Paper-based publications

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<td>Australian Defence Force</td>
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<td>AEC</td>
<td>Australian Electoral Commission</td>
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<td>AFP</td>
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<td>Civil Aviation Safety Authority</td>
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<td>Council of Australian Governments</td>
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<td>Department of Climate Change and Energy Efficiency</td>
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<td>DEEWR</td>
<td>Department of Education, Employment and Workplace Relations</td>
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<td>Department of the Environment, Water, Heritage and the Arts</td>
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<td>Goods and Services Tax</td>
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<td>Joint Committee of Public Accounts and Audit</td>
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Introduction

The Auditor-General is an independent officer of the Parliament who is responsible for undertaking audits of the financial statements and performance of Australian Government entities.¹ In fulfilling this role, the Auditor-General is assisted by the Australian National Audit Office (ANAO). The ANAO has two planned Outcomes, namely:

To provide assurance on the fair presentation of financial statements of Australian Government entities by providing independent audit opinions and related reports for the information of Parliament and the Executive.

To improve the efficiency and effectiveness of the administration of Australian Government programs and entities by undertaking a program of independent performance audits and assurance reviews for the information of Parliament and the Executive.

The Audit Work Program July 2010 (the Program) is the ANAO's annual audit coverage publication outlining:

• portfolio/agency audit strategy overviews;
• performance audits in progress as at 1 July 2010;
• a rolling program of potential performance audit and better practice guide topics that may commence in 2010–11 or future years; and
• the Australian Government entities subject to financial statement audit coverage.

Auditor-General Mandate

The Auditor-General Act 1997 (the Act) establishes the mandate of the Auditor-General to undertake audits in Australian Government entities. The Act, the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997 provide the Auditor-General with the authority to undertake financial statement and performance audits (other than for Government Business Enterprises)² and to provide additional services, including better practice guides and other assurance and review reports.

In undertaking audits, and in accordance with the Act, the Auditor-General sets auditing standards which persons performing audit functions must comply with. In setting the standards, the Auditor-General has adopted the Auditing Standards issued by the Australian Auditing and Assurance Standards Board including, the ‘Standard on Assurance Engagements ASAE 3500 Performance Engagements’.

¹ The term ‘entity’ is used to describe all organisations subject to the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997.

² Performance audits of Government Business Enterprises can be undertaken following a request from the responsible Minister, the Minister for Finance and Deregulation or the Joint Committee of Public Accounts and Audit.
Assurance Audit Services

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

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

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

The 2010–11 financial statement audit work plan includes the completion of the audit of the 2009–10 financial statements of some 259 Australian Government entities. The 2010–11 program also includes the commencement of the 2010–11 financial statement audits.

Performance Audit Services

Performance Audit Services deliver agency-specific audits and cross-agency audits which are general performance audits of particular themes or common aspects of administration across a number of entities. The objectives of a performance audit are twofold. The first is to provide the Parliament with assurance relating to the administration of Government programs. The second objective is to assist public sector managers by identifying and promoting better administrative and management practices.

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

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

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

The ANAO also produces a program of better practice guides based on emerging issues that have an impact on the performance of the public sector and, to a large extent, draw on the results of previous audits. Better practice guides aim to improve public administration by providing a vehicle for better practices employed in some organisations to be recognised and promulgated to all Australian Government entities.

In December 2009, the functions of the former Office of Evaluation and Audit (OEA) were transferred from the Department of Finance and Deregulation to the ANAO. As a consequence, the ANAO’s performance audit program will be enhanced to include a greater number of audits

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3 The Auditor-General is also engaged in an additional 64 audits by arrangement.
focusing on Indigenous-specific programs in addition to audits of other programs which have an identified Indigenous-specific outcome or component.

In 2010–11, the Auditor-General expects to table in the Parliament and/or publish:

• 56 performance audits4 (including cross-agency audits);
• four better practice guides; and
• one Defence Materiel Organisation Major Projects Report.

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

**Strategic and Integrated Audit Planning**

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

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

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

**Consultation**

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

**Environmental scan**

The Program is developed against the backdrop of a changing environment in which the Australian Public Service (APS) operates. In this context, the ANAO undertakes an environmental scan that identifies key areas/issues that present risks or challenges across entities and public administration. The areas/issues identified are an important source used by the ANAO to inform the performance audit program. Key areas/issues the ANAO identified for 2010–11 include:

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4 This represents an increase of nine audits from 2009–10 and reflects both the restoration of the performance audit program to previous levels and the integration of the functions of the former OEA.
• **Ongoing implementation of economic stimulus measures**—over the last two years a series of new measures such as the ‘Economic Security Strategy’ (October 2008), ‘Nation Building and Jobs Plan’ (February 2009) and the 2009–10 Federal Budget, including the ‘Nation Building Infrastructure package’ (May 2009), have been announced by the Government in response to the global economic downturn. The implementation of these measures has been a key priority for a number of agencies and involves new programs, extensions to existing programs and material expenditure. The ANAO has either completed, is in the process of undertaking, or has on the forward program, a number of audits looking at aspects of the implementation of these measures.

• **Council of Australian Governments (COAG) reform agenda**—the COAG reform agenda aims include to ‘boost productivity, workforce participation and geographic mobility, and support wider objectives of better services for the community, social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability’. The reform agenda is supported by the *Intergovernmental Agreement on Federal Financial Relations*, which commenced on 1 January 2009, and provides the overarching framework for the Commonwealth’s financial relations with the states and territories.

The reform agenda includes changes to roles and responsibilities, program and service delivery models and, at the Commonwealth level, the separation of policy responsibilities from funding arrangements. To provide coverage of this area, the ANAO has identified a number of audits that will examine specific aspects of the new arrangements, such as National Partnerships, in addition to considering the broader implications of the reform agenda across various other audits.

• **APS Reforms**—in March 2010, an advisory group on public sector reform delivered its report *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* (the Blueprint). The 28 recommendations of the Blueprint were accepted by the Government in May 2010. The nine independent areas of reform outlined in the Blueprint are intended to help the APS meet the challenges it faces in future years. The Blueprint requires agencies to commit to reforms across four core components, namely: meeting the needs of citizens, providing strong leadership and strategic direction, presenting a highly capable workforce, and operating efficiently and at a consistently high standard.

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

• **Indigenous**—the ANAO has established a program of Indigenous-focused audits following the transfer of the OEA function. The Indigenous audit program draws on the targets and strategic areas for action agreed in 2008 by COAG and detailed in the National Indigenous Reform Agreement (NIRA) which provides the overall framework for the delivery of the

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6 The ANAO is currently undertaking audits of the Regional Funding Programs and the Home Insulation Program.

7 The Program includes potential audits such as the ‘Development and Implementation of the Australian Government’s Guarantee of Large Deposits and Wholesale Funding’.
Government’s Closing the Gap in Indigenous Disadvantage Initiative. Within the six targets set by COAG under the Closing the Gap initiative, there are seven strategic areas for action—early childhood, schooling, health, economic participation, healthy homes, safe communities, and governance and leadership. These areas, known as the ‘Building Blocks’, form the framework for the ANAO’s audit coverage.

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

In responding to this approach to policy and program design and delivery, the Program identifies a number of potential audits in specific agencies while also covering cross-agency themes in potential topics such as performance measurement and reporting and the ICT Reform Program.

