) requirements that apply to ministers when they approve proposals to spend money. Decision-making by officials about the commitment of relevant money will be governed by a rule made under the Act which will require officials to record in writing the approval of the commitment of relevant money and the approval to be consistent with any written requirement issued by the entity’s accountable authority.

An audit would examine the work undertaken by entities, with guidance and assistance from Finance, to establish and maintain appropriate systems of internal control for the entity to govern decision-making by officials about the commitment of relevant money.
Foreign Affairs and Trade

Audit strategy overview

The overarching objective of the Foreign Affairs and Trade portfolio 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 2014–15, funding for the entities within the portfolio totalled $7.2 billion.

The Foreign Affairs and Trade portfolio comprises the Department of Foreign Affairs and Trade (DFAT), the Australian Trade Commission, the Australian Secret Intelligence Service, the Australian Centre for International Agricultural Research and the Export Finance and Insurance Corporation.

The ANAO has focused its recent audit coverage on risks associated with Australia’s expanding overseas aid program and on the delivery of passport services to Australian citizens. Australia’s management of consular services and the administration of a trade development scheme to assist exporters are the subjects of current audit activity.

Following the 2013 federal election, the Government announced that Australia’s overseas aid program would be integrated into DFAT. Aligning business processes, staffing requirements and systems while maintaining continuity of service performance will pose considerable management challenges. Planned audit work is intended, therefore, to focus on the delivery of core programs and functions as well as key enabling support systems.

Audits in progress at July 2014

Management of Consular Services

Consular services are a core DFAT program with high public visibility. The program seeks to support and assist Australian travellers and Australians overseas through its provision of high-quality consular services, including accurate and timely travel advice, practical contingency planning and rapid crisis response. Consular services also include notarial services (legalisation of documents), assistance with welfare issues, whereabouts inquiries, arrest or detention matters, deaths, medical emergencies and payment of travellers’ emergency loans.

Since 2003, the number of Australians travelling each year has more than doubled to eight million, and the consular workload has increased commensurably. In 2003–04, DFAT provided a total of 100 491 consular services to Australians, and by 2011–12 that figure had doubled to 202 723. In 2014–15, funding for consular services totalled $85 million.

The objective of the audit is to assess the effectiveness of the DFAT’s delivery of services to Australian nationals travelling or residing abroad. The audit will complement ANAO Audit Report No.16 2003–04, Administration of Consular Services.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Administration of the Export Market Development Grants Scheme

The Export Market Development Grants (EMDG) scheme is the Australian Government’s principal financial assistance program for aspiring and developing exporters. Administered by Austrade, the EMDG scheme aims to provide incentives to small and medium Australian enterprises for the development of export markets through reimbursement of up to 50 per cent of expenses incurred on eligible export promotion over $20,000. In 2012–13, 2,643 grant recipients received a total of $113.5 million under the scheme.

The objective of the audit is to examine Austrade’s administration of the EMDG scheme in providing incentives to small and medium Australian enterprises for the development of export markets.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

Potential audits

Management of Aid to Papua New Guinea

Papua New Guinea (PNG) is Australia’s nearest neighbour and, as a fragile state, faces significant challenges and constraints to its development. PNG is the second-largest recipient of Australia’s overseas development assistance (approximately $527.7 million in 2013–14). Australian aid makes up approximately 70 per cent of all foreign aid provided to PNG.

Australian aid to PNG is directed to four priority areas jointly agreed by the governments of Australia and PNG. These priority areas are: health and HIV/AIDS; education; law and justice; and transport infrastructure. Within these priority areas, Australia currently has over 29 separate initiatives underway in PNG.

An audit would examine DFAT’s management of aid to Papua New Guinea, and the outcomes being achieved. The audit would focus on the management of aid initiatives to support one or more of the four priority areas for the program. Management of risks to the program, including fraud and corruption, would also be a focus.

Protecting Australia’s Missions and Staff Overseas: Follow-on Audit

Australia has approximately 1,400 Australia-based and 2,400 locally engaged staff based in 95 missions overseas. DFAT has overall carriage of Australia’s external relations, but other government entities also have official interests that require their presence abroad. Mission staff may be exposed to a variety of threats, such as politically motivated violence, crime and civil disorder, both in the chancery building and in their residences. The level of threat varies from country to country, depending on a range of factors such as the capacity of the host government security force to provide a secure environment.

Following the Jakarta Embassy bombing and ANAO Audit Report No.28 2004–05, Protecting Australian Missions and Staff Overseas, the Australian Government provided additional funding of $860 million to improve physical security at Australia’s overseas missions. The ANAO audit included a wide range of recommendations to help address potential physical security vulnerabilities in the DFAT and Austrade networks.

A follow-on audit would examine the effectiveness of corrective measures taken to strengthen the protection of Australia’s missions and staff overseas. Given the sensitivity of this subject, some elements of the audit report may not be able to be made publicly available.
Management of Multilateral Aid Programs

In 2013–14, around 24 per cent ($1.35 billion) of Australia’s overseas aid program was directed to a range of global initiatives to support poverty reduction. These initiatives are delivered by a number of organisations on behalf of DFAT, including multilateral humanitarian organisations and development banks, United Nations agencies and other Australian Government entities, and Australian non-government organisations.

In March 2012, the Australian Government released the Australian Multilateral Assessment, which involved a comprehensive assessment and rating of the effectiveness of Australia’s multilateral partners and their relevance to Australia’s aid interests. A new Multilateral Engagement Strategy has been implemented to continue the work of the Multilateral Assessment by detailing strategies to track multilateral performance on an ongoing basis by assessing the effectiveness and relevance of each multilateral partner.

An audit would examine DFAT’s framework and criteria for the selection of multilateral programs and the Multilateral Engagement Strategy’s scorecard and performance management system to assess performance and manage risks. The audit may include examining one or more of the multilateral or non-government organisation arrangements in depth.

Development of the International Communications Network

The Australian Government’s secure international communications are provided by the ageing Secure Australian Telecommunications and Information Network (SATIN). SATIN was introduced in the late 1990s and its design no longer meets the demands of modern communications and contemporary diplomacy, which require the connection of 140 locations and about 6000 users across the world.

Funding of $215.9 million was allocated to DFAT in the May 2013 Budget for the development of a new International Communications Network (ICN) to replace SATIN. The funding is over seven years, from 2012–13 to 2018–19. The ICN is intended to support faster and more collaboration overseas, reduce the number of duplicated international services, and better share network resources among Government activities. The ICN will connect 140 domestic and overseas locations, ranging from posts to Ministerial offices, and transmit highly classified material. Tenders for the project were set, and expressions of interest closed in March 2014.

An audit would examine DFAT’s management of the development of the ICN project and focus on the management of the project specification, tender arrangements, contract management and implementation planning.

Managing the Implementation of Free Trade Agreements

Free Trade Agreements (FTAs) are developed by governments to achieve economic and trade benefits by liberalising access to each other’s markets for goods and services and investment. FTAs provide opportunities for Australian exporters and investors to expand into overseas markets, while stimulating the competitiveness of Australian businesses through open markets and improving access to better value goods and services for Australian consumers. FTAs also address a range of other issues, such as quality standards, professional qualifications, intellectual property rights, government procurement and competition policy. The Australian Government’s FTA policy is to maximise the economic benefits to Australia through the negotiation of FTAs.

Australia currently has six bilateral and one regional FTA in place with New Zealand, Singapore, Thailand, the United States of America, Chile, the Association of South East Asian Nations (with New Zealand)
and Malaysia. The seven FTAs account for 28 per cent of Australia’s total trade. FTAs with South
Korea and Japan have been concluded. When they enter into force, they will account for 16 per cent
of Australia’s total trade. Seven bilateral and regional FTAs are under negotiation, accounting for a
further 29 per cent of Australia’s trade.

DFAT is responsible for FTA negotiations and the implementation of concluded FTAs. DFAT does
this work by consulting extensively with domestic stakeholders, including the state and territory
governments, leading Australia’s whole-of-government negotiation teams, and working with other
government entities to implement the requirements of the FTA.

An audit would examine DFAT’s management of the implementation of one or more selected FTAs.
The audit would include a focus on arrangements to measure, monitor and report on the achievement
of the intended benefits of the FTA(s).

Management of Australian Aid to Vanuatu

Vanuatu, an archipelago of 83 islands in the Pacific with a small population, faces significant
development challenges, including poverty and poor education and health outcomes. Australia is
the largest aid donor to Vanuatu, contributing around half of total aid to the country, and is its main
source of tourists. In 2014–15, the Australian aid budget to Vanuatu is approximately $60.4 million, of
which $41.9 million is administered by DFAT. Total trade with Vanuatu is valued at around $67.6 million.

Australian aid to Vanuatu focuses on five priority areas jointly agreed by the governments of Australia
and Vanuatu: education; health; infrastructure; economic governance; and law and justice. Aid is
delivered via a variety of mechanisms, including via government systems (for example, school grants
through Vanuatu’s Ministry of Education); direct delivery through implementation service providers;
and in partnership with other donors, including multilateral organisations and international financial
institutions.

An audit would examine the effectiveness of DFAT’s management of aid to Vanuatu and the outcomes
being achieved. While the whole aid program will be examined, the audit will focus particularly on
the health and education sectors, which account for around 45 per cent of the country program.
Audit strategy overview

The Department of Health (DoH) is the lead entity in the Health portfolio and is responsible for achieving the Australian Government’s health priorities through evidence-based policy, program administration, research, regulatory activities and partnerships with other government entities, consumers and stakeholders. DoH and the 21 other entities in the Health portfolio deliver programs and initiatives against 15 specific outcomes that reflect the Government’s expected results for health. In 2014–15 DoH and its portfolio entities had budgeted resources of approximately $47 billion to deliver against those outcomes.

Under the Administrative Arrangements Order of 18 December 2013, responsibility for ageing was transferred to the Department of Social Services, responsibility for Indigenous health was transferred to the Department of the Prime Minister and Cabinet, and responsibility for sport and recreation was transferred to DoH from the former Department of Regional Australia, Local Government, Arts and Sport.

Recent ANAO audit coverage has focused on portfolio outcomes involving the administration of agreements for the management, operation and funding of the Mersey Community Hospital—the first performance audit of a Commonwealth partner under the Auditor-General’s extended mandate; the National Medical Stockpile; and the Code of Good Manufacturing Practice for prescription medicines.

The ANAO’s 2014–15 audit program for the Health portfolio has been developed within the context of the ANAO’s audit strategy, which recognises the broad range of departmental and portfolio entity outcomes and targets key risks to their achievement. The strategic areas of the ANAO’s planned audit coverage include national health reform, eHealth, dental health reform, diagnostic imaging, diabetes services, bowel cancer screening, specialist training, organ and tissue donation, and sport.

Audits in progress at July 2014

Administration of the Fifth Community Pharmacy Agreement

The Australian Government provides subsidised medicines (pharmaceutical benefits) to the community through various schemes. The main schemes are the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS).

Since 1990, DoH has negotiated a series of five-year Community Pharmacy Agreements exclusively with the Pharmacy Guild of Australia. The agreements establish remuneration arrangements for pharmacies approved to supply subsidised medicines (pharmaceutical benefits) to community patients, and place restrictions on the location of new approved pharmacies and the re-location of existing approved pharmacies.

As at 30 June 2013, there were 5351 retail pharmacies (community pharmacies) approved by the Department of Human Services to supply pharmaceutical benefits. The PBS, the RPBS and the agreement are administered jointly by DoH, DVA and the Department of Human Services. DoH and DVA have policy responsibility for the PBS and RPBS respectively; DoH negotiates the agreements on behalf of the Commonwealth; the Department of Human Services processes and pays pharmacy
claims; and all three departments jointly implement the agreement. The current (fifth) agreement provides funding of $15.4 billion and runs from July 2010 to June 2015.

The audit objective is to assess the effectiveness of the development and administration of the Fifth Community Pharmacy Agreement, and the extent to which the agreement has met its objectives.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

**Health’s Implementation of Audit Recommendations**

Each year the ANAO and DoH invest considerable effort and resources in auditing the performance of the department.

There has been ongoing parliamentary interest in the performance of entities in implementing audit recommendations. In 2012–13, the ANAO published two performance audit reports on the Department of Defence’s implementation of ANAO and internal audit recommendations, and the implementation of ANAO audit recommendations by four departments. In 2013–14, the ANAO published a further report on the implementation of ANAO performance audit recommendations by two departments. The current audit continues that program of work within DoH.

The objective of the audit is to assess the effectiveness of the DoH’s monitoring and implementation of ANAO and internal audit recommendations.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

**Administration of the Medical Specialist Training Program**

The Medical Specialist Training Program provides grants to fund the training of medical specialists in a range of settings, including public and private hospitals and health facilities, and community health centres. The level of funding available for training places is a salary contribution of $100 000 (ex GST) per full-time equivalent trainee, and rural locations potentially qualify for higher funding. The program also provides funds for a range of support activities, including clinical supervision, of up to $30 000 per annum and training infrastructure of up to $10 000.

Cumulative funding under the program through successive grant funding rounds to date has been around $453 million. The last funding round, which was completed in late 2013, provided $34 million, which was sufficient to expand the number of training places supported under the program to December 2015 from 750 to 900.

The administration of grant funds is managed through separate agreements between DoH and 13 medical specialist colleges, such as the Royal Australasian College of Surgeons.

The objective of the audit is to assess the effectiveness of the DoH’s administration of the Medical Specialist Training Program.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Diagnostic Imaging Reforms**

Diagnostic imaging includes services such as ultrasound, computed tomography, nuclear medicine, radiography (X-ray), magnetic resonance imaging (MRI), positron emission tomography and bone densitometry for the diagnosis of medical conditions. The majority of diagnostic imaging services funding is through the Medicare Benefits Scheme (MBS), delivered by the Department of Human Services.
In the 2011–12 Budget, the Australian Government announced the Diagnostic Imaging Review Reform Package (DIRRP). This package will run from 1 July 2011 until 30 June 2016 at a cost of over $104.4 million. Key objectives of the package include:

- ensuring appropriate requesting of diagnostic imaging services;
- enhancing to the Diagnostic Imaging Accreditation Scheme (DIAS), with particular emphasis on quality assurance;
- expanding patient access to affordable MRI services; and
- reassessing incentives and fee relativities.

The majority of funding for the package will be delivered by the Department of Human Services through the MBS. DoH, however, has a key role in ensuring that the Government’s reforms are implemented, including working directly with the diagnostic imaging service industry to encourage more effective use of diagnostic imaging and implementing the DIAS.

The objective of the audit is to assess the effectiveness of DoH’s implementation of the DIRRP.

The audit report is expected to be tabled in Spring 2014 Parliamentary Sittings.

**Potential audits**

### Health Record-keeping

A key element of administration, including project management, is having a record-keeping system that is complete, accurate and reliable. The *Archives Act 1983* sets out the legislative framework for managing Australian Government records, including access to records and the preservation and destruction of information created and received in the course of Australian Government business. The Digital Transition Policy released by the Australian Government in July 2011 requires all entities to move to digital records management. The centralisation of electronic records in a mandated system can assist entities in realising a number of benefits, including meeting legislative obligations, increased transparency and accountability and improved corporate governance. It can also reduce the costs of storing and maintaining paper records.

On 31 July 2012, DoH commenced a production pilot rollout phase of the information technology-based Kapish TRIM Explorer V4.1.3 system. System and training improvements were made based on feedback from pilot sites and full production rollout occurred from 22 October 2012 to 9 August 2013. The system has been deployed to a total of 5202 staff in DoH and some portfolio entities. There are 5500 licences.

A total of $6.35 million was budgeted for the rollout ($5.4 million for capital and $950 000 for operational costs). However, actual expenditure was $7.1 million ($5.8 million for capital and $1.3 million for operational costs). Portfolio entities were provided with the system on a cost-recovery basis.

An audit would examine DoH’s performance against records management arrangements and policies, including DoH’s progress in transitioning to effective digital records management.

### Australian Organ and Tissue Donation Program

The Organ and Tissue Authority (the OTA) was established in January 2009 as a statutory agency within the Health portfolio. The purpose of the OTA is to establish, in partnership with states, territories, clinicians, consumers and the community, a nationally coordinated approach to organ and tissue donation, and to undertake promotional and awareness raising activity. In the 2009–10 Budget, the
Australian Government also announced $151.1 million of funding over four years to implement a ‘world’s best practice and nationally coordinated approach’ to organ and tissue donation. In 2014, the Australian Government announced the merger of the OTA and National Blood Authority to form a new authority by 1 July 2015.

The OTA has established the DonateLife Network, which comprises organ and tissue donation entities and hospital-based staff in 72 hospitals across Australia to work specifically on organ and tissue donation. The OTA has also promoted donation through a number of advertising campaigns, a community grants program and related activities. A National Organ and Tissue Donation Register is administered by the Department of Human Services but would not be a focus of the audit.