- **New policies**—new policies announced by the Government are implemented on a continual basis. The scope of an audit may include an examination of policy implementation and the extent to which policy objectives have been met. Accordingly, an analysis of new policies contributes to development of the Program and is reflected in the potential audit topics across all portfolios. In this context, policies announced and introduced in recent times, such as Trade Training Centres in Schools, present a contemporary opportunity to examine the implementation of a large-scale initiative.

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

_UNDERSTANDING THE OPERATIONS OF AGENCIES AND IDENTIFYING AREAS THAT COULD POTENTIALLY IMPROVE PERFORMANCE_

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

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

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

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

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

Financial materiality is based on an assessment of the total value of one or more of annual expenditure, annual revenue and assets and liabilities, in the proposed area of audit. As a general rule, total values less than $100 million would be considered as being low in financial materiality, values in the $100 million to $500 million range would be medium, and values of $1 billion or higher would be considered to have high financial materiality.

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

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

Stakeholder requests

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

The Program is divided into four sections:

- **Performance audits by portfolio**—outlines an audit strategy overview by ministerial portfolio/agency followed by descriptions of performance audits in progress as at 1 July 2010 and a range of potential audit topics from which audits to be undertaken in 2010–11 and future years may be selected.

- **Cross-portfolio audits**—outlines performance audits that will involve a number of departments and agencies and are either in progress as at 1 July 2010 or are potential topics that could start in 2010–11 or future years.

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

- **Financial statement audits**—lists all financial statement audits to be undertaken in 2010–11 by ministerial portfolio/agency.
Agriculture, Fisheries and Forestry

Audit strategy overview

The Agriculture, Fisheries and Forestry (DAFF) portfolio has responsibility for quarantine services, plant and animal health, sustainable agriculture promotion, marketing, and climate change in rural Australia. In addition, agencies responsible for the regulation of fishing in Commonwealth-managed fisheries and agricultural medicines reside within the portfolio.

The total 2009–10 budget for the Agriculture, Fisheries and Forestry portfolio is $1.8 billion. A priority for DAFF is implementing the recommendations of the Equine Influenza Inquiry (the Callinan Inquiry) and the broader Beale Review into quarantine services conducted in 2008. The department must also continue to coordinate the Government’s drought assistance programs and deliver major environmental initiatives such as the Caring for Our Country program.

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

Potential audits

Drought Assistance

The Australian Government provides support to farmers during periods of prolonged drought conditions through Exceptional Circumstances (EC) assistance. This EC assistance includes support for farming families and support for farm enterprises. In 2007, the Government announced new drought assistance measures, including a new EC Exit Package. Further funding for EC and income support was provided in the 2008–09 and 2009–10 Federal Budgets. Payments for drought assistance are made by Centrelink.

An audit would examine DAFF’s administration of drought assistance measures. The audit may also involve Centrelink.

Northern Australia Quarantine Strategy

The Northern Australia Quarantine Strategy contributes to protecting Australia from exotic pests, weeds and diseases that could enter Australia from countries to its north. The strategy plays a vital role in contributing to the early detection of the entry of pests and disease threats, mainly to commercial agriculture in Australia, but also to the introduction of environmental pests, particularly weeds, in northern Australia.

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

Quarantine and Biosecurity Systems

DAFF works across the full continuum of quarantine measures: pre-border, border and post-border. A range of technologies and approaches are used, including research, shared international resources and intelligence, to help prevent the introduction and spread of disease.
Surveillance and monitoring of risk areas is critical along with border control activities, which focus on intercepting and quarantining potential threats at Australia's airports, seaports, and international mail centres. Quarantine controls at Australia's borders aim to minimise the risk of exotic pests and diseases entering Australia and protect our $32 billion agriculture export industries.

A series of audits would examine the effectiveness of Australia's quarantine operations at international airports, seaports and mail centres, including measures to manage interventions on a risk basis.

**Caring for Our Country Program**

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

An audit, or series of audits, would examine the administration of the Caring for Our Country program and whether the objectives of the program are being met. This audit would also involve the Department of the Environment, Water, Heritage and the Arts as the program is jointly administered.

**Australia’s Farming Future**

Australia’s Farming Future is the Australian Government’s climate change initiative for primary industries. It provides funding of $130 million over four years from 2008–09 to help primary producers adapt and respond to climate change. The initiative consists of climate change research and adjustment programs, transitional income support and community networks and capacity building.

An audit would examine the administration of the program and whether the objectives of the program are being achieved.

**Management of Domestic Fishing Compliance—Follow on**

From its establishment in 1992 until June 2009, the Australian Fisheries Management Authority (AFMA) adopted a decentralised approach to monitoring compliance with the *Fisheries Management Act 1991* in Commonwealth fisheries. State fishery agencies undertook, on AFMA’s behalf, most compliance monitoring activities. From July 2009 AFMA adopted a centralised compliance model using Canberra-based staff to conduct most domestic compliance activities. The expected benefits from this new approach included a greater control and consistency in the conduct of compliance and enforcement activities, and improved flexibility to allocate resources.

An audit would examine the effectiveness of AFMA’s new centralised approach to compliance monitoring and the progress made in implementing the recommendations of Audit Report No.47 2008–09 *Management of Domestic Fishing Compliance.*
Attorney-General’s

Audit strategy overview

The Attorney-General’s portfolio comprises the Attorney-General’s Department, the Australian Federal Police (AFP), the Australian Customs and Border Protection Service (Customs), and a number of other agencies, including those covering national security, administration of justice, law enforcement, and administration of Australia’s territories. The structure of the agencies within the portfolio is intended to align to the Government’s commitment to a fairer and safer Australian society.

The ANAO has focused its recent audit efforts on risks in the national security and border security environment. Recent audit coverage has included the enforcement of Australia’s border security arrangements at airports and in the maritime domain, identity security arrangements, and arrangements to share national security information from members of the public between intelligence and law enforcement agencies.

Planned audit work for 2010–11 places particular emphasis on how well law enforcement and intelligence agencies in the portfolio have managed changes in resources and responsibilities, while maintaining core capabilities and delivering key functions.

Audits in progress at 1 July 2010

National Security Hotline

The National Security Hotline is a 24-hour, 365 days per year, call centre located within the Attorney-General’s Department. It was established in 2002 principally to allow members of the public to report matters which may be of significance to national security, especially in relation to terrorism. Since its inception, it has received more than 140,000 calls.

The objective of this audit is to examine the effectiveness of the management and implementation of the hotline, including whether call reports from the hotline meet the needs of stakeholders both in terms of timeliness and quality.

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

Night Patrols

Northern Territory Night Patrols (Night Patrols) are community-based intervention initiatives to assist ‘at risk’ Indigenous Australians avoid adverse contact with the criminal justice system either by causing or becoming victims of crime. The Australian Government is providing $67.9 million over three years from 2009–10 for the operation of Night Patrol services in 81 communities or areas in the Northern Territory, 73 of which are prescribed communities under the Northern Territory Emergency Response. Twelve service providers have been engaged to deliver night patrol services for the 81 locations.

The audit objective is to assess the administrative effectiveness of the management of the Night Patrols program in the Northern Territory by the Attorney-General’s Department.