An audit would examine the administration of elements of the organ and tissue donation program, focusing on the administration of promotional and awareness raising activities.

**Progressing National Health Reforms**

In August 2011, all Australian governments signed the National Health Reform Agreement. Under the agreement, the Australian Government has committed an extra $16.4 billion until 2019–20 for public hospitals. The National Health Reform Agreement, and the National Health and Hospitals Network Agreement that it supersedes, reformed the financing of the Australian health and hospital system and introduced major changes to the governance arrangements between the Australian Government and 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 DoH’s actions to progress the national health reforms.

**National eHealth Implementation**

In the 2011–12 Budget, the Australian Government committed $433 million to eHealth, largely as part of ongoing processes to facilitate the transition from paper-based clinical records to electronic records for better information exchange to deliver safer, more efficient, better quality healthcare. Since June 2009, the National e-Health Transition Authority has been responsible for delivering key components of the National eHealth Strategy (a Council of Australian Governments initiative) and, from 2010, had a managing agent role, under DoH’s leadership, in relation to the personally controlled electronic health record (PCEHR) for all Australians. DoH set a goal to have 0.5 million Australians registered for their own PCEHR before the national launch of e-Health in 2012–13. However, the goal was not achieved and in November 2013, the Australian Government announced that progress implementing the PCEHR system would be reviewed. The Minister for Health received the report in December 2013.

An audit would examine the effectiveness of DoH’s leadership, management and coordination of eHealth developments, and its implementation of the recommendations from the eHealth Record Review of November 2013.

**Dental Health Reform**

The Dental Health Reform Package consists of three initiatives: Grow Up Smiling; the National Partnership Agreement for Adult Public Dental Services; and the Flexible Grants Program.

Grow Up Smiling commenced on 1 January 2014. This $2.7 billion measure will provide a Commonwealth-funded capped benefit entitlement for basic dental services for children. Around 3.4 million children...
aged 2 to 17 in families who meet a means test will be eligible for benefits each year. Under the National Partnership Agreement for Adult Public Dental Services, the Australian Government will provide $1.3 billion to states and territories from 1 July 2014 to expand services for adults in the public dental system. The funding will assist up to 1.4 million low-income adults to receive dental services. The Flexible Grants Program will provide a total of $225 million for dental infrastructure (both capital and workforce) in outer metropolitan, rural and regional areas to assist in reducing access barriers for people living in those areas. The grants may also be used for targeted programs to address other gaps in service delivery.

An audit or series of audits would examine the effectiveness of DoH’s planning and implementation of the new initiatives.

**National Diabetes Services Scheme**

The National Diabetes Services Scheme (NDSS), which was established in 1987, is an initiative of the Australian Government administered by Diabetes Australia Ltd, a non-government entity. The NDSS delivers diabetes-related products at subsidised prices and provides information and support services to more than one million Australians diagnosed with diabetes. Diabetes Australia works in partnership with diabetes health professionals and educators, researchers and healthcare providers to minimise the impact of diabetes on the Australian community.

On 30 June 2011, the Commonwealth entered into a new five-year funding agreement with Diabetes Australia. The agreement commenced on 1 July 2011 and is expected to cost $1 billion over five years. During the course of the agreement, the level of funding for each subsequent financial year will be determined based on consultation with Diabetes Australia, with reference to historical data.

An audit would examine the effectiveness of DoH’s management of the funding agreement with Diabetes Australia Ltd in administering the NDSS.

**High-performance Sports Grants**

The Australian Sports Commission (ASC) has responsibility for delivering a program to meet the Government’s objectives of supporting Australian athletes, their coaches and support staff as they compete in high-performance sports events. Such events include the Olympics, Paralympics, Commonwealth Games, various world championships and other international events.

The Australia’s Winning Edge strategy, launched by the Australian Government in 2012, establishes a framework for the ASC’s high-performance sports program, delivered in collaboration with national sporting organisations and other bodies. Under the strategy, the ASC has developed a new funding allocation model and associated assessment and performance review processes. In April 2013, the ASC provided over $100 million in grants to more than 60 national sporting organisations for high-performance purposes. Following a review of the sporting performance of individual athletes and teams supported by the funded organisations, a further round of grants to national sporting organisations is expected to be allocated through the 2014 Budget process.

An audit would examine the ASC’s design, implementation and administration of its high-performance sports grants to national sporting organisations under the Australia’s Winning Edge strategy.
Support for the Asian Soccer Cup 2015

In January 2011, Australia was named as the host of the 2015 Asian Soccer Cup. The cup involves 20 nations playing a total of 32 matches in Sydney, Brisbane, Melbourne, Canberra and Newcastle during January 2015.

In 2011, an initial $6 million grant was provided to the 12-person local organising committee (LOC) for the cup. A further $55 million grant was provided to the LOC through a March 2013 funding agreement between the LOC, the Football Federation of Australia and the Australian, New South Wales, Queensland, Victorian and Australian Capital Territory governments. Of the total $61 million of grant funds, half is from the Australian Government and the remainder is from state and territory governments. State and territory grant funds are held by the Australian Government in special accounts before being paid to the LOC.

Under the funding agreement, the primary use of the grant funds is to bring the relevant stadiums hosting games up to the required standard. At March 2014, $37.6 million had been paid to the LOC, of which $17.4 million was Australian Government funding. The remaining funds are due to be paid in July 2014.

A number of other Australian Government entities are receiving supplemental funding in 2012–13 and 2014–15 to assist with increased activities associated with hosting the cup. The supplemental funding totals around $55 million, most of which goes to the AFP.

An audit would examine the effectiveness of the Office of Sport’s administration of the Asian Soccer Cup grant.

Indemnity Insurance Fund

The Indemnity Insurance Fund (the Fund) is a set of Commonwealth schemes that provide support for medical indemnity for doctors and professional indemnity for privately practising midwives. The schemes are intended to ensure that the medical indemnity insurance industry is stable, and that the insurance products are affordable for doctors and are accessible and affordable for midwives.

Specific schemes funded under the Fund include the Premium Support Scheme, the High Cost Claims Scheme, the Run-off Cover Scheme, the Incurred-but-not-reported Scheme, the Exceptional Claims Scheme, the Midwife Professional Indemnity (Commonwealth Contribution) Scheme and the Midwife Professional Indemnity Run-off Cover Scheme.

Depending on the scheme, payments may be made to doctors or midwives (including subsidies for insurance premiums or paying for claims that are above the amount they are insured for) or insurers (to assist with paying out certain claims brought against doctors or midwives). The Run-off Cover Scheme is funded through a levy on insurers.

In the forward estimates period of 2013–14 to 2016–17, total expenditure (including liabilities and departmental expenses) under the fund is expected to total $458 million. This estimate is based on actuarial advice, but actual expenditure will vary according to future claims.

Medical indemnity is administered by DoH under the Medical Indemnity Act 2002 and the Midwife Professional Indemnity (Commonwealth Contribution) Scheme Act 2010. Payments are managed by the Department of Human Services.
The audit would examine the effectiveness of DoH’s administration of the schemes under the Fund, including DoH’s management of its relationship with the Department of Human Services to ensure the integrity of the Fund.

**Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme Pricing Arrangements**

The Pharmaceutical Benefits Scheme (PBS) provides subsidised medicines to the Australian public and eligible overseas visitors at a cost to the Australian Government of approximately nine billion per year. The Repatriation Pharmaceutical Benefits Scheme (RPBS) provides subsidised medicines to eligible veterans and their dependants at a cost to the Government of approximately $425 million per year. The PBS Schedule is a list of over 4500 brands of around 750 drugs, and the RPBS Schedule is a supplementary list of medicines, bandages and dressings.

The responsible policy entities are the DoH for the PBS and the DVA for the RPBS. DoH is responsible for: negotiating and coordinating PBS pricing arrangements for PBS medicines; the administration of price disclosure, whereby prices are periodically amended to reflect the actual market price; and publishing the PBS and RPBS schedules. DVA is responsible for negotiating RPBS pricing arrangements for RPBS medicines. The Department of Human Services (Human Services) administers payments to pharmacists for dispensing PBS and RPBS medicines, using pricing information provided by DoH.

An audit would examine the efficiency and effectiveness of DVA’s and DoH’s administration of PBS and RPBS pricing arrangements, including the provision of information to the Department of Human Services.

**Closing the Gap in Indigenous Disadvantage Initiative: Agreed Data Quality Improvements**

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

Data quality and availability have been ongoing issues for governments in measuring progress towards targets set by all governments for closing the gap in Indigenous Disadvantage. The NIRA identified the need to build datasets and collections to support the reporting and measurement of progress across jurisdictions. Accordingly, the NIRA also included a strategy for ‘Agreed Data Quality Improvements’, which sets out specific actions for the Australian Government (primarily the Australian Bureau of Statistics, the Australian Institute of Health and Welfare and DoH) and the states and territories to improve the performance indicator data required to measure progress towards the Closing the Gap targets in the period up to 30 June 2013. These included working on improving voluntary Indigenous identification in key data sets, awareness raising in Indigenous communities about identification, guidelines for data linkage and the development of national key performance indicators for primary health.

An audit would examine whether the agreed strategy and actions to improve data quality were implemented and are used to support better assessment of performance.
Audit strategy overview

The Immigration and Border Protection portfolio which comprises the Department of Immigration and Border Protection (DIBP) and the Australian Customs and Border Protection Service (Customs), has primary responsibility for the security of Australia’s borders. The border agencies face significant challenges to keep pace with developments in the border environment, particularly the substantially increasing volumes of traffic across the border in terms of both passengers and cargo. The detection and management of irregular maritime arrivals continues to present significant challenges. In this respect, a key initiative of the (new) Government has been the introduction of Operation Sovereign Borders, a military-led border security operation, supported and assisted by a wide range of Australian Government entities.

DIBP’s overarching objective is to build Australia’s future through the well-managed permanent and temporary entry of people. In 2012–13, DIBP processed more than 4.5 million permanent and temporary visas, managed a regular migration program of 190,000 immigrants and conferred Australian citizenship on more than 120,000 people. DIBP employs around 9000 staff and had a total estimated budget allocation in 2014–15 of $4.3 billion.

Following the 2013 federal election, the Government announced that Customs would move from the Attorney-General’s portfolio to the newly created Immigration and Border Protection portfolio. Customs is responsible for protecting the safety, security and commercial interests of Australians through border protection, supporting legitimate trade and travel, and ensuring the collection of border revenue. Customs employs around 4900 staff and had a total estimated budget allocation in 2014–15 of $1.6 billion.

Recent ANAO audits have focused on the management of international mail and detained goods and the operation of the border watch list. Current strategies focus on activities underpinning the border security functions and capacity development for the support of core activities. The ANAO audit strategy for 2014–15 maintains a focus on core risks, including border security, in the management of service delivery and program enabling capability.

Audits in progress at July 2014

Management of the Cape Class Patrol Boat Project

As part of the 2010–11 Budget, the Australian Government announced that it would provide funding to begin replacing Customs’ Bay Class patrol boats, which were reaching the end of their operational lives. Western Australian ship manufacturer Austal was subsequently awarded a $350 million contract to build eight replacement Cape Class patrol boats and provide in-service support for the first eight years of their operation. The first boat completed operational testing and evaluation in September 2013. The last boat is due for acceptance in August 2015. The Cape Class patrol boats, which will be used to respond to civilian threats in Australia’s maritime domain, are larger and faster than their Bay Class predecessors and are designed to travel 4000 nautical miles before refuelling.
The objective of the audit is to assess the effectiveness of Customs’ procurement processes for the construction of the Cape Class patrol boats, management of the construction and in-service support contract, and arrangements for the future provision of the capability.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Tariff Concession System**

Under the Tariff Concession System, Customs may make a Tariff Concession Order (TCO) to allow duty-free importation of certain goods where there is no local industry in Australia that produces those goods. In 2011–12, there were around 14 000 TCOs in force, amounting to $1.8 billion in customs duty forgone under the system. Over the past 10 years, the amount of duty forgone each year has grown by an average of 16.2 per cent, totalling almost $12 billion over that period.

The objective of the audit is to assess Customs’ administration of the Tariff Concession System.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Management of the Translating and Interpreting Service**

Australia’s resident population of 21.5 million includes approximately 5.3 million people born overseas. In 2011, 19 per cent of the population (four million people) spoke a language other than English at home and, of these, 17 per cent (694 450 people) could not speak English well or at all.

Translating and interpreting services have traditionally been offered as part of the Australian Government’s settlement services program to assist new migrants to participate as soon and as fully as possible in Australian society.

Overall policy responsibility for the Australian Government’s settlement services and multicultural access and equity policies rests with the Department of Social Services. However, presently, responsibility for delivering translating and interpreting services to clients and agencies rests with DIPB through its Translating and Interpreting Service (TIS National). TIS National employs approximately 2 800 interpreters, with capability in more than 170 languages and dialects.

The objective of the audit is to assess the effectiveness of the DIPB in delivering high quality translating and interpreting services to clients and agencies.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

**Potential audits**

**Health Care Services Provided to People in Immigration Detention (Onshore and Offshore)**

DIPB is responsible for Australia’s immigration detention arrangements, which include community detention in Australia, as well as ‘held’ detention in onshore and offshore facilities. At 30 June 2013, there were 12 027 people in immigration detention, compared to 7252 at 30 June 2012.

Health care services to people in immigration detention have been provided under contract since 2006 by International Health and Medical Services (IHMS). Concerns about the level of healthcare services provided to asylum seekers in immigration detention have been highlighted recently, principally in an open letter of concern from Christmas Island medical officers to IHMS’s management and executive.
Other reports have touched on concerns about detainees’ mental health when they are detained for long periods, particularly in remote locations.

The contracts with IHMS for the onshore facilities are worth an estimated $769.3 million over a six-year period. The provision by IHMS of health services to detainees on Manus Island and Nauru was estimated at $22 million for the first six months of 2013. On 20 December 2013, the Australian Government announced funding for additional medical facilities on Nauru and Manus Island as part of a package of funding to upgrade facilities generally.

An audit would examine arrangements for the provision of health services to detainees in immigration detention.

**Identity Resolution in Immigration and Citizenship Processes**

In 2012–13, more than 31 million people entered and departed Australia, and 123,438 people had Australian citizenship conferred on them. As the entity responsible for managing these key activities, DIBP requires arrangements that provide a high level of confidence in the accurate identification of the people with whom it interacts. DIBP has undertaken a number of initiatives to maximise the effectiveness of identity management, including investing more than $650 million in its System for People project, completed in 2011, a key goal of which was to provide a ‘single view’ of each client across DIPB’s information systems. DIBP introduced a new identity policy in 2013 that outlines the strategic direction for identity management, including the expansion of biometric acquisition, the storage and matching of fingerprints on the National Automated Fingerprint Identification System, international capacity building, and continued involvement in a biometric data sharing arrangement with certain overseas countries.

An audit would examine the effectiveness of DIBP’s initiatives to accurately identify people as they interact with immigration and citizenship processes.

**Citizenship Program**

Australian citizenship is a privilege that offers significant rewards. Since 1948, 4.5 million people have taken out Australian citizenship. The *Australian Citizenship Act 2007* sets out how to become an Australian citizen, the circumstances in which a person may cease to be a citizen, and procedural matters related to applying for citizenship, including requests for reviews of decisions.

DIBP is responsible for Australia’s citizenship arrangements, including making decisions on citizenship applications; promoting the importance of respect, fairness, inclusion and a sense of belonging in a culturally diverse society and the value of Australian citizenship; and managing the process for the conferral of Australian citizenship. ANAO Audit Report No.1 2004–05, *The Management and Promotion of Citizenship Services* assessed the service delivery aspects of the citizenship program.

An audit would examine DIBP’s administration of citizenship arrangements, with a particular focus on the assessment and decision-making processes and management of risk. The audit would complement ANAO Audit Report No.1 2004–05, *The Management and Promotion of Citizenship Services*.

**Border Management of Foreign Military Personnel and Equipment**

Foreign military personnel and equipment are regularly deployed to Australia, both on a long-term basis and for temporary exercises. For example, in November 2011 the Australian and United States (US) governments announced a joint defence force initiative involving a rotation of around 1100 members of the US Marine Corps stationed in northern Australia for periods of six months. Around 200 to 250...
US Marines were deployed in 2012 and 2013, and 1150 were intended for deployment in 2014. The visiting US Marines are accompanied by a range of equipment, including vehicles; weapons such as small arms, mortars and towed cannons; and aircraft, including transport helicopters and fighter jets. US Defense Force personnel have also been deployed in Australia biennially since 2005 to undertake shared training with the Australian Defence Force (ADF). In 2013, around 21,000 US Defense Force personnel participated with 7,000 ADF personnel for about four weeks in Queensland, the Northern Territory and Australian Maritime Zones.

Australian border agencies provide immigration clearance, inspection for prohibited and restricted goods and screening for quarantine items under specific agreements relating to the entry of foreign military personnel.

An audit would examine the effectiveness of the border agencies’ regulation of the immigration, customs and biosecurity aspects of the entry of foreign military personnel and equipment. Consideration would be given to having the audit coverage coincide with planned periodic movements of foreign military personnel and equipment.

**Implementation of the DIBP Compliance Strategy**

Australia’s immigration laws impose a range of compliance obligations on visa holders, including their duration of stay, the activities they can undertake while in Australia, employment restrictions and health insurance requirements. Managing compliance effectively is also important in maintaining the integrity of Australia’s immigration and citizenship regimes. DIBP aims to maximise visa holders’ voluntary compliance with Australia’s citizenship and migration laws. When necessary, DIBP actively pursues deliberate or high-risk non-compliance through the use of detention, removal from Australia, the enforcement of penalties and litigation.

DIBP has developed a compliance framework, the Compliance Strategy 2012–15, to assist in the identification of program-specific risks, strategies for managing risk and outcomes sought. The strategy outlines DIBP’s compliance philosophy and principles, compliance risks, strategic risk context, compliance model and desired outcomes from compliance strategies.

An audit would examine the implementation of the DIBP compliance strategy and its effectiveness to date.

**Implementation of Staff Integrity Measures in the Australian Customs and Border Protection Service**

Managing the integrity of staff is a high priority for law enforcement agencies, including Customs. Law enforcement agencies work alongside the Australian Commission for Law Enforcement Integrity and the Commonwealth Law Enforcement Ombudsman in the management and investigation of complaints relating to staff integrity. The *Law Enforcement Integrity Legislation Amendment Act 2012* introduced targeted integrity testing for staff members of Australian Government law enforcement agencies who have been suspected of corrupt conduct.

Following high-profile corruption-related arrests of staff in 2012, Customs instituted a suite of reforms in its Blueprint for Reform 2013–18, in which staff integrity was a key area of focus. At November 2013, Customs reported that a number of steps had been implemented, some of which had been given force in the *Customs and AusCheck Legislation Amendment (Organised Crime and Other Measures) Act 2013*. The measures include drug and alcohol testing of Customs staff, powers given to the Chief Executive Officer to terminate staff members for serious conduct breaches, mandatory reporting
of suspected misconduct or corruption, and the establishment of an Integrity Support and Referral Network to provide support for reporting obligations. In addition, Customs has established a new Integrity, Security and Assurance Division which is responsible for integrating integrity matters into service operations and corporate governance.

An audit would examine the implementation and effectiveness of the Customs staff integrity framework. The audit scope may include activity in other law enforcement and integrity agencies.

**Administration of the Migration Agents Registration Authority**

Migration agents play a critical role in assisting migrants to come to and remain in Australia. There is a high degree of reliance and trust placed in migration agents by a potentially vulnerable client group. The Migration Agents Registration Authority (MARA) administers the registration requirements for migration agents under the *Migration Act 1958*. As the industry regulator for Australian migration agent services, MARA administers a regulatory framework that seeks to protect clients, make sure that migration agents are suitable persons, monitor performance and handle complaints.

Functionally, MARA is an entity within DIBP. The MARA budget for 2014–15 was just over $6 million. On 30 June 2013, 4899 persons were registered as migration agents compared with 4687 on 30 June 2012, an increase of 4.3 per cent. In 2012–13, 407 complaints were made against registered migration agents, a 15 per cent decrease in 12 months. Complaints were mainly about standards of professional conduct, and fees and charges.

An audit would examine the administration of MARA, with a particular focus on the integrity of the registration processes, compliance arrangements and complaints management.
Industry

Audit strategy overview

The Industry portfolio aims to help secure Australia’s prosperity in the global economy by creating an environment in which new ideas and innovation drive productivity, economic growth and social wellbeing. The portfolio’s priorities are to contribute to an environment to improve the competitiveness and productivity of Australia’s manufacturing sector, deliver science research and innovation incentives and programs, support the upskilling of Australians through an industry and consumer focused vocational education and training system, and provide support for efficient and competitive resources and energy sectors. In 2014–15, the portfolio had budgeted resources of approximately $5.6 billion, of which around $3.5 billion was allocated to the Department of Industry (Industry).

Industry is the lead policy, coordination and delivery entity in the portfolio. Other entities in the portfolio include the Australian Nuclear Science and Technology Organisation, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the Australian Skills Quality Authority, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), and the Australian Renewable Energy Agency.

Recent ANAO performance audits in the portfolio have examined the administration of the Commercialisation Australia Program and the effectiveness of NOPSEMA’s regulatory function. Two other portfolio entities—IP Australia and Geoscience Australia—have been involved in cross-entity performance audits examining compliance with mandatory controls in the Australian Government’s Information Security Manual that relate to cybersecurity attacks (IP Australia), and the management of physical security (Geoscience Australia).

The ongoing audit strategy for the portfolio focuses on the effectiveness of Industry’s delivery of grant and other assistance programs, as well as key aspects of operations in portfolio entities, such as regulatory activities, procurement and grants administration.

Audits in progress at July 2014

The Award of Grants Under the Clean Technology Investment Program

In July 2011, the then Government announced the Clean Energy Future Plan for tackling climate change. The plan included introducing a carbon price, promoting innovation and investment in renewable energy and encouraging energy efficiency. One component of the plan was the $1.2 billion Clean Technology Program. The audit is examining two of the program’s three funding streams, namely the:

- Clean Technology Investment Program—$800 million over seven years to assist manufacturers invest in energy-efficient capital equipment and low-emissions technologies, processes and products; and
- Clean Technology Food and Foundries Investment Program—$200 million over six years to help manufacturers in the food and foundries industries invest in energy-efficient capital equipment and low-emission technologies, processes and products.
The objective of the audit is to assess the effectiveness and equity of the award of funding under the Clean Technology Investment Program and the Clean Technology Food and Foundries Investment Program in the context of the program objectives and the Commonwealth’s grants administration framework.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

**Ethanold Production Grants Program**

The establishment of the Ethanol Production Grants Program (EPG Program) was announced by the then Prime Minister in September 2002, as part of a strategy to support the production and use of ethanol as a sustainable alternative transport fuel in Australia. The EPG Program provides for the reimbursement of the excise charged on the production and supply of ethanol from locally derived feedstocks. Since the EPG Program’s inception, grants totalling approximately $675 million have been paid to eligible producers.

The objective of the audit is to assess the effectiveness of the former Department of Resources, Energy and Tourism’s and Industry’s administration of the EPGs Program since 2007–08.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

**Potential audits**

**Australian Skills Quality Authority**

The Australian Skills Quality Authority (ASQA) was established in July 2011 pursuant to the National Vocational Education and Training Regulator Act 2011 (the Act). Under the Act, ASQA’s principal functions include accrediting vocational education and training courses, registering organisations as registered training organisations (RTOs), publishing performance information relating to RTOs, and ensuring that organisations comply with the conditions and standards for registration, including by carrying out compliance audits.

ASQA has an operating budget of approximately $35 million per year and has regulatory responsibilities for around 4000 providers in all states and territories (in Victoria and Western Australia, those responsibilities are shared with state regulators). Since it commenced operations, ASQA has processed nearly 17,000 registration applications and completed nearly 2000 compliance audits. ASQA charges fees for the services it provides and ASQA implemented a revised fees and charges structure in July 2013 as part of its transition to operating on a full cost-recovery basis.

An audit would examine the effectiveness of ASQA’s administration of its responsibilities under the Act.

**Australian Apprenticeships Incentives Program**

A key driver for improving Australia’s economic productivity is a rise in the skill levels of the Australian workforce. Under the umbrella of Skills Development, approximately $800 million is available in 2014–15 for a range of programs and support measures. The largest component of Skills Development is the Australian Apprenticeships Incentives Program, which provides financial support to employers who employ and train apprentices and people wishing to enter into skills-based training.

Australian Apprenticeships Centres provide a range of services under the program, including administering incentive payments to employers and personal benefits to apprentices. These centres
operate under contracts with Industry, which currently has 72 contracts with 23 organisations operating in 22 regions across Australia.

An audit would examine Industry’s administration of the Australian Apprenticeships Incentives Program, including its management of the Australian Apprenticeships Centres. The audit would also examine the extent to which recommendations made in ANAO Audit Report No.9 2007–08, Australian Apprenticeships have been implemented.

**National Partnership Agreement on Skills Reform**

In the 2011–12 Budget, the Australian Government announced the establishment of a new National Partnership Agreement on Skills Reform to support long-term reform in the vocational education and training sector. Under the agreement, the Government agreed to provide $1.75 billion over five years from 2012–13 to promote reforms in the sector leading to higher level qualifications, better recognition of skills, more affordable training, more information about training options, and better catering for disadvantaged learners and regions. Key reform initiatives in the agreement include the establishment of a National Training Entitlement, which provides working-age Australians with government-subsidised training places, and the extension of income contingent loans to state-subsidised students taking diploma or advanced diploma courses.

Under the agreement, the Commonwealth is responsible for providing a financial contribution to the states and territories to support the implementation of the agreement; monitoring and assessing the delivery of reforms; reviewing the operational requirements for income-contingent loans with a view to streamlining their administration; and leading the development of national initiatives such as the My Skills website and the Unique Student Identifier. The states and territories are responsible for delivering the range of specific reforms and initiatives outlined in their individual implementation plans, including agreed priorities, such as for Indigenous Australians.

An audit would examine the effectiveness of Industry’s management of the agreement, including the delivery of reforms for which it is responsible. Subject to a request by the JCPAA, the audit may also consider the performance of responsible state/territory government bodies as Commonwealth partners.

**Science Outreach Program**

CSIRO’s Science Outreach Program aims to promote science and contribute to Australia’s ability to remain innovative and competitive in science. The program has three key deliverables: the CSIRO Discovery Centre, a purpose-built complex open to the public that showcases scientific research and technologies; a range of science education projects, designed to inform school students, their families and teachers about the contribution of science; and a wide range of scientific publications, to inform the community about CSIRO’s science activities and achievements.

Science Outreach Program expenses were estimated at $34.6 million in 2013–14, an increase of nine per cent from 2012–13. About 40 per cent is funded from program revenues.

An audit would examine the effectiveness of CSIRO’s administration of the Science Outreach Program, including its alignment with the science outreach and awareness programs administered by Industry (such as Questacon—the National Science and Technology Centre).
Cooperative Research Centres

Cooperative Research Centres (CRCs) are partnerships between publicly funded researchers and end-users to address major challenges that require medium- to long-term collaborative investment and analysis. Since the CRC Program began in 1991, 200 CRCs have received funding. The Australian Government has contributed more than $3.4 billion, and approximately $11 billion has been contributed in cash and in kind by other CRC participants. CRCs operate in four broad sectors: agriculture, forestry and fishing; mining; manufacturing; and services.

An audit would examine Industry's administration of the CRC Program in one or more of the four sectors.

The Science and Industry Endowment Fund

The Science and Industry Endowment Fund (SIEF) was established by the Science and Industry Endowment Act 1926 (the Act) to provide financial assistance to people engaged in scientific research and for training students in scientific research. The Act provides that the trustee of the SIEF is the Chief Executive of CSIRO. The trustee is assisted by the SIEF Advisory Council, an Expert Panel, and an Undergraduate Degree Panel, although those support arrangements are not requirements of the Act.

In 2009, CSIRO gifted $150 million to the SIEF from the proceeds of licence agreements relating to its wireless local area network technology. By the end of June 2013, grants and scholarships with a value of about $175 million had been expended or committed from the SIEF. CSIRO is delivering, either alone or in partnership with other organisations, all but one of the grant projects funded from the SIEF.

Under a services agreement between the SIEF and CSIRO, CSIRO is responsible for providing financial management services, promoting the SIEF and its funding rounds, assessing applications for funding, developing contracts with funding recipients and maintaining oversight of the funded projects. Those services are provided at a cost to the SIEF of approximately $0.5 million annually.

An audit would examine CSIRO's role in the administration of grants made from the SIEF, with a particular focus on governance and performance reporting, application assessment processes, and the development and ongoing management of contracts with the successful applicants for funding.

Australian Nuclear Science and Technology Organisation's Procurement

The Australian Nuclear Science and Technology Organisation (ANSTO) was established in 1987 under the Australian Nuclear Science and Technology Organisation Act 1987 (the Act). Under the Act, ANSTO's core functions include:

- conducting research and development in relation to nuclear science and technology;
- producing and using radionuclides, isotopic techniques and nuclear radiation for medicine, science, industry, commerce and agriculture;
- managing radioactive materials and waste arising from various prescribed activities;
- procuring goods and services related to core activities;
- providing advice to government and undertaking international liaison in nuclear-related matters;
- making available (on a commercial basis where appropriate) facilities, equipment and expertise for research in nuclear science and technology; and
- publishing scientific and technical reports, periodicals and papers.
ANSTO categorises its procurement activities into scientific equipment and supplies; business services; people and resources; technology infrastructure; and property. In 2012–13, ANSTO spent $55.7 million on a range of suppliers and had facilities under construction valued at $58.1 million, plant and equipment under construction valued at $155.2 million, and inventories valued at $20.7 million. Since July 2012, ANSTO has released more than $17 million worth of tenders in fields as varied as elements and gases, travel operators and laboratory and scientific equipment.

An audit would examine the effectiveness of ANSTO’s administration of its procurement processes, including ANSTO’s application of the Commonwealth Procurement Rules.

**Adult Migrant English Program**

The Adult Migrant English Program (AMEP) is delivered under the *Immigration (Education) Act 1971* and the *Immigration (Education) Regulations 1992*, and aims to assist eligible migrants and humanitarian entrants to acquire foundation English language skills, to help build their self-reliance and assist their participation in Australian society.

Under the AMEP a range of flexible learning options are offered, including: full-time or part-time face-to-face tuition; teacher-assisted distance learning; self-paced e-learning; and one-on-one assistance through the home tutor scheme. The AMEP also has a number of support services in place to help facilitate attendance and participation, including counselling services, childcare, bilingual support and youth-specific courses.

In 2012–13, AMEP services were delivered to nearly 60 000 people through 27 contracts with 12 service providers—including universities, TAFEs, state education departments, community colleges and private educational institutions. In 2014–15, expenditure on the AMEP is budgeted to be approximately $235 million.

An audit would examine the effectiveness of Industry’s administration of the AMEP, including its management of service provider contracts.
Infrastructure and Regional Development

Audit strategy overview

The Infrastructure and Regional Development portfolio is responsible for providing, evaluating, planning and investing in infrastructure; fostering an efficient, sustainable, competitive, safe and secure transport system; and functions relating to regional development, local government and territories. The resources available to the portfolio in 2013–14 amounted to more than $2.5 billion.

The ANAO’s performance audit activities have examined each of the major land transport infrastructure programs at least once. The ANAO has also audited Infrastructure Australia’s conduct of the first national infrastructure audit and its development of the first infrastructure priority list. A range of economic stimulus programs that funded the construction of community infrastructure have also been audited, as have various regional grant funding programs.

The ANAO’s potential audit coverage includes continued attention to the delivery of funding programs, with a particular focus on discretionary funding programs that have been announced by the Australian Government. In addition, follow-up work is planned in relation to previous audit activity relating to Government funding for flood reconstruction work.

Audits in progress at July 2014

Design and Conduct of Rounds 3 and 4 of the Regional Development Australia Fund

The Regional Development Australia Fund (RDAF) was established to provide grants to support the growth and development of Australia’s regions. More than $1 billion was to be made available under RDAF over five years from 2011–12 through a number of funding rounds.

In September 2012, the ANAO completed an audit of the first RDAF funding round. The third and fourth rounds were conducted in 2012–13. Through the third round, $50 million was available for projects in small towns, and $175 million was available under the fourth round for strategic infrastructure projects in regional Australia. Funding decisions were announced in May 2013 for the third round and were made on 30 May 2013 for the fourth round.

The ANAO is auditing both the third and fourth funding rounds. The audit objective is to assess the effectiveness of the design and conduct of the third and fourth funding rounds, including the processes by which applications were sought and assessed and successful projects were approved for funding.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Potential audits

Conduct of Value for Money Reviews of Flood Reconstruction Projects in Victoria: Follow-on

Audit Report No. 23 2012–13, *The Australian Government Reconstruction Inspectorate’s Conduct of Value for Money Reviews of Flood Reconstruction Projects in Victoria*, examined the conduct, by the Australian Government Reconstruction Inspectorate, of value-for-money reviews of reconstruction projects initiated after floods in Victoria during the 2010–11 summer. At that time, only one review had begun and none had been completed. The ANAO recommended improved arrangements for the conduct of reviews.