The audit report is expected to be tabled in the Spring 2010 Parliamentary Sittings.
Australian Federal Police Management of Implementation of New Policy Initiatives

The nature of the AFP, and what is required of it, has changed significantly in recent years. A rapidly changing security environment has required a closer focus on national and international operational activities. These new challenges include counter-terrorism, people smuggling, drug trafficking, peace operations, protective security, cyber crime and other transnational crimes. Expenditure in 2009–10 is projected to approach $1.4 billion, nearly four times the $370 million spent in 2000–01 (the last full year before the September 11 2001 attacks on the United States).

Growth has been achieved through more than 130 new policy initiatives announced since the 2001–02 Budget, representing more than $5 billion of new expenditure. As a consequence, much of the funding has been tied to specific activities and outcomes, with funding lapsing after four years if not renewed. By 2009, nearly 75 per cent of the AFP budget was comprised of finely divided allocations of temporary funds for specific purposes—so-called lapsing and terminating programs. The development and implementation of such a significant body of new policy carries significant risks, both to the delivery of ongoing services as well as the realisation of the benefits intended to be secured by specific initiatives.

The objective of the audit is to assess the effectiveness of the AFP’s management of the implementation of new policy initiatives. The audit is seeking to establish whether the administrative and governance arrangements in place in the AFP over this period effectively supported the delivery of Government priorities, as well as to identify opportunities for the AFP to strengthen organisational performance, institutional transparency and accountability.

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

Management of the Aviation and Maritime Security Identity Cards Regime

Aviation and Maritime Security Identification Cards (ASIC and MSIC) for airport and seaport workers form part of Australia’s effort to secure the transport sector against terrorism. All individuals who require unescorted access to a secure area of an airport, seaport or offshore facility are required to undertake a background check and display an ASIC or MSIC indicating that they have passed this check. Responsibility for the ASIC and MSIC regime is shared between the Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG) and the Attorney-General’s Department (AGD), although the actual issuing of cards is performed by over 200 separate issuing authorities, including both private and public sector bodies. There are around 125 000 ASICs and 137 000 MSICs in current circulation.

The objective of this audit is to assess the effectiveness of DITRDLG’s and AGD’s management of the ASIC and MSIC regime. The audit focus includes governance, reporting and funding arrangements, administration of the issuing of the cards, information systems and compliance activity.

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

Australian Federal Police Protection Services

The former Australian Protective Service was the Australian Government’s specialist protective security provider. The Australian Protective Service had responsibility for protective security and guarding of government establishments, diplomatic and consular missions, and for providing the
counter-terrorist first response function at major airports. Guarding services to government establishments were provided on a user-pays basis and were open to market competition.

The Australian Protective Service became a part of the AFP in 2002, with the objective of ensuring greater coordination between the AFP’s close personal protection function and the Australian Protective Service’s guarding function, and strengthening both organisations’ ability to fulfil their counter-terrorism responsibilities. The Australian Protective Service—its functions and its 1327 employees—was fully integrated into the AFP in 2004.

The objective of this audit is to examine the management of the services provided by the Australian Federal Police Protection Services. In particular, the audit is examining: whether the Protection function has been effectively integrated into the AFP and sound arrangements are in place to strategically plan protection services and manage strategic risks; whether Protection Services staff have appropriate skills and guidance; and whether uniform protection services and close personal protection services are well-managed.

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

**Potential audits**

**Australian Federal Police Management of Project Spectrum**

It is important that the Australian Federal Police has systems that effectively support the full range of its law enforcement operations. The existing system, PROMIS, was developed to provide support to criminal investigations. PROMIS was not designed to support the AFP’s newer functions and the expansion of AFP business. In the 2007–08 Budget, the Government announced the provision of $69.0 million over five years to acquire and develop the next generation of the AFP’s operations and intelligence IT system. Since inception, this significant IT project (known as Project Spectrum) has been broadened to encompass business process management renewal and there has been a significant redefinition of core project objectives. The new system represents a significant capital investment by the AFP and will be a key resource underpinning AFP operations into the future.

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

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

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

An audit would examine the AFP’s implementation and administration of the projects funded through the Fighting Terrorism at its Source initiative, to provide assurance regarding the effectiveness of the expenditure (including the identification of priorities in cooperation with partner countries). The audit may include work in other agencies in the Attorney-General’s and Foreign Affairs and Trade portfolios.
Customs and Border Protection is responsible for the detection and deterrence of the movement of illicit drugs and their chemical precursors across the border. Detection of illicit drugs and precursors has been rising. Most illicit drugs and precursors are detected in cargo and mail rather than on persons. In 2008–09, total drug detection by weight in cargo and mail was 5 358.87 kg. By comparison, detections for air passengers and crew amounted to 94.65 kg, and shipping and aircraft, 8.08 kg.

An audit would examine Customs risk assessment and target selection practices, performance measurement and reporting framework in its detection of illegal drugs and precursors. The audit would take into account previous ANAO activity, in particular ANAO Audit Report No.54 2001–02, Drug Detection in Air and Containerised Sea Cargo and Small Craft, and may include work in other law enforcement and intelligence agencies.

Customs and Border Protection’s Management Arrangements for the Processing of Imports

Customs plays a key role in managing the movement of goods across Australia’s border. In undertaking this role the agency seeks to maintain an appropriate balance between facilitating trade and protecting the community from the entry of illegal and harmful goods into the country. Over recent years consignments for both imports (by air and sea) and exports have experienced steady growth. Consignments are forecast to continue to increase, by more than 35 per cent, by 2015. In anticipation of the increased complexity and volume in the cargo management environment, Customs has significantly changed its cargo management processes and systems. In 2006–07 the ANAO examined the agency’s $205 million Cargo Management Re-engineering Project (Audit Report No.24 2006–07). The audit concluded that the project was a major challenge for the agency. The project encountered considerable delays and cost overruns and the implementation of the new system caused substantial disruptions to the movement of cargo at Australia’s major ports and airports.

An audit would assess the effectiveness of Customs key management arrangements that support its processing of imports. The audit would also examine the agency’s implementation of the recommendations made in ANAO Report No.24 2006–07 and related reviews, having regard to the issues underlying the recommendations and any changed circumstances or new administrative issues affecting their implementation.

Customs and Border Protection’s Processing of Incoming International Air Passengers (secondary examination phase)

Customs is responsible for passenger and crew processing that supports legitimate travel and the interventions needed to prevent illegal movement of people and the goods they bring across the Australian border. International passenger numbers have been increasing; the Customs and Border Protection Service processed 12.32 million incoming international air and sea passengers in 2008–09.

An audit would examine Customs processing of inbound international air passengers, specifically the secondary examination of travellers who may be carrying prohibited goods or items. The audit would examine the risk assessment applied to these passengers. Arrangements with other Australian Government agencies in processing these international passengers would also be an audit focus. The audit would complement the ANAO’s audit of
Customs processing of inbound international air passengers that examined the pre-arrival and primary line process. The audit would be likely to include work in the Foreign Affairs and Trade, and Immigration and Citizenship portfolios.