A further audit would examine the steps taken to implement the ANAO recommendation and whether the Australian Government has, through the conduct of reviews of reconstruction projects, been provided with assurance that value for money is being achieved. Subject to a request from the JCPAA, an audit would also consider the performance of responsible Victorian Government bodies as Commonwealth partners in delivering recovery and reconstruction projects that are funded by the Australian Government.

Design and Implementation of the Bridges Renewal Program

Originally announced in the 2010 election campaign, and re-announced in the 2013 campaign, the Bridges Renewal Program is to provide $300 million to restore and rebuild local road bridges, with an emphasis on freight routes. This commitment is to be matched by state and local governments. The aim is to make at least $600 million available under the program.

An audit would examine the design and implementation of the program. It would have a particular focus on the processes by which funding was made available, the assessment of funding candidates, the approval of funding and the development and implementation of an evaluation framework for the program.

Design and Implementation of the National Stronger Regions Fund

The National Stronger Regions Fund is a 2013 election commitment. The 2014 Budget included an expense measure delivering on this commitment, with $1 billion in funding to be provided over five years from 2015–16 for a competitive grants program. The fund is to provide funding for the construction, expansion and enhancement of infrastructure with a focus on regions with low socio-economic status or higher than average unemployment. Grants are to be available for projects to be delivered in partnership with local, state and territory governments, the private sector and community groups, with funding partners required to contribute at least half the total project cost.

An audit would examine the effectiveness of the design and implementation of the National Stronger Regions Fund, including the processes by which projects are awarded funding.
Parliamentary Departments

Audit strategy overview

Four parliamentary departments provide support for the workings of the Parliament of Australia: the Department of Parliamentary Services (DPS); the Department of the Senate; the Department of the House of Representatives; and the Parliamentary Budget Office. In 2014–15, total departmental funding is $215.6 million.

DPS provides a range of corporate services to occupants and users of Parliament House. Its responsibilities include information and communication technology services, library and research services, building and security services and visitor services, including management of the Parliament Shop and visitor guide service. The departments of the House of Representatives and the Senate provide facilities, support, advice and information to their respective chambers and to the Parliament more widely. They also maintain relationships with other official parliamentary bodies, both national and international, as well as with the Australian community. The Parliamentary Budget Office assists the Parliament in its scrutiny of budget and fiscal policy.

Audits in progress at July 2014

Department of Parliamentary Services’ Management of Parliament House

DPS oversees the operation and maintenance of Parliament House, including the management of its heritage status and assets. The department also maintains all aspects of the building (heating, cooling, energy, water and waste services, facilities, building and landscape services). The department manages an array of contracts for various commercial activities, such as catering, cleaning, security, child care, banking and the Press Gallery. The contracting parties include other Australian Government and commercial entities. In 2012–13, the department reported managing 671 contracts, with a total value of $147 million.

Three reports—the Review of DPS Asset Disposal Policies and Practices (the Tonkin Review) in October 2011 and Senate Finance and Public Administration Legislation Committee reports in June 2012 and November 2012—found less than satisfactory practices in DPS relating to contract development and the management and disposal of Parliament House assets. The reports made a number of recommendations to improve those areas.

The objective of the audit is to assess the effectiveness of DPS’s management of assets and contracts to support the operation of Parliament House.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.
Prime Minister and Cabinet

Audit strategy overview

The role of the Prime Minister and Cabinet portfolio is to provide support and policy advice to the Prime Minister, the Cabinet, portfolio ministers and parliamentary secretaries on matters relating to public and government administration.

The portfolio includes the Department of the Prime Minister and Cabinet (PM&C), the ANAO, the Australian Public Service Commission, the National Mental Health Commission, the Office of National Assessments, the Office of the Commonwealth Ombudsman, the Office of the Inspector-General of Intelligence and Security, and the Office of the Official Secretary to the Governor-General. Following the transfer of responsibility for Indigenous affairs in September 2013, the following bodies and statutory office holders were brought into the portfolio: Aboriginal Hostels Limited, Indigenous Business Australia, the Indigenous Land Corporation, the Torres Strait Regional Authority, the Aboriginal Land Commissioner, the Coordinator-General Remote Indigenous Services, the Executive Director of Township Leasing, the Registrar of Indigenous Corporations, Northern Territory Land Councils, Outback Stores Pty Ltd, the Wreck Bay Aboriginal Community Council. The Equal Opportunity for Women in the Workplace Agency was also transferred in September 2013.

PM&C has a key role in driving policy development and innovation across the Australian Public Service, coordinating portfolio responsibilities in the areas of work and family policy; national security and international policy; counterterrorism and cybersecurity; Indigenous affairs and coordinating various whole-of-government initiatives including deregulation. In 2013 responsibilities for deregulation and Indigenous Affairs were transferred to the Prime Minister and Cabinet portfolio. In 2014–15, PM&C’s total estimated appropriation was $2.13 billion.

Future audits will focus on major new risks for the Prime Minister and Cabinet portfolio, including the integration of the Indigenous affairs and delivery of associated programs, as well as deregulation responsibilities.

Audits in progress at July 2014

Food Security in Remote Indigenous Communities

Food security is defined as the ability of individuals, households and communities to acquire appropriate and nutritious food on a regular and reliable basis using socially acceptable means. Food security is determined by people’s local food supply and their capacity and resources to access and use that food. Access to a reliable supply of fresh and nutritious food has been an ongoing problem for remote Indigenous communities because of their distance from major centres. Enhanced access to healthy and nutritious food is expected to contribute in the longer term to the achievement of the Australian Government’s targets for closing the gap in Indigenous disadvantage.

The Australian Government is implementing a number of initiatives related to improving food security in remote Indigenous communities. They include:

- the National Strategy for Food Security in Remote Indigenous Communities;
• community stores licensing under the Stronger Futures in the Northern Territory National Partnership Agreement; and
• funding to provide targeted assistance to community stores in selected communities.

The objective of the audit is to assess the effectiveness of PM&C’s implementation of food security initiatives for Indigenous communities.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

**Early Years Quality Fund**

On 19 March 2013, the Australian Government announced that it would provide $314 million (over five years) to boost the quality of early childhood education and support workplace reform. Of this funding, up to $300 million was to be used to establish an Early Years Quality Fund (EYQF), to support long day care centres to attract and retain qualified professionals. Long day care centres would be able to apply for EYQF grants to supplement wages increases of $3 per hour for Certificate III qualified educators, with proportionally adjusted wage increases for other childcare workers and diploma and degree qualified educators.

The Early Years Quality Fund Special Account Act 2013 was established on 1 July 2013 to give effect to the EYQF, with the objective of improving quality outcomes for children in early childhood education and care services by enhancing professionalism in the sector, including through improved attraction and retention of a skilled and professional workforce.

The objective of the audit is to assess the effectiveness of the establishment, implementation and operation, by Education, of the EYQF against the requirements of the relevant special account and the Commonwealth grants administration framework. The audit will also consider the role of PM&C and Finance in key program elements of the EYQF, such as the design and conduct of the fund and its ongoing operation and management. The audit will not examine the $6.2 million allocated to establish a Pay Equity Unit in the Fair Work Commission.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

**Implementation of the Australian Government’s Petrol Sniffing Strategy**

The purpose of the Australian Government’s Petrol Sniffing Strategy is to reduce the incidence and impact of petrol sniffing and other forms of substance abuse among Indigenous youth and communities in specific areas. The Australian Government subsidises the production and distribution of low-aromatic fuel. The Low Aromatic Fuel Act 2013 supports the strategy by prohibiting the supply of regular unleaded petrol, promoting and monitoring the supply of low-aromatic fuel, and controlling the supply and storage of other fuels in relevant areas.

Other elements of the Petrol Sniffing Strategy include youth diversionary activities; communication and education strategies; and evaluation. PM&C has lead responsibility for the strategy.

The objective of the audit is to assess the effectiveness of PM&C’s management of initiatives to reduce petrol sniffing in Indigenous communities, in particular the roll out of low-aromatic fuel.

The audit report is expected to be tabled in the Autumn 2014 Parliamentary Sittings.
Vocational Training and Employment Centres (VTEC)

The objective of Vocational Training and Employment Centres (VTEC) is to increase Indigenous Australians’ employment outcomes and participation in economic activities by training people for specific jobs. The initiative contributes to the broader Indigenous Advancement - Jobs, Land and Economy program.

The Government has committed $45 million to the initiative over two years from 2013–14. The funding will establish at least four vocational training and employment centres and provide up to 5000 Indigenous Australians with practical training and guaranteed employment. The centres are designed to provide Indigenous job seekers with training and support to prepare for already available job opportunities.

An audit would examine PM&C’s implementation, service delivery and contract management of the Vocational Training and Employment Centres (VTEC) initiative.

Stronger Futures in the Northern Territory

Stronger Futures in the Northern Territory is a $3.49 billion National Partnership involving the Australian Government and the Northern Territory Government. Implemented over the period 2012 to 2022, Stronger Futures supports programs and services that contribute to closing the gap in Indigenous disadvantage and also contribute to safer communities. The main areas of investment are health, education and housing. The Australian Government has committed $3.45 billion to the partnership with the Northern Territory Government committing $40 million. In May 2014, the Australian Government announced it would work with the Northern Territory Government to revise Stronger Futures to give a greater focus to results. The ANAO will consider this review work in the timing and scope of any potential audit.

Health

The Australian Government has committed approximately $754.37 million to health-related initiatives under the Stronger Futures package. This funding covers support for primary health care and short-term placements of health professionals, funding for hearing and dental health services for children, child abuse trauma counselling support, additional alcohol and drug workers, and improvements to community stores.

An audit would examine aspects of PM&C’s implementation and coordination of health-related initiatives under the Stronger Futures package. Subject to a request by the JCPAA, the audit may also consider the performance of responsible Northern Territory Government bodies as Commonwealth partners.

Education

The Australian Government has committed approximately $583 million to education-related initiatives under the Stronger Futures package to improve school attendance and education levels for Aboriginal people in the Northern Territory. The education components of Stronger Futures include building a quality school workforce through funding for 200 additional teachers and more than 100 new teacher houses, and the School Nutrition Program, which aims to provide nutritious meals on a daily basis to around 5000 students in remote schools.

An audit would examine aspects of PM&C’s implementation and coordination of education-related initiatives under the Stronger Futures package. Subject to a request by the JCPAA, the audit may also consider the performance of responsible Northern Territory Government bodies as Commonwealth partners.

The proposed audit complements the ANAO’s Audit Report No.51, *Improving School Enrolment and Attendance Through Welfare Reform Measures* which was tabled in June 2014.
Implementation of the National Partnership Agreement on Remote Indigenous Housing in Queensland and Western Australia

The National Partnership Agreement on Remote Indigenous Housing (NPARIH) is a 10-year agreement between the Australian Government and the state (and Northern Territory) governments aimed at reducing significant overcrowding, homelessness and poor housing conditions in remote Indigenous communities. The NPARIH contributes to the Indigenous Advancement – Remote Australia Strategies program. The Australian Government has committed $5.5 billion in funding to improve the standard of housing and reduce overcrowding and homelessness in remote communities. Of that, Queensland has been allocated $1.15 billion to deliver 1141 new dwellings and more than 1216 refurbishments over the 10 years to 2017–18.

In addition, this funding is being used to provide affordable accommodation, such as hostel accommodation in regional centres, to assist Indigenous people from remote communities to access education, training and support services. This funding includes the purchase of employment-related accommodation in areas such as Townsville, Toowoomba, Gladstone, Rockhampton and Cairns.

At 31 March 2013, the Queensland Government had completed 190 new houses (16 per cent of the target) and refurbished 1026 houses (84 per cent) under the NPARIH.

Western Australia has been allocated $1.18 billion to deliver 1012 new dwellings and over 1280 refurbishments over 10 years to 2017–18. Funding is also being used to provide employment-related accommodation in regional centres.

At 31 March 2013, 295 new houses (29 per cent of the target) had been completed and 884 houses (69 per cent) had been refurbished under the NPARIH in Western Australia. Under the employment-related accommodation component of the agreement, four hostels providing 62 beds had been established in the Kimberley region.

Separate audits would examine PM&C’s implementation and delivery of housing in Queensland and Western Australia under the NPARIH. Subject to a request from the JCPAA, the audit may also consider the performance of responsible state government bodies as Commonwealth partners. Consideration may also be given to delivery of the NPARIH in other jurisdictions.

Indigenous Home Ownership

The Indigenous Home Ownership (IHO) Program, administered by Indigenous Business Australia (IBA), aims to facilitate higher levels of home ownership among Indigenous Australians by addressing common barriers to ownership, such as lower incomes and savings, credit impairment and limited experience with loan repayments.

In 2012–13, the Australian Government consolidated the Home Ownership Program and the related Home Ownership on Indigenous Land Program into a single program. The program targets first home buyers and people in remote Indigenous communities who are overcoming substantial barriers, such as difficulty obtaining home loan finance, appropriate tenure for home ownership, lack of financial institutions, high construction costs and the lack of established housing.

The budgeted expenses for the IHO program were $49.19 million in 2014–15 and are estimated to rise to $52.25 million in 2017–18. IBA’s performance target for 2014–15 is to approve 560 new loans and to approve 550 new loans each year to 2017–18.

An audit would examine IBA’s administration of the IHO program. The audit would build on a previous ANAO audit of the Home Ownership on Indigenous Land Program.
Remote School Attendance Strategy

Improving school attendance is a high priority for the Australian Government. The Remote School Attendance Strategy aims to improve the school attendance of children in 70 remote Indigenous communities across the Northern Territory, Western Australia, South Australia, Queensland and New South Wales. The strategy funds local school attendance supervisors and school attendance officers to support families to ensure that children attend and stay at school. It is being implemented in partnership with communities and schools and is designed to be driven by the communities and adapted to their different needs.

The strategy contributes to the Indigenous Advancement – Children and Schooling program and the Australian Government has allocated $46.4 million for the strategy over two years from 1 January 2014. A small fund for items such as shoes and uniforms will be available to assist the school attendance officers to work with families.

An audit would examine PM&C’s implementation and management of the Remote School Attendance Strategy in selected locations. The proposed audit complements the ANAO’s Audit Report No.51, *Improving School Enrolment and Attendance Through Welfare Reform Measures* which was tabled in June 2014.

Closing the Gap in Indigenous Disadvantage Initiative: Agreed Data Quality Improvements

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

Data quality and availability have been ongoing issues for governments in measuring progress towards targets set by all governments for closing the gap in Indigenous disadvantage. The NIRA identified the need to build datasets and collections to support the reporting and measurement of progress across jurisdictions. Accordingly, the NIRA also included a strategy for ‘Agreed Data Quality Improvements’, which sets out specific actions for the Australian Government (primarily the Australian Bureau of Statistics, the Australian Institute of Health and Welfare and DoH) and the states and territories to improve the performance indicator data required to measure progress towards the Closing the Gap targets in the period up to 30 June 2013. These included working on improving voluntary Indigenous identification in key datasets, awareness raising in Indigenous communities about identification, guidelines for data linkage and the development of national key performance indicators for primary health.

An audit would examine whether the agreed strategy and actions to improve data quality were implemented and are being used to support better assessment of performance.

Integrating Indigenous Responsibilities in PM&C

Following the machinery of government changes of September 2013, responsibility for Indigenous policies, programs and service delivery was transferred to PM&C. A total of 96 programs across eight Australian Government portfolios (including Social Services, Education, Health, Justice, Employment, Environment, Industry and Communications), and more than 3000 staff in 86 locations around Australia, were integrated into the department.
The transfer of responsibilities reflected the Government’s priority on Indigenous affairs and was expected to support the delivery of the Government’s reform agenda to improve outcomes for Indigenous people. Through the consolidation of Indigenous policies, programs and service delivery into one department, PM&C aims to address some of the structural and logistical problems faced when Indigenous programs and services are delivered through multiple entities.

An audit would assess PM&C’s effectiveness in integrating Indigenous affairs, in particular the transition to coordinating a large number of programs and services, including the management of new risks and the integration of staff working previously under different enterprise agreements.

Management of Procurement for the 2014 G20 Summit

The G20 Summit to be held in Brisbane in November 2014 will be the most significant meeting of world leaders that Australia has hosted and will be attended by up to 4000 delegates and 3000 media representatives. PM&C has established a G20 taskforce which, in coordination with other Commonwealth, state and territory departments, is responsible for managing the operations and logistics of the summit. The objective of the taskforce is to successfully deliver the G20 meeting in a safe and secure manner. The taskforce has been operational since 2012, with a staff of 131 and a budget of $336 million from 2012–13 to 2015–16.