**Attorney-General’s Department Management of Territories**

The Attorney-General’s Department (AGD) is responsible for administering the Commonwealth’s interests in the Australian territories. This includes the self-governing territories—the Australian Capital Territory, the Northern Territory and Norfolk Island; the non-self-governing—Christmas Island, Cocos (Keeling) Islands and Jervis Bay; and the uninhabited territories—Ashmore and Cartier Islands and the Coral Sea Islands. The AGD’s role includes developing policy advice and legislation to maintain effective systems of governance; administering intergovernmental agreements; delivering state and local government-type services, including grant funding; and managing a capital works program to maintain, replace and modernise territory infrastructure for which the Australian Government is responsible.

An audit would examine the AGD’s administration of the Commonwealth’s interests in the Australian territories.

**ASIO’s Security Assessments of Individuals**

ASIO conducts three types of security assessments of individuals. In 2008–09, ASIO issued 21 699 personnel security assessments of employees and contractors of government agencies who require access to classified information, 65 119 counter-terrorism security assessments (principally of applicants for Aviation and Maritime Security Identity Cards) and 59 844 visa security assessments. Each of these types of security assessments plays an important role in meeting government security requirements and assisting agencies responsible for border security. Requests for assessments come from a variety of sources and ASIO has set performance indicators for each type of assessment. ASIO’s assessments are recommendatory and not binding on the agency which requests them.

An audit would examine the processes involved in each type of assessment and the effectiveness of a number of recent initiatives, such as direct connectivity between ASIO and the Department of Immigration and Citizenship (DIAC). The audit would complement the ANAO’s current audit of the management of Aviation and Maritime Security Identity Cards and previous audit of the DIAC Movement Alert List system.

**Cyber-safety Plan**

The Government announced the Cyber-safety Plan as part of the 2008–09 Federal Budget. The Cyber-safety Plan aims to combat online threats and to protect children from inappropriate material on the Internet, through activities such as:

- expanded education and consultative measures;
- Internet Service Provider-level filtering of an expanded Australian Communications and Media Authority (ACMA) blacklist;
- funding to the Commonwealth Director of Public Prosecutions to manage increased activity resulting from AFP work to ensure that prosecutions are handled quickly; and
- funding to ACMA to implement a comprehensive range of activities and an online helpline for children to report online incidents that cause them concern.
An audit would examine the implementation and administration of the Cyber-safety Plan and the extent to which the program is achieving its objectives. The audit would include work in the Attorney-General’s and the Broadband, Communications and the Digital Economy portfolios.

**AUSTRAC’s Implementation of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006**

AUSTRAC was established in 1989 and is Australia’s anti-money laundering and counter-terrorism financing regulator. The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* was intended to bring Australia into line with international standards set by the Financial Action Task Force. The principal purpose of the Act was to impose obligations on businesses or individuals offering specific services that could be exploited to launder money or to finance terrorism. The Act also conferred significant regulatory and enforcement powers on AUSTRAC. The legislation was introduced in two tranches: the first covering larger institutions in the financial and gambling sectors, and the second covering a range of businesses and professions, including dealers in precious metals and stones, lawyers, accountants, real estate agents and trust and company service providers. The implementation of the first tranche was completed in 2008. The implementation of the second tranche has been delayed and the Government announced that it proposed to reconsider the implementation process for the second tranche in December 2009.

An audit would examine the implementation of the Act. It would also examine the extent to which AUSTRAC’s use of its regulatory and enforcement powers has contributed to meeting the original intention of the legislation.
Broadband, Communications and the Digital Economy

Audit strategy overview

With an overall portfolio budget of approximately $3 billion, responsibilities within this portfolio include communications and technology, media and broadcasting, and postal services. Agencies within the portfolio are the:

- Australian Communications and Media Authority (ACMA);
- Australian Broadcasting Corporation;
- Special Broadcasting Service; and
- Australian Postal Corporation, which is a government business enterprise.

Major initiatives within the portfolio include: providing broadband services through establishing the National Broadband Network (NBN); providing safe Internet services; facilitating effective switchover to digital television; and the regulation of radio and television broadcasting and Internet services.

Recent ANAO audits have covered the National Broadband Network Request for Proposal Process, the establishment and management of the Communications Fund, ACMA’s regulatory functions and the department’s broadband incentive schemes. The ANAO’s future audit program will continue to address the key risks associated with the portfolio’s major initiatives and responsibilities. These include: cyber-safety initiatives (particularly payment for Internet filters), the incentives that continue to be offered to provide metro-comparable broadband services, and the regulatory responsibilities of portfolio agencies.

Audits in progress at 1 July 2010

Management of the Australian Broadband Guarantee

The Australian Broadband Guarantee program offers financial assistance to registered Internet service providers (ISPs) to supply metro-comparable broadband services to (generally) regional, rural and remote customers who would not otherwise receive such services. The Department of Broadband, Communications and the Digital Economy provides incentive payments to ISPs for each eligible customer they connect under the program.

The objective of this audit is to examine the administration of the Australian Broadband Guarantee program and the extent to which the objectives are being achieved.

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

Potential audits

Regional Backbone Blackspots Program

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

An audit would examine the tender process and ongoing management by the Department of Broadband, Communications and the Digital Economy of the Regional Backbone Blackspots program.

**Digital Television Switchover**

In March 2008 the Government announced a $37.9 million digital transition strategy to complete the switchover from analogue to digital-only broadcasting by December 2013. The analogue to digital switchover will affect just about every household and every television receiver in Australia. The Digital Switchover Taskforce within the department is responsible for coordinating and overseeing Australia's transition to digital from analog television.

An audit would examine the implementation and administration of the Digital Television Switchover.

**Cyber-safety Plan**

The Government announced the Cyber-safety Plan as part of the 2008–09 Federal Budget. The Cyber-safety Plan aims to combat online threats and to protect children from inappropriate material on the Internet, through activities such as:

- expanded education and consultative measures;
- Internet Service Provider-level filtering of an expanded ACMA blacklist;
- funding to the Commonwealth Director of Public Prosecutions to manage increased activity resulting from AFP work to ensure that prosecutions are handled quickly; and
- funding to ACMA to implement a comprehensive range of activities and an online helpline for children to report online incidents that cause them concern.

An audit would examine the implementation and administration of the Cyber-safety Plan and the extent to which the program is achieving its objectives. The audit would include work in the Attorney-General's and the Broadband, Communications and the Digital Economy portfolios.

**Digital Regions Initiative**

The four-year $60 million Australian Government initiative is a competitive funding program and will co-fund innovative digital enablement projects with state, territory and local governments. It is a collaborative approach to improve the delivery of education, health and/or emergency services in regional, rural and remote communities. State, territory and local governments can apply for Digital Regions Initiative funding. Private and not-for-profit organisations can partner with eligible organisations. The Initiative was announced in March 2009 and will conclude in 2013. The first round closed on 14 October 2009. It is expected that the second round of funding will commence in 2010.

An audit would examine the administration of the Digital Regions Initiative by the Department of Broadband, Communications and the Digital Economy.
Climate Change and Energy Efficiency

Audit strategy overview

The Department of Climate Change was established in December 2007 with responsibility for leading the development and coordination of Australia’s climate change policies. The department’s activities encompassed the three pillars of the Australian Government’s climate change policy: reducing Australia’s greenhouse gas emissions; adapting to climate change that cannot be avoided; and helping to shape a global solution. It also administered the recently legislated mandatory 20 per cent Renewable Energy Target.

In March 2010 the department became the Department of Climate Change and Energy Efficiency (DCCEE), with the energy efficiency and renewable energy functions of the Department of the Environment, Water, Heritage and the Arts being transferred to the new department. These additional functions include developing policy and delivering a range of energy efficiency and renewable energy programs targeting the household and small business sectors. The programs are intended to complement and enhance action on climate change by assisting the transition of the community and business sectors to a low carbon future.

Audits in recent years have focused on climate change programs and the coordination and reporting of Australia’s climate change measures. The ANAO’s future audit program will focus on reporting of corporate greenhouse gas emissions and the implementation of the Renewable Energy Target.

Potential audits

National Greenhouse Energy Reporting

The National Greenhouse and Energy Reporting is a mandatory reporting framework for corporate greenhouse gas emissions and energy production and consumption across Australia. The requirements of the framework are outlined in the National Greenhouse and Energy Reporting Act 2007.

An audit would examine the administration of the system by the Department of Climate Change and Energy Efficiency and compliance with the legislative requirements of the National Greenhouse and Energy Reporting Act 2007.

Office of the Renewable Energy Regulator

The Office of the Renewable Energy Regulator (ORER) is a statutory authority established to oversee the implementation of the Australian Government’s Renewable Energy Target (RET). From 1 January 2011 the RET, which guarantees 20 per cent of Australia’s energy in 2020 will come from renewable sources, will include two parts: the Small-scale Renewable Energy Scheme (SRES) and the Large-scale Renewable Energy Target (LRET).

The LRET will cover large-scale renewable energy projects like wind farms, commercial solar and geothermal energy, and is expected to deliver the vast majority of the 2020 target. The SRES will cover small-scale technologies such as solar panels and solar hot water systems and will deliver the remainder of the target. The SRES will provide a fixed price of $40 per megawatt hour of electricity produced, providing direct support for households that take action to reduce emissions.

An audit would assess how effectively ORER has managed the implementation of the RET.
Defence

Audit strategy overview

Defence’s mission is to ‘defend Australia and its national interests’ and there are significant resources devoted to achieving this. The 2009–10 Federal Budget provides consolidated resources to Defence and the Defence Materiel Organisation (DMO) of more than $26 billion. The Defence White Paper 2009, *Defending Australia in the Asia Pacific Century: Force 2030*, released in May 2009, has set the strategic direction for Defence. The Government has also endorsed a Strategic Reform Program comprising a comprehensive set of reforms intended to overhaul the organisation, drive efficiency and create some $20 billion in gross savings over the period 2009–19, with over $3 billion of savings to be delivered across the 2009–10 Federal Budget and Forward Estimates.

Within the next 15 years the Government plans to upgrade or replace over 80 per cent of the Australian Defence Force (ADF) war fighting assets. To this end, the DMO is managing over 210 major capital equipment projects and 140 minor projects. It also provides sustainment management services for over 100 ‘fleets’ of military equipment. Until recently the ANAO had given significant priority to audits that cover the significant risks associated with delivering capability to the ADF through major capital equipment projects. The ANAO has also broadened its assurance relating to these risks by working with the DMO to provide a review report on an annual Major Projects Report developed by the DMO.

The introduction of the review report on DMO’s Major Projects has given the ANAO an opportunity to refocus some performance audit resources towards other Defence activities that are also critical to Defence delivering its outcomes. In the last two years, this has meant that, in addition to completing performance audits of major capital acquisition and sustainment activities in DMO, the ANAO has also completed performance audits of the Army Reserve, the planning and approval of major capital equipment acquisitions, the tender process for the private public partnership to build and support the Joint Operational Command Headquarters, garrison support services, the Army Individual Readiness Notice, the procurement of Defence Force recruiting services and the management of Defence health services in Australia.

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8 Three legally distinct bodies working closely together carry out Defence’s role. These bodies are the Department of Defence (Defence), the Australian Defence Force (ADF) and the Defence Materiel Organisation (DMO).

9 Defence’s total workforce in 2007–08 comprised 93 500 permanent and Reserve ADF and APS staff. Defence operates from 450 locations around Australia and has assets of around $60 billion, which includes $34 billion in specialist military equipment.

10 The stated aims of the Strategic Reform Program are to provide a vehicle for deep and enduring reform within Defence; enhance management performance within Defence; ensure that productivity within Defence is increased and able to be sustained, so that the maximum possible level of resources are directed to front-end capability; improve the way Defence does business, in terms of efficiency and effectiveness; and help ensure the goals set out in the White Paper are delivered.

11 The top 30 projects alone have an approved cost of $42.5 billion.

12 The pilot report for 2007–08 was tabled in November 2008 and reported on a sample of nine of the DMO’s top 30 projects. The 2008–09 report will cover a sample of 15 major projects. Over time, the intention is to increase the coverage to up to 30 major projects.

13 These have included audits of the Super Seasprite Project, the M113 upgrade project and the sustainment of the Collins Class submarines.
It will continue to be particularly important, in the context of Defence implementing the Defence White Paper 2009 and the Strategic Reform Program, for the audit program to include both audits of Defence’s major capital equipment procurements and audits of wider Defence activities. In 2010–11, in addition to continuing coverage of major capital equipment procurements and the generation of capability, potential audits include critical areas such as information technology, ADF mechanisms for capturing lessons learnt, warehousing and distribution of explosive ordnance and handling of explosive ordnance at the unit level, and management of support to ADF members and their families.

**Audits in progress at 1 July 2010**

**Major Projects Report 2009–10**

The 2009–10 Major Projects Report will be the third annual report to Parliament on the DMO’s major projects acquisitions (22 projects have been selected for 2009–10). The ANAO will complete the assurance review and report to Parliament on the technical progress, schedule and cost of each major project that is subject to review. The report will be based on the agreed scope of the review, rather than on in-depth reviews, such as those conducted for performance audits. The quality of DMO’s management reporting systems and controls, and its ability to provide the ANAO with relevant and timely access to information relating to each major project will be critical to the success of this review process.

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

**Operational Release of Navy Major Systems**

Introduction of a new military capability through equipment acquisition and upgrade projects carries risks regarding timely operational release of the specified ADF capability. ANAO Audit Report No.30 2001–02, *Test and Evaluation of Major Defence Equipment Acquisitions*, found that Navy projects with well-planned and managed test and evaluation processes benefited from easier progress towards acceptance into naval service (that is, operational release of the relevant capability). The objective of the current audit is to report on Defence’s management of the processes to achieve operational release of Navy major systems, and to identify where better practice may be used by Capability Development Group (CDG), DMO and Navy to achieve improved outcomes. The audit is based predominantly on case studies of 23 projects progressing through their requirements compliance verification and validation phase under the management of DMO, and through to their regulatory review and operational release phase under the management of Navy.

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

**Mechanisms for Capturing and Communicating Lessons from Operational Activities in the Australian Defence Force**

In August 2008, the Senate Foreign Affairs and Trade Committee tabled its report on Australia’s involvement in peacekeeping operations. In its report the committee asked the Auditor-General to consider conducting a performance audit of mechanisms that the ADF has in place for capturing lessons learnt from current and recent peacekeeping operations. ADF’s lessons processes cover all operations and training exercises and do not differ according to types of
missions such as peacekeeping. Accordingly, the ANAO is undertaking a performance audit of
the ADF’s mechanisms for capturing and communicating lessons from operational activities.