A range of goods and services is needed to support the summit, including venue hire and fit-out, equipment, accommodation and security personnel and services. As of February 2014, PM&C had contract notices associated with the G20 summit on AusTender to the value of almost $78 million for goods and services. The procurement activity of Australian Government entities is governed by the 2012 Commonwealth Procurement Rules. Central to the rules is the requirement for entities to achieve value for money in procurement.

An audit would examine the effectiveness of PM&C’s approach to the procurement of goods and services for the summit, including whether PM&C is achieving value for money, as well as ongoing contract management and contractor performance.

Managing Deregulation

The term ‘red tape’ is commonly used to describe excessive bureaucracy that inhibits the interaction between government and the public. The Australian Government’s red tape reduction program aims to reduce unnecessary red tape costs on individuals, businesses and community organisations. The objective is to reduce the annual cost of red tape by at least $1 billion per year. To make it clear that reducing red tape is now part of a whole-of-government agenda, In September 2013 the deregulation function was moved from the Finance to PM&C and the Office of Deregulation was created.

Key tasks of the Office of Deregulation include: overseeing and coordinating the Government’s audit of regulation and the $1 billion annual regulation cost reduction target; facilitating the exchange of information on deregulation across Australian Government entities; and monitoring and providing reports to the Government on the progress of the deregulation policy.

An audit would examine the effectiveness of PM&C in supporting the Government to meet the target of reducing regulation costs by $1 billion annually. This audit would complement a proposed cross-entity audit of individual portfolio departments and entities in relation to reducing regulatory costs. Timing of the audit will consider the timing of key elements of the Government’s program of deregulation.
Audit strategy overview

The Social Services portfolio plays a lead role in delivering services and programs to support the Australian Government’s social policy and social security outcomes, with an appropriation of more than $130 billion in 2014–15. The portfolio comprises the Department of Social Services (DSS) and a number of portfolio bodies, including the Australian Aged Care Quality Agency, Australian Hearing, the Australian Institute of Family Studies, the National Disability Insurance Agency (NDIA) and the Social Security Appeals Tribunal. The Department of Human Services (Human Services) is also part of the broader Social Services portfolio. Audit topics for Human Services are presented in the next section.

DSS was created following the 2013 federal election and replaces the former Department of Families, Housing, Community Services and Indigenous Affairs. In creating DSS, responsibility for Indigenous Affairs was transferred to PM&C, while DSS gained responsibility for aged care, settlement and multicultural policy.

DSS seeks to improve the lives of Australians by creating opportunities for economic and social participation across eight key areas: families and children; housing support; seniors; communities and vulnerable people; disability and carers; mental health; settlement and multicultural affairs; and ageing and aged care. DSS is responsible for advice on social policy and the administration of grants and other payments that support the capacity and wellbeing of individuals, families and communities.

Recent ANAO audits have examined DSS’s administration of housing programs, community assistance programs and aged care programs previously administered by DoH. ANAO’s future audit work will include the delivery of disability services through the NDIA.

Audits in progress at July 2014

Management of the Translating and Interpreting Service

Australia’s resident population of 21.5 million includes approximately 5.3 million people born overseas. In 2011, 19 per cent of the population (four million people) spoke a language other than English at home and, of these, 17 per cent (694 450 people) could not speak English well or at all.

Translating and interpreting services have traditionally been offered as part of the Australian Government’s settlement services program to assist new migrants to participate as soon and as fully as possible in Australian society.

Overall policy responsibility for the Australian Government’s settlement services and multicultural access and equity policies rests with DSS. However, presently, responsibility for delivering translating and interpreting services to clients and agencies rests with DIBP through its Translating and Interpreting Service (TIS National). TIS National employs approximately 2 800 interpreters, with capability in more than 170 languages and dialects.

The objective of the audit is to assess the effectiveness of the DIPB in delivering high quality translating and interpreting services to clients and agencies.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.
Potential audits

Assistance for Isolated Children Scheme

The Assistance for Isolated Children Scheme provides financial assistance to the families of primary, secondary and certain tertiary students who do not have reasonable daily access to an appropriate government school. Financial assistance may be provided as a result of the student being geographically isolated, or because they have a disability or other health-related condition—including a special education need—that requires a special school program, facilities or environment. The scheme provides four types of allowances: Boarding; Second Home; Distance Education; and the Assistance for Isolated Children Pensioner Education Supplement.

DSS is responsible for the Student Assistance Act 1973, under which the scheme is administered, and works with Human Services which conducts assessments, processes claims and makes payments under a bilateral management arrangement. Estimated program expenditure for the five years from 2012–13 to 2016–17 is over $360 million, and more than 11 000 students per annum are expected to benefit from the scheme.

An audit would examine the administration of the scheme, focusing on the services delivered by Human Services under the bilateral management arrangement with DSS. The audit would also examine the effectiveness of the program in supporting isolated children’s access to education.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is a commitment by the Australian Government, in partnership with the states and territories, to invest in affordable rental housing. NRAS commenced in 2008 with the aim of addressing the shortage of affordable rental housing by offering financial incentives to the business sector and community organisations to build dwellings and rent them to low- and moderate-income households at a rate that is at least 20 per cent below prevailing market rates. The initial target was the supply of 50 000 new affordable rental dwellings, but this was subsequently reduced to a cap of 35 000 to be delivered by 30 June 2014, with the remaining 15 000 dwellings to be delivered in 2015–16. The scheme includes payment of incentives (made up of contributions from the Australian Government and the state and territory governments) to investors for each approved new rental dwelling. The scheme was closed to new entrants in 2014 but the department will continue to manage arrangements already entered into.

The framework for the NRAS is provided by the National Affordable Housing Agreement, the National Rental Affordability Scheme Act 2008 and the National Rental Affordability Scheme Regulations. Support is delivered to investors through either direct payments or refundable tax offsets. The estimated funding for the NRAS is $395 million from 2013–14 to 2015–16.

An audit would examine aspects of DSS’s management of the NRAS in line with policy objectives, legislative requirements and the National Affordable Housing Agreement, as well as changes made to the scheme’s operations in 2014.
National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) is a commitment by the Australian Government, in partnership with state and territory governments, to support people with significant and permanent disability as well as their families and carers. To be eligible for NDIS support, applicants must meet specific requirements, have a permanent disability or an impairment that substantially affects everyday life, and have no other access to effective support.

The funding provided by the Australian Government and state and territory governments is managed by the National Disability Insurance Agency (NDIA), an independent statutory agency that is responsible for administering the NDIS and approving the payment of individualised support packages to eligible applicants.

The NDIS commenced on 1 July 2013 in four trial sites, in Tasmania, South Australia, Victoria and New South Wales. The scheme will continue to be rolled out across Australia in stages and is expected to be fully operational in 2018–19, supporting 460 000 people. The Australian Government has committed $19.3 billion to the seven-year rollout of the NDIS and a further $11.7 billion in 2019–20, the first year after the full national implementation of the scheme. To help inform the full roll-out of this scheme, the Australian Government requested the Auditor-General to consider an audit of the NDIS and where possible that this audit be coordinated with relevant jurisdictions.

An audit, or series of audits, would examine the establishment of the NDIA and its administration of the early implementation of the NDIS. Subject to further consultation, the audit may be coordinated with audit activities of Auditors-General in launch site jurisdictions. The Joint Standing Committee on the National Disability Insurance Scheme has been established to review the implementation, administration and expenditure of the NDIS and to report annually to each House of the Parliament. Additionally, a three-year evaluation of the NDIS trials has been commissioned by DSS to examine the experience of participants, their families and carers, service providers and their workforces. The scope and timing of an audit will consider the existing levels of review and oversight.

Qualifying for the Disability Support Pension

The Disability Support Pension (DSP) provides financial support for people who have a physical, intellectual or psychiatric condition that stops them from working, or who are permanently blind. Each year, $15 billion in pension payments is paid to people living with a disability. In 2012–13, 821 738 people were receiving pension payments. The objective of the DSP is to make payments to eligible people with a disability who are unable to support themselves to achieve financial independence.

To qualify for the DSP, people must meet specific eligibility requirements, including being aged over 16 years, or under the Age Pension age; being permanently blind or having been assessed as having a physical intellectual or psychiatric impairment; being unable to work or to be retrained for work for 15 hours or more per week (at or above the minimum wage); and being assessed as having a severe impairment or having participated in a program of support.

At the end of 2013, the Government commissioned a major review of Australia’s welfare system. The review, which includes the DSP, is due to be delivered to the Government in early 2014.

An audit of the DSP would examine aspects of the administration of DSP by DSS and DHS, including the processes for qualifying people as eligible for the DSP and the procedures used to monitor recipient cases to ensure that only those people who continue to qualify for the DSP continue to receive it. The timing and scope of an audit would consider current review activity by the Government.
Social and Community Services Award

On 1 February 2012, Fair Work Australia made a decision to increase wages in the social and community services sector from 1 December 2012. This decision was the first successful gender equity claim in the national system and affected certain workers who are employed under the Social, Community, Home Care and Disability Services Industry Award 2010 (the SACS Modern Award). To pay its share of the wage increases to organisations that deliver these services on behalf of the Commonwealth, the Australian Government provided $2.8 billion (over seven years to 30 June 2021) through the establishment of the Social and Community Services Pay Equity Special Account under the Financial Management and Accountability Act 1997. The special account, which is administered by DSS, contributes funding to 40 Australian Government programs involving seven departments and a number of National Partnership Agreements. Further administration of the funds is undertaken by partner state and territory governments, which are responsible for the management of some funds to service providers that are delivering programs under the agreements.

An audit would examine DSS’s overall administration of the special account. The audit may also examine the performance of a Commonwealth partner or partners, subject to a request by the JCPAA.
Audit strategy overview

The Department of Human Services (Human Services) forms part of the wider Social Services portfolio. Human Services is responsible for developing service delivery policy and delivering a range of payments and services to support individuals, families and communities. Human Services’ priorities include delivering services that better meet the needs of individuals and the community, making access to services easier and more efficient, and working closely with key stakeholders to shape service delivery policy. Among the key challenges for Human Services is the need to continue to manage its day-to-day services while progressing the implementation of its Service Delivery Reform program and the phased redevelopment of its key service delivery systems. In 2014–15, Human Services has budgeted resources of approximately $5.9 billion and is responsible for administering and delivering nearly $166 billion in payments and programs, including for a range of policy departments such as Employment, Education, Social Services and Health.

Recent performance audit coverage in the portfolio has included an examination of the effectiveness of Human Services’ administration of Child Support program objections; management of Medicare customer data and Medicare compliance audits; and management of trials of intensive service delivery for customers with complex needs. Human Services has also been involved in cross-entity audits assessing the effectiveness of governance arrangements for monitoring and implementing ANAO performance audit recommendations, and assessing compliance with mandatory requirements in the Australian Government’s Information Security Manual that support mitigation of cyber-attacks. A further audit examined the administration by Australian Hearing, a statutory authority reporting to the Minister for Human Services, of its community service obligation.

The ongoing audit strategy focuses on the administration and risks associated with Human Services’ service delivery programs and related initiatives, including customer communications.

Potential audits

Redevelopment of Human Services’ Key Service Delivery Systems

In 2013, Human Services decided to consolidate its key service delivery information and communications technology systems into a single integrated platform. Prior to the planned transition, Human Services is migrating three smaller legacy systems: the System for Payment of Residential Aged Care (SPARC); the Community Aged Care Packages (CACP) system; and the child support (CUBA) system.

Together, the SPARC and CACP systems process around $12.5 billion in payments annually; and the CUBA system processes more than $3 billion in payments each year.

The success of these initial system-migration projects and the lessons learned from them are likely to be significant indicators of Human Services’ ability to manage the subsequent migration of larger and more complex systems.

14 The portfolio department is the Department of Social Services.
An audit would examine Human Services’ administration of the redevelopment of one or more of the legacy systems, with a particular focus on planning, risk management, procurement, data migration and performance measurement and evaluation.

Management of the Telecommunications Contract

In June 2012, Human Services entered into a five-year, $474 million contract with Telstra for the supply of telecommunications services. The arrangement was the outcome of a procurement process begun in 2010.

The contract consolidated 22 existing telecommunications contracts, merged voice, mobile and data services across a single data network, and enabled automated call-back capability and improved self-service options for Human Services’ millions of customers. In its 2012–13 Annual Report, the department stated that the new arrangement has led to greater efficiencies and productivity improvements for staff, as well as significantly enhancing the way services are delivered to Australians.

An audit would examine the effectiveness of Human Services’ management of the telecommunications contract, including by assessing the savings being realised from the consolidation of the previous contracts.

Management of Smart Centres’ Telephone Services

In 2012–13, Human Services managed around 59 million telephone calls relating to its Centrelink, child support and Medicare services. Over two-thirds of the calls were about Centrelink services. Previously delivered through call centres, telephony services are now operated through smart centres, which blend telephone and processing services to provide more flexible and integrated customer services.

‘Access to call centres’ is the most common cause of complaints received by Human Services and accounted for 23 per cent of all complaints about Centrelink services in 2012–13. A key source of complaints to the Commonwealth Ombudsman about Human Services relates to call wait times.

In the 2012–13 Budget, the Australian Government provided $206 million over four years to ensure that Human Services was able to meet customer demand for phone services and to reduce waiting times. In the 2013–14 Budget, Human Services received a further $30 million to assist with peak demand.

An audit would examine the management of telephone services in Human Services’ smart centres, with a particular focus on the implementation of the 2012–13 and 2013–14 Budget measures.

Customer Communication

Human Services places a high priority on effective communication with its customers, service providers and the Australian community. Information that is clear, timely, readily accessible and accurate helps people make informed choices about Human Services’ payments and services and to better understand their rights and obligations.

Human Services uses a set of community engagement principles to help it assess whether communication material is clear, informative and relevant, as well as being delivered through the most appropriate channel. The department uses a variety of communication tools, including news media, social media, websites, brochures, other written publications, letters and community events. In many cases, the communication medium is tailored to the nature and circumstances of the audience, which might be customers from multicultural backgrounds, Indigenous Australians, people in rural and regional areas, people with disabilities or older Australians.
In 2012–13, a particular focus of Human Services’ efforts to improve the quality of communications was the adoption of technologies enabling it to provide better quality messages, faster. In particular, the department increased its focus on promoting its website and online service capabilities, including a range of mobile apps. In 2013, Human Services also reviewed the way that it corresponds with its customers to improve the language, consolidate the information in letters and reduce the overall volume of letters sent to customers.

An audit would examine Human Services’ arrangements for managing customer communication, including assessing the effectiveness of the communications media. The audit would also examine Human Services’ implementation of changes designed to improve the quality of its customer letters.

**Medicare Electronic Claiming**

In 2012–13, nearly 87 per cent of Medicare claims were lodged electronically, an increase of six per cent from the previous year. Human Services provides a number of channels through which health professionals and members of the public can electronically claim Medicare benefits, including:

- Medicare Online—a secure internet connection used to lodge claims directly from a medical practice;
- Medicare Easyclaim—a secure EFTPOS terminal used to lodge claims directly from a medical practice;
- ECLIPSE—a secure connection between hospitals, service providers, billing agents and private health insurers; and
- Claiming Medicare Benefits Online—which allows patients to lodge claims for 25 Medicare items, including five of the most common general practitioner consultation items.

As part of a recent initiative, Human Services has released the Express Plus Medicare app, which enables patients to use Claiming Medicare Benefits Online through a mobile device.

In 2012–13, more than 256 million Medicare services were claimed using Medicare Online, 25 million using Medicare Easyclaim, 17 million using the ECLIPSE facility and over 211,000 services using Claiming Medicare Benefits Online.

An audit would examine Human Services’ administration of one or more of the channels supporting the electronic claiming of Medicare benefits, including the processes in place to ensure the integrity and security of information transfers.

**Australian Childhood Immunisation Register**

The Australian Childhood Immunisation Register records details of vaccinations given to children under seven years of age and provides the basis for the immunisation status statement made available to parents or guardians. At June 2013, 2.2 million children under seven were included on the register, about $9.2 million was paid to immunisation providers and around five million valid immunisations were recorded.

A child’s immunisation status on the immunisation register is one eligibility requirement for the payment of Family Tax Benefit Part A, childcare benefits, and the childcare rebate. A number of states and territories also require an immunisation status certificate for a child to be enrolled in primary school.

An audit would examine the effectiveness of Human Services’ administration of the Australian Childhood Immunisation Register.
**Assistance for Isolated Children Scheme**

The Assistance for Isolated Children Scheme provides financial assistance to the families of primary, secondary and certain tertiary students who do not have reasonable daily access to an appropriate government school. Financial assistance may be provided as a result of the student being geographically isolated, or because they have a disability or other health-related condition—including a special education need—that requires a special school program, facilities or environment. The scheme provides four types of allowances: Boarding; Second Home; Distance Education; and the Assistance for Isolated Children Pensioner Education Supplement.

DSS is responsible for the *Student Assistance Act 1973*, under which the scheme is administered. DSS works with Human Services, which conducts assessments, processes claims and makes payments under a bilateral management arrangement. Estimated program expenditure for the five years from 2012–13 to 2016–17 is over $360 million; and more than 11 000 students per annum are expected to benefit from the scheme.

An audit would examine the administration of the scheme, focusing on the services delivered by Human Services under the bilateral management arrangement with DSS. The audit would also examine the effectiveness of the program in supporting isolated children’s access to education.

**Administration of Childcare Fee Assistance**

Childcare fee assistance is provided by the Australian Government to enable more families to access quality childcare services. There are two main forms of assistance: Childcare Benefit, which assists parents with the cost of approved and registered child care; and Childcare Rebate, which covers families for 50 per cent of their out-of-pocket approved childcare expenses after Childcare Benefit has been received. In 2013–14, more than $5 billion has been budgeted for childcare fee assistance. The Productivity Commission has been tasked with conducting an inquiry into future options for child care and early child school learning, the final report of which is scheduled to be provided to the Government on 31 October 2014; and reporting and making recommendations on a range of areas, including in relation to ‘options—within existing funding parameters—for improving the accessibility, flexibility and affordability of childcare for families with diverse circumstances.’

Childcare fee assistance payments involve a range of Australian Government entities, such as Education and Human Services and childcare service providers in activities such as eligibility assessment of service providers and parents, attendance recording, making payments (primarily to service providers on behalf of parents) and related compliance activities. Education’s responsibilities include policy advice, overall operational coordination and eligibility assessments of service providers.

An audit would examine the administration of childcare fee assistance and may include other Australian Government entities involved in selected aspects of administration and implementation, such as the underlying information technology systems, assurance processes or the management of service providers.
Child Support Scheme—Recovery of Debts through Departure Prohibition Orders

The Child Support Scheme commenced on 1 June 1988, with the establishment of the Child Support Agency within the Australian Taxation Office. On 1 July 2011, Human Services assumed responsibility for the delivery of the scheme.

In 2012–13, Human Services processed $3.4 billion in child support payments in support of approximately 1.2 million children. During that time, about one-quarter of the parents making child support payments had an outstanding child support debt; of those, just over half had a payment arrangement in place. Late payment penalties apply whenever a parent fails to make their child support payments by the due date. The penalties are a debt to the Commonwealth and are not paid to the custodial parent as part of child support payments.

Human Services uses a range of compliance and enforcement measures to collect ongoing and overdue child support debts. One such measure—a departure prohibition order—prevents a person who has persistently failed to meet their child support commitments from leaving Australia without either discharging their debt or making satisfactory arrangements to do so. In 2012–13, Human Services collected $6.7 million through the issue of 467 departure prohibition orders.

An audit would examine Human Services’ use of departure prohibition orders as a means of recovering child support debt.

Repatriation Pharmaceutical Benefits Scheme

The Pharmaceutical Benefits Scheme subsidises the cost of many prescription medicines, making them more affordable for all Australian residents. Under the Repatriation Pharmaceutical Benefits Scheme (RPBS), eligible veterans, war widows and widowers and their dependants can access additional pharmaceuticals at concessional rates.

Human Services is responsible for processing RPBS benefit payments and approving pharmacists, private hospitals, participating public hospitals and certain doctors to supply medicines to eligible patients. In 2012–13, Human Services processed 12.4 million RPBS services and paid $423.6 million in RPBS benefits.

An audit would examine the effectiveness of Human Services’ administration of the RPBS, including the department’s relationship with DVA.

Jobs, Education and Training Child Care Fee Assistance

Jobs, Education and Training Child Care Fee Assistance (JETCCFA) provides eligible parents with extra financial assistance to help with the cost of approved child care while they look for work, or undertake study, training or rehabilitation to enter or re-enter the workforce.

Expenditure on JETCCFA is expected to continue to grow significantly in the coming years, for example from around $88 million in 2013–14 to an estimated $138 million in 2016–17. JETCCFA is jointly administered by Education and Human Services.

An audit would examine the effectiveness of the administration of JETCCFA by the relevant departments.
Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme Pricing Arrangements

The Pharmaceutical Benefits Scheme (PBS) provides subsidised medicines to the Australian public and eligible overseas visitors at a cost to the Australian Government of approximately nine billion per year. The Repatriation Pharmaceutical Benefits Scheme (RPBS) provides subsidised medicines to eligible veterans and their dependants at a cost to the Government of approximately $425 million per year. The PBS Schedule is a list of over 4500 brands of around 750 drugs, and the RPBS Schedule is a supplementary list of medicines, bandages and dressings.

The responsible policy entities are DoH for the PBS and the DVA for the RPBS. DoH is responsible for: negotiating and coordinating PBS pricing arrangements for PBS medicines; the administration of price disclosure, whereby prices are periodically amended to reflect the actual market price; and publishing the PBS and RPBS schedules. DVA is responsible for negotiating RPBS pricing arrangements for RPBS medicines. Human Services administers payments to pharmacists for dispensing PBS and RPBS medicines, using pricing information provided by DoH.

An audit would examine the efficiency and effectiveness of DVA’s and DoH’s administration of PBS and RPBS pricing arrangements, including the provision of information to Human Services.

Indemnity Insurance Fund

The Indemnity Insurance Fund (the Fund) is a set of Commonwealth schemes that provide support for medical indemnity for doctors and professional indemnity for privately practising midwives. The schemes are intended to ensure that the medical indemnity insurance industry is stable, and that the insurance products are affordable for doctors and are accessible and affordable for midwives.

Specific schemes funded under the Fund include the Premium Support Scheme, the High Cost Claims Scheme, the Run-off Cover Scheme, the Incurred-but-not-reported Scheme, the Exceptional Claims Scheme, the Midwife Professional Indemnity (Commonwealth Contribution) Scheme and the Midwife Professional Indemnity Run-off Cover Scheme.

Depending on the scheme, payments may be made to doctors or midwives (including subsidies for insurance premiums or paying for claims that are above the amount they are insured for) or insurers (to assist with paying out certain claims brought against doctors or midwives). The Run-off Cover Scheme is funded through a levy on insurers.

In the forward estimate period of 2013–14 to 2016–17, total expenditure (including liabilities and departmental expenses) under the Fund is expected to total $458 million. This estimate is based on actuarial advice, but actual expenditure will vary according to future claims.

Medical indemnity is administered by DoH under the Medical Indemnity Act 2002 and the Midwife Professional Indemnity (Commonwealth Contribution) Scheme Act 2010. Payments are managed by Human Services.

The audit would examine the effectiveness of DoH’s administration of the schemes under the Fund, including DoH’s management of its relationship with Human Services to ensure the integrity of the Fund.
Qualifying for the Disability Support Pension

The Disability Support Pension (DSP) provides financial support for people who have a physical, intellectual or psychiatric condition that stops them from working, or who are permanently blind. Each year, $15 billion in pension payments is made to people living with a disability. In 2012–13, 821 738 people were receiving pension payments. The objective of the DSP is to make payments to eligible people with a disability who are unable to support themselves to achieve financial independence.

To qualify for the DSP, people must meet specific eligibility requirements, including being aged over 16 years, or under the Age Pension age; being permanently blind or having been assessed as having a physical intellectual or psychiatric impairment; being unable to work or to be retrained for work for 15 hours or more per week (at or above the minimum wage); and being assessed as having a severe impairment or having participated in a program of support.

At the end of 2013, the Government commissioned a major review of Australia’s welfare system. The review, which includes the DSP, is due to be delivered to the Government in early 2014.

An audit of the DSP would examine aspects of the administration of DSP by DSS and DHS, including the processes for qualifying people as eligible for the DSP and the procedures used to monitor recipient cases to ensure that only those people who continue to qualify for the DSP continue to receive it. The timing and scope of an audit would consider current review activity by the Government.
Audit strategy overview

The Treasury portfolio undertakes a range of activities aimed at achieving strong, sustainable economic growth and the improved wellbeing of Australians. These activities include providing policy advice to portfolio ministers and implementing and administering policies that fall within the portfolio ministers’ responsibilities and regulatory functions. The department’s total appropriations were approximately $89 billion for 2014–15. The portfolio comprises 15 entities, including the Department of the Treasury, the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Bureau of Statistics (ABS), the Australian Competition and Consumer Commission (ACCC) and the Australian Taxation Office (ATO).

During 2014–15, the Treasury will focus on delivering the Australian Government’s 2013 election promises. This will include implementing possible recommendations arising from the Government’s National Commission of Audit and managing the Financial System Inquiry and the review of competition law and policy. On the international front, the Treasury is responsible for delivering the policy development and operational arrangements for the G20 Finance and Central Bank Governors meetings in Brisbane in November 2014. Risks facing the global economy will continue to be a focus for the Treasury.

ANAO audit activity in 2014–15 will focus on core responsibilities of the Treasury portfolio, including the performance of the portfolio entities in carrying out their legislative responsibilities. Audit coverage will consider the Treasury’s role in foreign investment decisions, data integrity processes within the ABS and the regulatory functions of APRA, ASIC and the ACCC.

Potential audits

Australian Prudential Regulation Authority’s Standard Setting and Prudential Supervision

Australia’s financial system includes banking, superannuation and insurance. The system is a major driver of Australia’s economic growth and is responsible for providing national savings, capital for financial markets and retirement benefits for millions of Australians. The financial services sector has assets of more than $5 trillion. Prudential regulation of Australia’s financial system is necessary to ensure its safety and stability. Regulation is intended to promote prudent behaviour by the regulated entities to ensure that they can meet their obligations to depositors, policyholders and members.

APRA is responsible for the prudential regulation of the Australian financial services industry. It oversees banks, credit unions, building societies, life and general insurance companies and reinsurance companies, friendly societies and much of the superannuation industry. At 30 June 2013, it supervised a total of 3944 entities holding $4.5 trillion in assets.

APRA has the power to make prudential standards for authorised deposit-taking institutions, life insurers, general insurers and, most recently, regulated superannuation entities. It also has responsibility for supervising those sectors, assessing the financial soundness of supervised institutions and, where necessary, carrying out remediation, crisis response and enforcement.
An audit would examine the effectiveness of APRA’s prudential regulation of Australia’s financial services industry including its approach to risk assessment, compliance and enforcement strategies.

**Monitoring and Enforcing Compliance with Australia’s Foreign Investment Decisions**

The Treasury has responsibilities in relation to incoming foreign investment, to ensure that the national interest is protected and to encourage free flows of investment. In consultation with the Foreign Investment Review Board (a non-statutory body), the Treasury provides advice on significant and high-profile foreign investment cases of national interest. Foreign investment proposals that fall within the scope of Australia’s foreign investment policy or the *Foreign Acquisitions and Takeovers Act 1975* are examined to determine whether they are contrary to Australia’s national interest. Foreign persons are required to notify the Treasurer when entering into an agreement to acquire an interest in certain types of Australian real estate or a substantial interest in an Australian business or corporation valued above $248 million.

In 2012–13, 12,731 proposals, about 94 per cent of which related to the real estate sector, received foreign investment approval and no proposal was rejected. The value of approved investments in 2012–13 was $135.7 billion, of which $51.9 billion was for real estate.

In addition to providing advice to ministers about whether and on what terms foreign investment proposals should proceed, the Treasury undertakes compliance activities, including: providing education and information; monitoring and investigation; inter-entity cooperation; and, on rare occasions, prosecution action. Recently, the Treasury introduced a new computerised system, the Foreign Investment Management System, to track compliance.

An audit would examine the effectiveness of the Treasury’s compliance activities to ensure that foreign investments proceed in accordance with approved decisions.

**Australian Competition and Consumer Commission’s Regulation of Consumer Protection**

The ACCC is one of several regulators responsible for ensuring compliance with Australian consumer law. This provides for a number of consumer protections, including consumer guarantees and restrictions on misleading or deceptive conduct, unfair contract terms and unconscionable conduct. The ACCC seeks to ensure compliance with the Australian consumer law using a multi-pronged strategy that focuses on educating consumers and traders about their rights and obligations, identifying and investigating possible breaches, and taking legal action or seeking enforceable undertakings against non-compliant traders.

In 2012–13, the ACCC received 185,640 contacts through its Infocentre, many from consumers seeking information or making complaints about breaches of the Australian consumer law. It also received more than 83,000 contacts about scams, which involved losses of more than $93 million reported by consumers in 2012. A common complaint from consumers and consumer groups is that the ACCC does not take enough action on the complaints that it receives.

An audit would examine the effectiveness of the ACCC in carrying out its consumer protection function. Particular attention would be given to the ACCC’s handling of complaints from consumers about breaches of the Australian consumer law.

**Australian Securities and Investments Commission’s Regulation of Consumer Credit and Finance Broking**

ASIC is the national regulator for consumer credit and finance broking. At December 2013, total personal lending in Australia was $7.9 billion, while housing finance for owner occupation was
$16.4 billion. From 1 July 2011, if a business wishes to engage in credit activities, it requires a credit licence or an authorisation from a licensee. ‘Credit activity’ is defined in the *National Consumer Credit Protection Act 2009* and includes activity relating to credit contracts, consumer leases, related mortgages and guarantees, and credit services.

ASIC’s regulation of consumer credit encompasses a number of aspects, including receiving complaints from consumers; investigating and enforcing breaches of consumer credit laws and licensing obligations; maintaining registers; issuing regulatory guidance; and maintaining the MoneySmart website.

An audit would examine the effectiveness of ASIC’s regulation of consumer credit and finance broking.

**Data Integrity at the Australian Bureau of Statistics**

The ABS is Australia’s official national statistical agency, employing more than 3000 people in its Canberra central office and in regional offices in state and territory capitals. It collects and analyses data on a wide range of economic, social, population and environmental matters from an extensive range of sources.

Governments, businesses and the community rely on the statistical information that the ABS produces to inform their decisions, so any problems with data integrity can have major consequences for the ABS and the economy. It is essential that ABS decision-makers, other government entities and the Australian public have a high level of confidence in the integrity of the data reported by the ABS. A key issue facing the ABS is its ability to maintain the quality of its statistical publications under increasing cost constraints.

An audit would examine the effectiveness of the ABS’s management and reporting of a selection of the statistical information that it releases.

**Closing the Gap in Indigenous Disadvantage Initiative: Agreed Data Quality Improvements**

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

Data quality and availability have been ongoing issues for governments in measuring progress towards targets set by all governments for closing the gap in Indigenous Disadvantage. The NIRA identified the need to build datasets and collections to support the reporting and measurement of progress across jurisdictions. Accordingly, the NIRA also included a strategy for ‘Agreed Data Quality Improvements’, which sets out specific actions for the Australian Government (primarily the Australian Bureau of Statistics, the Australian Institute of Health and Welfare and DoH and the states and territories to improve the performance indicator data required to measure progress towards the Closing the Gap targets in the period up to 30 June 2013. These included working on improving voluntary Indigenous identification in key data sets, awareness raising in Indigenous communities about identification, guidelines for data linkage and the development of national key performance indicators for primary health.

An audit would examine whether the agreed strategy and actions to improve data quality were implemented and are used to support better assessment of performance.
Audit strategy overview

The Australian Taxation Office (ATO) is the Australian Government’s principal revenue collection agency. Its role is to manage and shape tax, excise and superannuation systems that fund services for Australians. The ATO aims to achieve confidence in the administration of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law. The ATO also provides operational support to the Tax Practitioners Board and the Registrar of the Australian Business Register. Funding available to the ATO in 2013–14 totalled $4.1 billion. The ATO collected $313 billion in total taxation revenue in 2013–14.

Previous audit coverage has focused on examining aspects of the ATO’s administration, including personal services income, complaints handling, the Australian Business Register and compliance. The future audit program will examine the effectiveness of the administration of particular taxpayer and superannuation segments; potential audits also cover major corporate functions.

Particular issues for ATO administration in 2014–15 include:

- implementing elements of a 2020 Vision to make the ATO a contemporary service organisation;
- improving advice to the Government, including through consulting in a more targeted way about priority areas for law design;
- improving connectedness with the community;
- implementing an action plan to respond to the Australian Public Service Commission Capability Review; and
- successfully implementing key elements of the superannuation agenda.

Audits in progress at July 2014

Annual Compliance Arrangements with Large Corporate Taxpayers

Annual compliance arrangements (ACAs) were introduced by the Commissioner of Taxation in 2008. ACAs are risk and relationship management arrangements between the ATO and large businesses with the primary aims of providing practical certainty for the businesses and the ATO by enabling the review of tax risks in real time, and consequently reducing costs for both parties.