The audit involves an examination of: the effectiveness of the ADF’s mechanisms for capturing
and communicating lessons; the adequacy of the ADF’s performance indicators for operational
activities; and how lessons are shared within the ADF and with other relevant agencies.

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

**Explosive Ordnance Services Contract**

The Department of Defence, under the provisions of the Explosive Ordnance Services Contract,
outsourced the storage, maintenance and distribution of explosive ordnance to Thales Australia
(formerly ADI Limited). The contract commenced in July 2001 and has a term of
10 years.

The contract encompasses: managing the supply chain between explosive ordnance suppliers
and the end user in forward bases and firing areas; delivering and collecting explosive ordnance
to and from any Defence location in Australia; operating 18 Defence explosive ordnance
storage, maintenance and distribution sites; managing four explosive ordnance disposal sites;
managing, repairing and maintaining Defence’s non-guided explosive ordnance, equipment and
facilities; ammunitioning and de-ammunitioning Navy ships; unloading commercial ammunition
vessels; and providing technical services and training.

The objective of the audit is to examine the effectiveness of Defence’s management of the
Explosive Ordnance Services Contract.

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

**Accountability for Explosive Ordnance Held at Australian Defence Force Units**

Control over explosive ordnance within the ADF has been the focus of significant internal and
external scrutiny over the past several years. Wholesale distribution and warehousing of
explosive ordnance is managed under the Explosive Ordnance Services Contract. On larger
bases the main magazine is shared and run under a Garrison Support contract. Explosive
ordnance storage and accounting arrangements extending further along the distribution chain to
units and exercises are subject to differing arrangements.

The Computer System for Armaments (COMSARM) is the primary classified system used to
account for explosive ordnance within the ADF. COMSARM is not normally available at the unit
level and/or is not always used to manage all types of explosive ordnance held by a unit. A
range of processes is used in place of COMSARM, including paper records, signals and the
Standard Defence Supply System.

The objective of the audit is to evaluate the effectiveness of accountability and control
arrangements for explosive ordnance in the ADF at the unit level.

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

**Information and Communication Technology Strategic Planning**

Defence’s ICT network is the third largest in Australia, consisting of over 8400 servers and
107,000 workstations for 106,000 users. Defence’s ICT infrastructure is supported by around
1400 people at a cost of approximately $1 billion per year.
In any organisation, appropriate strategic planning is fundamental to establishing, maintaining and developing an effective ICT infrastructure. Inadequate planning can result in an ICT infrastructure characterised by fragmentation, duplication, poor performance and the inability to meet business needs. The importance of strategic planning to meet ICT needs is heightened in a large, geographically dispersed organisation such as Defence.

The objective of this audit is to inform Parliament about the effectiveness of Defence’s ICT strategic planning activities.

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

**Potential audits**

**Major Projects Report 2010–11**

The 2010–11 Major Projects Report will be the fourth annual report to Parliament on the DMO’s major projects acquisitions. Subject to the Joint Committee of Public Accounts and Audit (JCPAA) endorsement of selected projects, there is an expectation to increase the number of projects included to 30 projects by the 2011–12 report. In 2009–10, 22 projects were selected and endorsed by the JCPAA. The ANAO will complete the assurance review and report to Parliament on the technical progress, schedule and cost of each major project that is subject to review. The ANAO will continue to undertake analysis of each project’s performance and, over time, the emerging trends across all projects and the governance model in place within the DMO.

The report is based on the agreed scope of the review, rather than on in-depth reviews, such as those conducted for performance audits. The quality of DMO’s management reporting systems and controls, and its ability to provide the ANAO with relevant and timely access to information relating to each major project will be critical to the success of this review process.

**SEA 4000 Air Warfare Destroyer—Phase 3, the Air Warfare Destroyer Build Project**

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

The project is to produce a Verification Cross Reference Matrix containing the contracted requirements and their respective verification procedures and verification results, in order to provide assurance that the contracted specifications, standards and requirements will be achieved.

An audit would provide advice to Parliament on the progress of the Air Warfare Destroyer Build project, and assess the adequacy of the project’s cost and schedule management system and requirements verification.
Implementation of the Military Integrated Logistic Information System

The Military Integrated Logistic Information System (MILIS) is intended to provide the next generation of defence combat support capabilities aimed at delivering superior logistic support. MILIS is being acquired under Joint Project 2077 and is scheduled to become operational in July 2010. The current high tempo of Defence deployments, along with earlier adverse ANAO findings, highlighted the significant challenges in providing logistic support and the difficulties of coordinating more than 100 different logistic information systems to support ADF operations.

MILIS is intended to be an integrated system, providing logistic information and support to ADF units and headquarters in barracks and in the field, including support to deployed locations with interrupted communications. Over the longer term, MILIS is intended to be the foundation for improved financial management, integrated supply, inventory management, maintenance, movements and distribution throughout Defence.

An audit would examine Defence’s planning for and implementation of MILIS, including the transitional and training arrangements.

New Air Combat Capability—AIR 6000 Phase 2A and 2B

AIR 6000 aims to introduce a new air combat capability with the air superiority and strike functions required to meet Australia’s strategic needs.\(^{14}\) In November 2009, the Australian government approved the acquisition of 14 F-35 Joint Strike Fighter (JSF) aircraft at an estimated cost of A$3.2 billion.

The JSF is being developed by an international collaborative program, led by the US. The program has entered the first lot of low-rate initial production, with system development and demonstrations running in parallel with production, sustainment and follow-on development. The key US. program risks include major cost increases and major delays. The Australian program’s highest risks relate to the effective management of the Air Combat Fleet workforce during the transition period, and to Australian defence industry outcomes identified in the agreed Industry Participation Plans.\(^{15}\)

The initial batch of the new aircraft is scheduled for delivery in the U.S. in 2014 for training and testing. The first squadron is intended to be ready for operations in 2018.\(^{16}\) Approval of the acquisition of the next batch of aircraft, sufficient to establish three operational squadrons and a training squadron of JSFs, is planned to be considered by the Australian Government in 2012.\(^{17}\) This accords with the Defence Capability Plan 2009, which includes the acquisition of three operational squadrons comprising not fewer than 72 aircraft. Subsequent Defence Capability Plans may include Phase 2C, which covers the additional squadron that would take the total JSF acquisitions to 100 aircraft.\(^{18}\)

An audit would inform Parliament on the progress of the New Air Combat Capability project and would assess the adequacy of risk management arrangements put in place by the Defence

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\(^{15}\) Ibid.


\(^{18}\) Department of Defence, Defence Capability Plan 2009, p.44.
Materiel Organisation for this project. The audit would include the project’s Phase 2A and Phase 2B capability definition and acquisition contract development.