In February 2014, there were 23 operational ACAs, covering income tax, goods and services tax, fringe benefits tax, excise, and petroleum resource rent tax. Earlier data showed there were 18 corporate entities with ACAs in place at 30 June 2012, with a combined annual turnover of around $150 billion.

The objective of the audit is to assess the effectiveness of the ATO’s administration of ACAs with large corporate taxpayers.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Administration of Call Centres

The ATO has dealings with its clients in a number of ways: in person at its various shopfronts around Australia; in writing, either by mail or by email; and over the telephone. Almost half of all client contacts delivered through ATO service channels in 2012–13 were over the telephone. Inbound telephone contact was available through the ATO switchboard, a 24-hour self-help line or a number of other dedicated telephone lines, depending on the type of taxpayer and the type of inquiry, such as the lodgement of complaints by individual taxpayers.

ATO call centres and related inbound telephony services received 10.5 million calls in 2012–13, a decrease from 11 million calls in 2011–12. The ATO also received around 3000 complaints in 2012–13, relating to such things as access, advice and behaviour. An aim of ATO call centres is to make it easier for taxpayers to fulfil their tax obligations, while providing an efficient client contact channel.

The objective of the audit is to assess how effectively and efficiently the ATO manages call centres as part of its overall service delivery strategy.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

Superannuation Guarantee Scheme

The Superannuation Guarantee Scheme was introduced on 1 July 1992 and is administered by the ATO. The scheme requires employers to provide a prescribed minimum level of superannuation support for most employees in each financial year to a complying superannuation fund or retirement savings account.

The ATO seeks to improve compliance by communicating with employers about their obligations and following up with a program of audits. In addition, it responds to complaints by employees or third parties about unpaid superannuation. In 2012–13, the ATO received 16,976 complaints from employees about unpaid superannuation. Of those, 11,413 led to a superannuation liability being raised and 5,563 led to no result. In 2010, the Inspector-General of Taxation reviewed the ATO’s administration of the Superannuation Guarantee Scheme. The review noted that, while the scheme worked well for most Australians, those most at risk were the employees who were the least empowered and most reliant upon compulsory superannuation contributions for a higher standard of living in retirement, beyond the age pension.

The objective of the audit is to examine the effectiveness of the ATO’s activities in promoting compliance with the Superannuation Guarantee Scheme and responding to complaints.

The audit report is expected to be tabled in the Autumn 2015 Parliamentary Sittings.

Potential audits

ATO 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 reduce the amount of revenue collected by the Australian Government that is otherwise available to fund community services.

In the 2010–11 Budget, the ATO received $107.9 million over four years to address non-compliance in the cash economy. The ATO has recently implemented additional strategies to improve voluntary compliance, including the development of industry benchmarks covering key cash economy businesses. The ATO has also identified the cash economy as an area that warrants continued
compliance efforts, and conducted over 13,200 compliance activities in 2012–13, including audits and reviews, resulting in $193.8 million in liabilities raised.

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

Collection of Goods and Services Tax from Small Businesses

The goods and services tax (GST) is a broad-based tax of 10 per cent on most goods, services and other items sold or consumed in Australia. Generally, GST-registered businesses include GST in the price of sales and the tax is borne by the final consumer. Small businesses with annual turnover of $75,000 or more and not-for-profits with annual turnover of $150,000 or more are required to report GST by lodging an activity statement or an annual GST return. Businesses can also claim GST credits for GST included in the price of most business purchases. Even if businesses have no GST amounts to report or claim for a particular reporting period, an activity statement must be lodged.

In 2012–13, the ATO collected $48.271 billion in GST. To promote voluntary compliance with GST obligations, the ATO has an ongoing focus on GST refund integrity and will continue to monitor and investigate taxpayers who incorrectly report GST when they acquire, use, develop, sell or transfer property. In 2013–14, the ATO focused on taxpayers that were experiencing change or had undergone complex structural change to their business systems. For GST compliance activities the ATO conducts registration, refund and integrity checks together with audits and reviews of taxpayers, including small to medium enterprises.

An audit would examine the effectiveness of the ATO’s administration of GST for small to medium enterprises.

Administering the General Interest Charge

The General Interest Charge (GIC) was introduced in 1999 to simplify a complex suite of penalties and interest charges applying to late payments and tax shortfalls. It is tax deductible interest imposed on most overdue tax debts, whether or not a taxpayer acted knowingly to create the debt. The GIC may be remitted by the ATO in certain circumstances when it is fair and reasonable to do so, but not as an inducement to finalise a disputed debt or to finalise a case in which the ATO has not attempted to collect GIC.

The value of GIC imposed on taxation debts each year is significant. In 2012–13, the ATO reported that $4.2 billion in interest was imposed on taxation debts, $1.5 billion of GIC was remitted and $2.7 billion was collected.

An audit would examine the effectiveness of the ATO’s administration of the GIC.

Meeting Compliance Commitments

The ATO applies differentiated strategies to address risks to the fair operation of Australia’s tax and superannuation systems, focusing compliance activities (such as audits) on those who engage in risky tax behaviour. In addition to ongoing funding for compliance, the ATO is frequently provided with additional budget funding for specific compliance initiatives.

For example, in the 2010–11 Budget the Government provided $107.9 million to the ATO to collect $492 million over four years by targeting the cash economy and $337.5 million over four years to fund additional activities that promote voluntary GST compliance, with the aim of raising an additional
$2.7 billion in revenue over four years. Overall, the ATO received additional funding for specific compliance activities totalling $738 million in 2013–14.

An audit would examine the effectiveness of the ATO in monitoring funded budget measures and whether additional revenue targets were achieved.

**Administration of Capital Gains Tax**

Capital gains tax (CGT) is the income tax payable on any net capital gain. It is not a separate tax, but forms a component of income tax.

In 2012–13, the ATO collected $7.1 billion in capital gains tax. Compliance risks include the wrongful classification of revenue and capital items, along with failure to disclose capital events. The ATO’s large and medium business reviews and audits include a capital gains component, and small businesses and individuals were allocated 1670 reviews and audits related to capital gains in 2013–14.

ANAO Audit Report No.16 2006–07, *Administration of Capital Gains Tax Compliance in the Individuals Market* made seven recommendations for improving the ATO’s administration of CGT. The recommendations related to the ATO’s CGT project planning; data gathering and management, especially with respect to property; and liabilities calculation and collection.

An audit would examine the effectiveness of the ATO’s administration of CGT.

**Administration of Fringe Benefits Tax**

A fringe benefit is a benefit gained in respect of employment, outside of salary and wages. It can be provided directly to the employee or to an associate, including a spouse or children. Examples of fringe benefits include allowing an employee to use a work car for private purposes and reimbursing an employee’s non-business expenses, such as school fees or private health insurance.

In 2012–13, the ATO collected $3.29 billion in fringe benefits tax (FBT) and refunded $455 million. The FBT presents the risk that employers will fail to recognise and report their FBT obligations. The ATO’s recent focus has been the reporting of FBT, including accuracy and timeliness, particularly by employers not in the system but with an FBT obligation.

An audit would examine the effectiveness of the ATO’s administration of the FBT.

**Combatting Aggressive Tax Planning**

Most taxpayers accept that paying tax provides community benefits and, as a result, meet their tax obligations voluntarily. In meeting their taxation obligations, taxpayers have a right to arrange their financial affairs so as to keep their tax to a minimum. This is referred to as ‘tax planning’ or ‘tax effective investing’ when undertaken within the letter and the spirit of the law. However, some taxpayers plan their tax affairs outside the law. This behaviour is referred to as ‘aggressive tax planning’, and the ATO aims to deter, detect and deal with such taxpayers. The Australian Government introduced legislation in 2006 to deter and deal with the promotion of tax avoidance schemes. This legislation is referred to as the ‘promoter penalty’ laws and provides for civil and administrative penalties for scheme promoters.

In 2012–13, the ATO reported that through six audits and reviews of promoters it raised almost $8.2 million in tax and penalties. In 2012–13, in relation to dealing with fraudulent phoenix schemes, the ATO undertook 220 reviews and audits, resulting in $74.5 million in liabilities raised and cash collections of $14.6 million. The ATO also undertook around 2800 reviews and audits of property developers, many of which showed signs of phoenix behaviour. Those cases resulted in further
liabilities of $215.1 million and cash collections of $61.7 million. In 2013–14, the ATO planned to conduct 340 checks of participants in aggressive tax planning schemes.

An audit would examine the effectiveness of the ATO's arrangements to deter, detect and deal with aggressive tax planning by considering how it identifies and treats tax avoidance schemes, as well as promoters of those schemes.

**Meeting Service Commitments**

When members of the general public deal with the ATO, they expect the agency to treat them fairly and consistently while providing a high level of customer service. In May 2011, the ATO commenced a review of its service standards. The review was finalised in 2013. From 1 July 2013, the ATO began transitioning from its old service standards framework to the new service commitments framework. The ATO has developed these two service frameworks to assure itself and the community that the services delivered are of a consistently high standard.

Under the former service standards framework, the ATO had 21 service standards. It reported that it met all of them in 2012–13. Under the new service commitments framework, the ATO has five broad commitments: helpful and accurate; easy to deal with; timely; keep me informed; and professional. Each service commitment is supported by assessment indicators and performance measures. Assessment indicators specify what taxpayers can expect when interacting with the ATO, and performance measures detail how the ATO will measure its performance against the commitments. The 2013–14 financial year will be the first year that the service commitments are reported on; however, most of the former service standards will be included.

An audit would examine the effectiveness of the ATO in transitioning from service standards to service commitments. Particular attention will be given to the development, administration and appropriateness of the measures and to how they align with delivery against the broader ATO Business Plan and Strategic Statement. There would also be a focus on how the ATO respects and provides service to diverse populations within the Australian community and whether it measures its service performance in relation to those taxpayers.

**Managing Procurement**

On 1 July 2012, the Australian Government released updated procurement rules that provide agencies with a framework under which to govern and undertake their procurements. Central to the rules is the requirement for agencies to achieve value for money in procurement.

The ATO is a major purchaser in the Australian Public Service (APS), spending some 32.5 per cent of its $3.5 billion operating budget in 2012–13 on the procurement of goods and services. In 2012–13, the ATO introduced an enterprise-wide approach to the procurement of goods and services. The ATO reported that this has reduced paperwork, increased transparency and provided greater assurance of spending approvals. In addition, the ATO has widened the scope of its enterprise-wide quality assurance framework to review procurement quality management processes, procedures and decisions and to identify, prioritise and plan improvement opportunities. Major procurement expenses for the ATO include lease accommodation and outsourced property services; information technology and communications hardware and services; and ongoing procurement of consumable goods and services.

An audit would examine the effectiveness of the ATO's approach to the procurement of goods and services, including whether the ATO is achieving value for money and effectively managing ongoing contracts.
Managing Travel Expenses

Increasing financial pressure faced by government is constraining resource levels in the Australian Public Service and accentuating the need to drive greater efficiencies across the service. Consequently, many agencies have managed reduced resources by curtailing domestic and international travel.

The ATO is a large and geographically dispersed organisation that requires extensive levels of communication both internally and with taxpayers and other stakeholders in order to conduct its business. In 2012–13, the ATO spent $37.8 million on travel (down from $39.6 million in 2011–12), and ATO officials flew over 48 million kilometres for business purposes. By 2017, the ATO aims to reduce flight kilometres by 25 per cent, from its 2011–12 base year travel of approximately 50 million kilometres. To aid communication, and as an alternative to travel, the ATO also uses telephone and video conferencing facilities; 5341 video conferences were held in 2012–13 (up from 4956 in 2011–12).

An audit would examine the effectiveness of the ATO in managing its travel budget, including by better utilising telephone and video conferencing.

Administration of Tobacco Excise

The ATO’s role is to effectively manage and shape the tax, excise and superannuation systems that support and fund services for Australians. Excise duty is a tax on alcohol, tobacco, fuel and petroleum products produced or manufactured in Australia.

In 2012–13, the ATO collected $25.4 billion in excise duty, including tobacco excise. The ATO reported that almost 95 per cent of excise liabilities were paid in full by the due date in 2012–13. Nevertheless, there are risks to the collection of excise duty, particularly from the illicit tobacco trade, which deals in tobacco either smuggled into the Australian market or produced domestically as ‘chop chop’.

The introduction of plain-packaging legislation for tobacco products led to the largest ever assurance process for the refund of excise duty and remission claims for excisable and customable tobacco. As a result, tobacco products not complying with the legislative requirements had to be withdrawn from the Australian market by 1 December 2012. Ultimately, as reported by the ATO in its 2012–13 annual report, product equating to around $366 million in duty was destroyed.

An audit would examine the effectiveness of the ATO’s administration of excise duty on tobacco, including in respect of the introduction of plain-packaging legislation for tobacco products and approaches for dealing with the illicit tobacco trade.

Higher Education Loan Program

The Higher Education Loan Program (HELP) is an Australian Government loan program to assist eligible Commonwealth-supported higher education students to pay their student contribution amounts. A HELP loan will cover all or part of the student contribution amount. If a student receives a HELP loan, the Australian Government pays the loan amount directly to the higher education provider on the student’s behalf. The student will subsequently repay the HELP debt when their income is above a certain threshold. The amount repaid each year is calculated as a percentage of income. Students can also make upfront and voluntary repayments, both of which attract ‘bonuses’ to encourage early payment of HELP debts.

HELP is administered by Education and the ATO. The total amount of HELP debt at 30 June 2013 was $30.1 billion. Education estimated that around $7 billion of this debt was unlikely to be ever recovered.

An audit would examine the effectiveness of one or more elements of HELP’s administration, such as determining the value of debts, and the management of debts not expected to be paid.
Cross-entity audits

Audits in progress at July 2014

Senate Order for Departmental and Agency Contracts (Calendar Year 2013 Compliance)

The Senate Order for Departmental and Agency Contracts requires entities operating under the Financial Management and Accountability Act 1997 to place lists of contracts valued at $100 000 or more on the internet. The lists must indicate, among other things, whether each contract requires the parties to maintain the confidentiality of any of the contract’s provisions. The order also requests the Auditor-General to review contract lists annually and to report any incorrect use of confidentiality provisions.

The objective of the audit is to examine the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2013 calendar year listings, and the processes used by selected entities for compiling contract listings.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.

Business Continuity Management

Many services delivered by public sector entities are essential to the economic and social wellbeing of our society—a failure to deliver these could have significant consequences for those concerned and for the nation. An effective Business Continuity Management approach is an important element of good public sector governance and the delivery of essential services to Australians. It is part of an entity’s overall approach to effective risk management and should be closely aligned to incident management, emergency response management and disaster recovery.

The audit objective is to assess the adequacy of Australian Government entities’ practices and procedures to manage business continuity.

The audit report is expected to be tabled in the Winter 2014 Parliamentary Sittings.

Fraud Control

The prevention and management of fraud are important issues for Australian Government entities. In the 2009–10 Fraud Against the Commonwealth annual report, the Australian Government reported losses of almost half a billion dollars through fraud in more than 700 000 reported instances. In March 2011, the ANAO updated its Better Practice Guide—Fraud Control in Australian Government Entities. The updated guide reflects the changing fraud risk landscape and outlines measures that agencies can take in establishing an effective fraud control environment. The release of the better practice guide coincided with the issue of an updated version of the Commonwealth Fraud Control Guidelines by the then Minister for Home Affairs.

The audit objective is to examine the effectiveness of the design and operation of fraud control arrangements in selected Australian Government entities, including compliance with the requirements of the Commonwealth Fraud Control Guidelines.

The audit report is expected to be tabled in the Spring 2014 Parliamentary Sittings.
Potential audits

AusTender

AusTender is the Australian Government’s web-based procurement information facility and is managed, on behalf of the Government, by the Department of Finance (Finance). AusTender provides centralised publication of Australian Government business opportunities, annual procurement plans, multi-use lists and contracts awarded. It supports entities to meet their publishing obligations under the Commonwealth Procurement Rules (effective from 1 July 2012). AusTender can also be used by entities to monitor and review their procurements.

An audit would examine selected entities’ AusTender reporting processes (including those for the reporting of confidentiality provisions), and the accuracy and timeliness of their reported information. It would also examine Finance’s management of AusTender from a whole-of-government perspective.

Control of Credit Card Use

Commonwealth credit cards are widely used by Australian Government entities as a convenient and flexible way to purchase goods and services to meet business needs. Credit card expenditure can be considerable, as some large entities spend tens of millions of dollars.

The widespread use of credit cards can expose entities to the risk of inappropriate or unauthorised expenditure. Entities should therefore establish control frameworks to ensure that credit cards are used appropriately for official purposes. It is important that those frameworks are effective, as the misuse of credit cards can attract substantial public interest and reflect poorly on the Australian Public Service.

The audit would assess whether Australian Government entities are effectively controlling the use of credit cards for official purposes.

Management of Australian Government Travel Arrangements

Whole-of-Australian-Government (WoAG) travel arrangements are coordinated procurements established by Finance. Participation in the arrangements is mandatory for Australian Government departments, while other Commonwealth entities can elect to participate in them with the agreement of Finance. The mandatory elements of the arrangements relate to certain airline, accommodation and car rental bookings.

The WoAG travel arrangements enable the aggregation of government purchasing power in an effort to obtain better pricing and value for money and to reduce the administrative cost of procurement activities for entities and suppliers. The arrangements are also designed to promote simplicity and efficiency for official travel.

An audit would examine how selected entities are managing their responsibilities under the WoAG travel arrangements, including Finance’s measurement of any savings or efficiencies achieved to date under the arrangements. The audit may also examine how entities are complying with the requirements of the Use of the Lowest Practical Fare for Official Domestic Air Travel and Official International Travel—Approval and Use of the Best Fare of the Day policies.
Procurement

In 2012–13, the Australian Government purchased over $39 billion in goods and services through procurement processes. When undertaking procurement, government entities are required to follow the principles and requirements set out in the Commonwealth Procurement Rules and associated legislation. In recent years, the ANAO has completed cross-entity audits on procurement panels, multi-use lists and credit cards.

An audit would examine selected entities’ management of the procurement cycle for specific procurements, including approaches to obtaining value for money when procuring goods and services, ongoing contract management, and the evaluation of contract performance.

Access to Online Services—Digital First Policy

The Australian Government delivers services to Australians through four main channels: in person; by phone; online; and by mail. Central to the National Digital Economy Strategy (released in 2011) is the policy of Digital First, which requires agencies to make key priority services available online, including on mobile platforms, by December 2017. The priority services will include a range of services related to income support, child support, families assistance, taxation, and health and aged care. The policy aims to help achieve the Government’s target that 80 per cent of Australians choose to engage with government online by 2020.

An audit would examine how selected entities are managing and implementing the Digital First policy, including whether the online services are user-focused and supported by service delivery strategies with defined and measured benefits. The audit may also examine whether online services are secure, available and relevant to the users.

Implementation of the Council of Australian Governments’ Service Delivery Principles for Programs and Services for Indigenous Australians

Services for Indigenous people are delivered through both mainstream and Indigenous-specific programs and services. By far the greater expenditure is in the area of mainstream services; Indigenous-specific services are mostly intended to supplement mainstream service delivery. Accordingly, the Council of Australian Governments has placed ongoing emphasis on appropriate, effective and integrated service delivery for all programs providing services to Indigenous people.

In 2008, the Council of Australian Governments agreed on the Service Delivery Principles for Programs and Services for Indigenous Australians as part of the National Indigenous Reform Agreement (NIRA) and a renewed focus on improving service delivery. The service delivery principles are intended to guide the design and delivery of mainstream government programs and services provided to Indigenous people, as well as the development and negotiation of National Partnership Agreements. The principles build on the Council of Australian Governments’ earlier National Framework of Principles for Government Service Delivery to Indigenous Australians (agreed in 2004), which covered sharing responsibility; harnessing the mainstream; streamlining service delivery; establishing transparency and accountability; developing a learning framework; and focusing on priority areas. The revised 2008 principles are priority, Indigenous engagement, sustainability, access, integration and accountability. Under the NIRA, all governments are required to take these principles into account in designing policies and delivering services for Indigenous people.

A series of audits would examine the extent to which Australian Government agencies have applied these principles in the design and delivery of selected mainstream programs to improve the performance of those programs for Indigenous people.
Implementation of the Protective Security Policy Framework

The Protective Security Policy Framework (PSPF) replaced the Protective Security Manual in 2010. The PSPF contains 33 mandatory protective security requirements for Australian Government entities to implement, along with a tiered framework of core standards, policies and guidelines. The Australian Signals Directorate (ASD) Information Security Manual provides detailed technical measures for information security and continues to apply under the PSPF.

The PSPF applies to Australian Government entities and any organisations working on their behalf or handling Australian Government information and assets. This may include other governments and contracted goods or services providers. The Attorney-General’s Department (AGD) has policy responsibility for the development and implementation of the PSPF.

An audit would examine the effectiveness of the implementation of the PSPF. This includes 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.

Entities’ Implementation of the Australian Privacy Principles

On 12 March 2014, new Australian Privacy Principles (APPs) came into effect to regulate the handling of personal information by Australian Government entities. The APPs replace the previous National Privacy Principles and Information Privacy Principles. The APPs require entities to be more transparent about how they collect, use and store individuals’ personal data. They place an obligation on entities to take reasonable steps to implement practices, procedures and systems to comply with the APPs and to deal with privacy queries and complaints as they arise.

An audit would assess entities’ compliance with the APPs and examine the systems in place to protect personal data privacy, with a focus on the adequacy of policies, procedures and the administrative framework and systems that are used to store and disseminate data.

Agency Performance in Meeting Obligations under the Australian Government Access and Equity Policy

In June 2012, the Access and Equity Inquiry Panel presented the Access and Equity for a Multicultural Australia report to the Australian Government. The inquiry had two terms of reference: to inquire into the Government’s current approach to access and equity and its implementation; and to provide prioritised recommendations to the Government for improving the responsiveness of Australian Government services to a culturally and linguistically diverse population.

Among a range of recommendations aimed at rejuvenating the Access and Equity Policy, implementation and practices, the inquiry report recommended that, to ensure completely independent and thorough scrutiny of performance, the Australian Government should request the Auditor-General to undertake periodic performance audits of selected entities’ performance in meeting their access and equity obligations. In March 2013, the Australian Government indicated that it supported, or supported in principle, all 20 recommendations made in the report. The Auditor-General was requested to consider undertaking periodic performance audits of entities’ implementation of obligations under the Access and Equity Policy.

An audit would examine how selected entities are meeting their obligations under the Australian Government Access and Equity Policy.
Administration of Government Advertising Arrangements

Advertising is an important and legitimate element of government communication and information strategies. Governments use advertising to inform the public about government policies, programs and services that affect people’s entitlements, rights and obligations. They also use advertising to promote specific and general job vacancies in government entities.

Australian Government entities are required to comply with guidelines for information and advertising campaigns undertaken in Australia and for non-campaign recruitment advertising. Offshore communications activities are not subject to the guidelines.

In November 2013, Finance released *Short-term Interim Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*, replacing the previous guidelines introduced in March 2010. The Auditor-General was requested to consider undertaking periodic performance audits of the administration of government advertising following the introduction of the 2010 arrangements.

An audit would examine the ongoing evolution of the government advertising framework, including Finance’s administration of the relevant guidelines, and selected entities’ administration of advertising and communications activities.

Entity Performance in Reducing Regulatory Costs

The Australian Government has made a commitment to regulatory reform with the aims of reducing the burden of regulation, boosting productivity, increasing competitiveness, reducing unnecessary regulation and lifting regulatory performance. In support of this approach, the Government has established a regulatory cost saving target of $1 billion a year.

All portfolios are required to conduct audits of existing legislation and regulation and the compliance cost imposed on business, individuals and the community. The audits are expected to establish a baseline against which progress in regulatory cost reduction can be assessed. Where a policy initiative includes a regulatory burden, that cost must be offset by savings in another area in order to achieve the Government’s net reduction target.

An audit would examine how selected regulatory entities, or portfolios have quantified the regulatory burden placed on business, individuals and the community, and how progress against their reduction targets is calculated, monitored and reported. Timing of the audit will consider the timing of key elements of the Government’s program of deregulation.

Shared Services for Corporate Functions

As a result of the 2013 machinery of government changes, the departments of Education and Employment have agreed to establish a Shared Services Centre. The arrangement allows both departments to share key functions, such as information technology systems, assistance with enterprise applications, financial services, communication advice and support, people management and procurement. The Shared Services Centre will also be responsible for a whole-of-government initiative to extend the parliamentary workflow system to all Australian Government departments. While the centre is jointly controlled by the departments, it is expected that it will service each department separately.

The collaboration between the departments has the potential to reduce costs and increase efficiencies through the consolidation of standardised processes.

An audit would examine the departments’ management of the shared services approach.
Management of Machinery of Government Changes

A machinery of government (MoG) change is an organisational or functional change affecting the Commonwealth, such as the moving of functions and responsibilities between entities. MoG changes generally occur in the period immediately after a federal election. A number of significant MoG changes were made in the period following the 2013 federal election.

MoG changes often involve planning and implementing the transfer of functions and programs and may include reassigning employees and transferring records, contract registers, intellectual property and finances. While implementing such changes, it is critical that the Commonwealth continues to deliver programs and services to the Australian public. The Australian Public Service Commission jointly developed the *Implementing Machinery of Government Changes: A good practice guide* with the Finance, the Department of the Prime Minister and Cabinet, the National Archives of Australia and the Office of the Australian Information Commissioner. This guide aims to support entities in effectively managing MoG changes.

An audit would examine aspects of the management of MoG changes within a selection of Australian Government entities.

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 are variable.

In March 2010, *Ahead of the Game: Blueprint for Reform of Australian Government Administration* emphasised the importance of evaluative work for continuous improvement and identified actions to strengthen government evaluation.

An audit would examine selected Australian Government entities’ management of evaluation activities, including strategic planning and activities to promote organisational understanding of evaluation results and use of these to inform program effectiveness and design.

Entities’ Implementation of Audit Recommendations

ANAO performance audits are designed to inform the Parliament and provide a stimulus for improved public sector accountability and performance. In its performance audits, the ANAO identifies areas where administrative improvements can be made and, in most cases, makes specific recommendations to assist entities to improve their performance and address risks to the delivery of outcomes. Once an entity has agreed to implement a recommendation, timely implementation in line with the intended outcome of the recommendation is important in achieving the full benefit of the recommendation.

An audit would assess the effectiveness of governance arrangements in selected entities for monitoring and implementing agreed ANAO performance audit recommendations, and potentially include recommendations from reports of the JCPAA.
Delivery and Evaluation of Grant Programs

As part of the Commonwealth Financial Accountability Review, Finance observed that sustaining high-quality public sector performance and accountability requires targeted and relevant evaluation. Similarly, the recent update to the ANAO’s Better Practice Guide Grants Administration encourages entities to give greater emphasis to the evaluation of granting activities, consistent with the outcomes orientation principle included in the Commonwealth Grant Guidelines, given the important role this work can play in granting activities achieving their objectives.

An audit would examine entity management of the delivery of funded projects under programs where the ANAO has previously audited the application assessment and selection processes. It would also examine the development and implementation of evaluation strategies for each program. The particular programs likely to be examined are:

- Liveable Cities, administered by the Department of Infrastructure and Regional Development;
- Energy Efficiency Information Grants, administered by the Department of the Environment;
- the Filling the Research Gap program, administered by the Department of Agriculture; and
- the Supported Accommodation Innovation Fund, administered by the Department of Social Services.

Disposal of Public Property

The Financial Management and Accountability Act 1997 defines public property as either property in the custody or under the control of the Commonwealth or any person acting for or on behalf of the Commonwealth. This includes leased property and property held by the Commonwealth on behalf of someone else. Public property also encompasses gifts given to the Commonwealth and its employees. As such, public property can include real property (land and buildings) and other goods or assets, such as: equipment and furniture; vehicles and fuel; IT and telecommunications assets; intellectual property and other intangible items; heritage and cultural assets; military equipment; shares, bonds, debentures and other securities; and accounts and records.

Agencies dispose of public property in a number of ways, such as by sale, gift, trade-in, transfer to another Commonwealth entity, destruction, recycling or dumping. The Commonwealth’s policy on the disposal of public property is that, having no alternative efficient use, the property should be sold on the open market at full market value. The disposal of Commonwealth assets totalled $118 million, and total gains from sale of non-financial assets were approximately $1453 million, during 2012–13.

An audit would examine how selected agencies are managing the disposal of Commonwealth property.

Senate Order for Departmental and Agency Contracts (Calendar Year 2014 Compliance)

The Senate Order for Departmental and Agency Contracts requires entities operating under the Financial Management and Accountability Act 1997 to place lists of contracts valued at $100 000 or more on the internet. The lists must indicate, among other things, whether each contract requires the parties to maintain the confidentiality of any of the contract’s provisions. The order also requests the Auditor-General to review contract lists annually and to report any incorrect use of confidentiality provisions.

An audit would examine the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2014 calendar year listings, and the processes used by selected entities for compiling contract listings.
Guides scheduled for updating in 2014–15

The ANAO will undertake work to refresh and update the following Better Practice Guides and expects to publish a minimum of three during 2014–15.

Successful Implementation of Policy Initiatives

In October 2006, the ANAO released the Better Practice Guide Implementation of Programme 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. The guide gave particular focus to the upfront planning and development phases leading up to an initiative’s readiness for ongoing delivery.

An updated guide will build on the 2006 version by emphasising the essential preconditions and capabilities necessary for the successful implementation of government policy initiatives, as well as the importance of considering implementation issues during policy design processes. The key building blocks for successful implementation have been refined in the updated guide, including a greater focus on engaging stakeholders and strengthening monitoring, review, and evaluation arrangements, which are a basis for more active management. An updated guide is designed primarily to be a tool for public sector senior leaders—chief executives and senior executives—advising on policy proposals and responsible for implementing policy initiatives.

Public Sector Audit Committees: Independent assurance and advice for chief executives and boards

Audit committees have an important role in the governance framework of entities by providing an independent source of assurance and advice to accountable authorities. In 2011 the ANAO released the Better Practice Guide Public Sector Audit Committees to provide guidance on the operation of the audit committees of public sector entities operating under both the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997. An updated guide will reflect the revised audit committee arrangements under the PGPA Act and other developments.

Preparation of Financial Statements by Public Sector Entities Update

Financial statements are an important means of demonstrating how the public sector, both at individual entity and whole-of-government levels, meets its financial management responsibilities. An important aspect of financial management and stewardship, and the primary mechanism by which entities meet their financial accountability obligations, is the preparation and publication of annual audited financial statements in annual reports. The guide will include coverage of financial statements prepared by entities utilising shared services arrangements.

The ANAO will update and refresh the June 2013 guide to reflect the revised financial reporting arrangements under PGPA Act and other developments.
**SAP Security and Control**

The use of technology and information technology systems is increasingly embedded into Australian Government entity business processes to initiate, authorise, process and manage financial transactions. Weaknesses in the design or operation of technology have the potential to not only compromise the integrity and accuracy of financial information but also impede the efficiency of an entity in achieving its objectives. SAP is a prominent financial system used by an increasing number of Australian Government entities. Approximately 70 per cent of large government entities currently use SAP as their financial management system. These entities account for approximately 80 per cent of government revenues and over 70 per cent of total expenses.

Establishing, evaluating and monitoring the effectiveness of internal controls over financial information is an important responsibility of public sector entities. In 2009, the ANAO released the *SAP ECC 6.0 Security and Control Better Practice Guide*, which updated and consolidated two previous better practice guides covering SAP use. An updated guide will reflect upgrades to SAP since 2009 and the growing use of SAP across Australian Government entities.

**Fraud Control**

Sound and effective fraud control is an important element in the governance of Australian Government entities. In March 2011, the Australian Government issued an updated version of the *Commonwealth Fraud Control Guidelines* which established the fraud control policy framework within which entities determined their own specific practices, plans and procedures to manage the prevention and detection of fraudulent activities. Concurrently the ANAO released the *Fraud Control in Australian Government Entities Better Practice Guide* which complemented the Fraud Control Guidelines. To reflect changes in the governance environment stemming from the PGPA Act, and other policy and administrative changes in relation to the management of fraud, the ANAO will update and refresh the 2011 guide, in consultation with the Attorney-General’s Department.

**Developing and Managing Internal Budgets**

Effective internal budgeting is a fundamental element of an organisation’s financial management framework. In June 2008, the ANAO released an update to the 2003 guide, *Developing and Managing Internal Budgets Better Practice Guide*. The guide assists organisations to manage internal budgeting activities through a range of principles and techniques that are designed to embed internal budgeting in an organisation’s planning, control and accountability systems. An updated guide will incorporate the PGPA Act and changes to the budget process operating rules, and will reflect shared services arrangements.

**Business Continuity Management**

Business continuity management is an essential component of good public sector governance. It is part of an entity’s overall approach to effective risk management, and should be closely aligned to the entity’s incident management, emergency response management and information technology disaster recovery. Successful business continuity management requires a commitment from the entity’s executive to raising awareness and implementing sound approaches to build resilience. In June 2009, the ANAO released the *Business Continuity Management: Building resilience in public sector entities Better Practice Guide*. An updated guide will reflect national and international developments in standards and practices for business continuity management since 2009.
## ANAO Senior Contact Officers

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