Implementation of the recommendations of the 2008 Defence Procurement and Sustainment Review

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

Subsequently, in 2008 the Defence Procurement and Sustainment Review (the Mortimer Review) was undertaken. That review identified five principal areas of concern, including: inadequate project management resources in the Capability Development Group; inefficiency in the process leading to government approvals for new projects; shortages in DMO personnel; delays due to inadequate industry capacity; and difficulties in the introduction of equipment into full service. The key themes of the Mortimer Review were focused on making the Defence Materiel Organisation more business-like and imposing commercial discipline on the defence procurement and sustainment processes. In 2009 the Defence Strategic Reform Plan was released. This document encompassed a range of areas within Defence and identified that reforms recommended by the Mortimer Review were a key element of the Strategic Reform Program.

The Government response to the Mortimer Review indicated that the ANAO will be invited to audit the progress of reform at nine and 18 months post-commencement and report its findings against the agreed plan to make defence procurement more business-like.

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

Management of the Defence Estate

Defence is the largest Commonwealth landowner and one of the largest landowners in Australia, with 3.4 million hectares of land. The Defence estate consists of 64 major bases and some 25 000 facilities valued at around $62 billion. Another 350 properties are leased, with an annual lease bill in the order of $120 million. The Defence Support Group manages and maintains the Defence estate, and works with its customer groups and services to identify, deliver and maintain estate projects.

An audit would provide assurance to Parliament on key aspects of Defence’s management of the Defence estate function.

Australian Defence Force Fuel Management

The ADF uses a variety of fuels and lubricants to maintain its military capability.

Sustaining the current high tempo of ADF operations requires the effective management and distribution of fuels and lubricants, a complex task involving many processes. DMO’s Maritime System Division manages the procurement and provision of fuels and lubricants for the ADF.
Defence’s 2007–08 Annual Report states that DMO spent $422 million on fuels and lubricants in that financial year.

ANAO Audit Report No.44 2001–02, *Australian Defence Force Fuel Management*, found that the strategic management of the fuel supply chain was fragmented and insufficiently coordinated. It noted that Defence needed to do more to effectively identify, analyse and manage risk. The audit also identified a number of activities Defence was undertaking to improve management of its fuel and lubricants.

An audit would examine the effectiveness of Defence’s current management of its fuels and lubricants supply chain.

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

The ADF Rehabilitation Program commenced in 2006 to ensure that ADF members receive fast rehabilitation assessments and coordinated management of injury or illness sustained on deployment. The intention is to help maximise Defence’s capability by returning ADF members as quickly as possible to military duty or, or if this is not possible, to alternative duty in the ADF if available or to transition out of the ADF.

The Directorate of ADF Rehabilitation Services is responsible to the Commander Joint Health and the Service Chiefs for overseeing the effective and efficient coordination and delivery of Defence’s rehabilitation services. In October 2008, Defence reported over 8000 program referrals (an average of 400 per month) since the commencement of the program, with a marginally lower rate of referral in 2008–09.

An audit would assess the effectiveness of Defence’s management of the ADF Rehabilitation Program, aimed at returning injured or ill ADF members to duty as quickly as possible.

**Remediation of the Lightweight Torpedo Replacement Project**

The Lightweight Torpedo Replacement Project (JP 2070), as currently approved by the government, is divided into three phases. The total budget for all three approved phases of JP 2070 is $665.48 million. Phase 1, which focused on selection capability analysis and costing, has been completed. Phase 2 involves the acquisition of an initial tranche of torpedoes and integration of the torpedo onto the Adelaide and ANZAC Class Ships. Phase 3 primarily involves the acquisition of a larger quantity of torpedoes referred to as war stock. Both Phases 2 and 3 are ongoing. In May 2010, the ANAO tabled Report No.37 2009–10, *Lightweight Torpedo Replacement Project*. That audit concluded that the acquisition of the replacement lightweight torpedo has not been managed effectively by DMO, as the project will not deliver the capability originally sought by the ADF; did not achieve schedule; and remained within budget but that this had been achieved through the removal of all air platforms from the scope of Phase 2.

At the conclusion of the audit there was ongoing uncertainty surrounding cost, schedule and capability outcomes for the Project. In response to the audit report, Defence and DMO acknowledged that planning for, and implementation of, the test and evaluation program for the torpedo had not been as proactive as it should have been but advised that senior management intervention had recently occurred to ensure that these problems were being resolved quickly. Defence advised that it aimed to achieve an initial operational capability in mid-2011, with the torpedo to be fully in service with all equipment delivered in late 2013. In this context, in May 2010, the Minister for Defence requested that the Auditor-General undertake a follow-up audit of
JP 2070 to provide independent assurance of the project’s progress and that the project is able to get back on track along the lines Defence was then anticipating.

An audit would assess the effectiveness of remediation arrangements put in place by Defence and DMO to resolve issues impacting on the completion of the Lightweight Torpedo Replacement Project and achievement, including in-service support, of the desired capability.

**Defence Force Recruitment (DFR)**

At 30 June 2009 Defence employed 55,081 permanent and 20,277 Reserve ADF personnel. To maintain this level of personnel, and grow the number of personnel in accordance with Defence plans, Defence has a requirement to recruit approximately 10,000 new personnel each year. The recruitment process is undertaken jointly by a contracted service provider and Defence personnel.

In 2009–10 the ANAO undertook an audit examining the tender process for the New DFR contract (contract signed in July 2008), the transition-in of the successful tenderer (August 2008 to January 2009) and the termination of that contract (Termination Deed signed in October 2009 and services ceased on 31 January 2010).

An audit would examine Defence’s management of the process to obtain an interim recruiting services contractor (late 2009), Defence’s management of this contract, the model that is being used to deliver recruitment services and planning for the future delivery of services.

**Management of Commercial Prepayments**

The face value of Defence’s prepayments for 2008–09 was reported to be in excess of $1 billion, including commercial prepayments and prepayments for foreign military sales. For capital acquisitions, Defence’s usual practice is to advance start-up or mobilisation payments to contractors in order to secure long lead-time items, including those requiring significant initial development. Defence generally seeks to balance the need for such payments against the risks, including the opportunity cost to the Commonwealth, indicated by the public debt interest foregone. Current government policy requires the benefits of this approach to be weighed against the risks and the costs, to ensure that the Commonwealth achieves value for money.

An audit would examine Defence’s arrangements for entering into and managing its prepayments, including arrangements for assessing value for money.

**Management of the Reserve Employer Support Payment (ESP) Scheme**

The Reserve Employer Support Payment (ESP) Scheme provides financial assistance to eligible employers to help offset the costs of releasing employees for most categories of ADF service. Defence has identified the skills, qualifications and expertise of ADF Reservists as important to strengthening current and future military capability.

The aim of ESP is to support skills development and, to this end, annual ESP payments of approximately $20 million per annum are made to thousands of Australian employers. ESP is administered by Defence under section 58B of the Defence Act 1903 and is paid at a flat weekly rate (currently over $1000 per week) per eligible employee. There are no restrictions on the uses to which the employer may put ESP payments.

An audit would assess Defence’s management, control and reporting of ESP payments to employers.
LAND 121 (Phase 3)—Project Overlander

LAND 121 (Project Overlander) is a multi-phased project to provide the ADF with field vehicles and trailers beyond the life of the current fleet. The project includes small four-wheel drive vehicles, medium and heavy trucks and large semi-trailer style vehicles, and will replace an ageing fleet acquired between 1959 and 1994.

Phase 3 involves: three separate contracts for light and lightweight vehicles and modules; medium weight, medium and heavy vehicles and modules; and trailers. The total cost of this phase of the project is $3.1 billion.

In August 2008 the Minister for Defence announced that the medium and heavyweight component of this phase would need to be retendered. In October 2008 contracts were signed with Thales Australia for 293 Bushmaster vehicles, and a $350 million contract with Mercedes-Benz to supply 1200 ‘G-Wagon’ trucks to the ADF.

An audit would assess Defence and DMO’s progress in undertaking this acquisition.

Management of the Defence Community Organisation

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

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

An audit would provide assurance to Parliament on the management and effective delivery of community support services to the ADF community via the DCO.

Gate Reviews for Capital Equipment Acquisition Projects

Gate reviews are an assurance process intended to ensure that DMO is able to provide high-quality information and advice to decision-makers. The 2008 Defence Procurement and Sustainment Review (the Mortimer Review) outlined that the DMO had used a range of review mechanisms with varying success. Among these were ‘gate reviews’ entailing a formal review by senior managers and project personnel at key project milestones. The goal of these reviews is to consider the project in sufficient detail before selected key project milestones to provide adequate assurance, and if necessary support, without overly disrupting the project office.

The Mortimer Review suggested that gate reviews be expanded and recommended the establishment of a Project Program Office to review projects and assist projects in solving problems where necessary. The government’s response to the Mortimer Review indicated its agreement. The first reviews undertaken under this new process occurred in September 2009.

An audit would examine and report on the development and effectiveness of the enhanced gateway review processes and associated administrative arrangements.
Defence’s Involvement in Australian Civilian Activities

Defence support to the Australian community and civilian authorities is a key and ongoing element of Defence activities. The government can, and does, regularly call upon the ADF to provide emergency and non-emergency assistance to the government and the Australian community in non-combat roles, including search and rescue, emergency assistance, surveillance, security, non-emergency law enforcement and support for significant international events held in Australia, such as major sporting events. The support varies in nature, can include short or long periods of time, and often involves a high level of visibility to local, national or international communities.

An audit would assess the effectiveness with which the ADF carries out its requested involvement in Australian civilian activities, including the efficacy of inter-agency arrangements, operational planning, and achievements against stated outcomes and performance parameters.

Australian Defence Force (ADF) Clothing and Personal Equipment

The Land Systems Division within DMO is responsible for delivering clothing and personal equipment to the ADF for operational and non-operational roles. ADF clothing includes combat and non-combat clothing and accoutrements for general duties and non-operational roles. The 5th edition of the ADF Clothing and Personal Equipment Procurement Plan 2010–14 was released on 1 July 2009. It outlines the significant tendering activities to meet the ADF’s clothing requirements, along with the six-monthly clothing industry forums to foster relationships with the textile, clothing and footwear industry.

The most recent clothing and equipment plan was developed in the light of the May 2006 ADF Clothing Review that identified the need to improve governance and business practices between Army and Land Systems Division for the procurement of clothing. Matters requiring attention included: the management of the interfaces between Army Headquarters and Clothing Group; higher level management of overall clothing business processes; management of rapid acquisitions; relationships with industry and budget management.

An audit would examine and report on the effectiveness of Defence’s management of the acquisition of clothing and personal equipment for the ADF.

Sustainment of Navy’s Afloat Support Capability

The afloat support force provides operational support for the Royal Australian Navy’s fleet at sea. Afloat support involves providing fuel, food, stores and ammunition at sea, significantly extending the reach and endurance of operations. The ships HMAS Success and HMAS Sirius provide the Royal Australian Navy’s afloat support capability. The 2007–08 Defence Annual Report stated that the HMAS Sirius had transitioned into service and that HMAS Success had had a major refit.

An audit would provide assurance to Parliament regarding the effectiveness of Defence’s management of the sustainment of Navy’s afloat support capability.
Management of the Skilling Australia’s Defence Industry (SADI) Program

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

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

An audit would provide assurance to Parliament regarding the effectiveness of DMO’s management of the SADI program.

AIR 5439—Acquisition of F/A–18F Block II Super Hornet Capability

Acquisition of the F/A–18F Block II Super Hornet represents an investment of around $6.6 billion for 24 aircraft, weapons, facilities upgrades and aircrew training. The project is to provide the ADF with a bridging air combat capability during transition from the current F–111 strike bombers and F/A–18 fighters to the JSF capability to be acquired under Project Air 6000. Phase 1 of the project manages the aircraft and related support system. Phase 2 manages weapons and related support systems. The first four aircraft are scheduled for delivery in the second quarter of 2010 with final operational capability to be achieved in December 2012.

An audit would assess Defence and DMO’s progress in undertaking this acquisition.

AIR 9000—Acquisition of the MRH 90 Helicopter Capability

The MRH 90 Troop Lift Helicopters project has an approved budget of $3.56 billion. The project will provide the ADF with 46 multi-role helicopters to replace the existing Blackhawk and Sea King helicopters in a range of land and maritime operations. The project also aims to establish the associated simulation, training and support systems the helicopters require to function at an optimal level. The current contractor is scheduled to supply an initial Navy operational capability of one aircraft in mid-2010 and an initial Army operational capability of four aircraft in late 2011. The DMO, in the 2007–08 Defence Annual Report, assessed the Engineering Certification task as the highest risk to the program.

An audit would examine DMO’s management of the acquisition project, including adherence to the relevant procurement and financial guidelines.

Sea 4000 Air Warfare Destroyer—Vendor Selection, Post Second-Pass Project Approval

Project SEA 4000 is a four-phase proposal to acquire maritime air warfare capability. The project to acquire three air defence-capable ships, at a total cost of around $8 billion, is the largest naval shipbuilding project ever undertaken in Australia. Following definition, design and requests for tender for the build phases, contracts with the successful tenderers to build the ships and support systems were signed in October 2007. The first ship is expected to be delivered in 2013.
The project involves an alliance contract between ASC AWD Shipbuilder Pty Ltd, Raytheon Australia Pty Ltd and the Commonwealth represented by the DMO (the Alliance). The DMO also has a contract with Navantia SA as the platform system designer and a Foreign Military Sale Arrangement with the United States Government for supply of the core Aegis System.

An audit would review the tender selection and management of vendors selected to provide assurance to Parliament that these processes are delivering value for money and risks are being appropriately managed within the context of the project.

**Sea 4000 Air Warfare Destroyer—Management of Technical Risk Associated with Air Warfare Destroyer**

Project SEA 4000 involves the successful specification, design and delivery of vessels and integrated weapons systems. As such, SEA 4000 is technically the most complex and challenging Naval acquisition since the Collins Class submarines.

An audit would examine how the lessons learnt from managing technical problems during other complex projects, such as the Collins Class project, are applied to SEA 4000, and the arrangements and processes Defence has put in place to identify, manage and remediate technical risks over the life of the project.

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

Defence’s scientific and technical research program supports procurement, capability and whole-of-government security needs. With 2300 employees (over 900 with doctorates) at eight research facilities and an annual budget of $430 million, it is one of the Commonwealth’s largest research endeavours. The Defence Science and Technology Organisation, headed by the Chief Defence Scientist, manages the program.

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

**Retention of Military Personnel**

Defence’s ability to defend Australia and its interests depends to a significant degree on its ability to retain trained personnel in support of continued growth for the ADF. The ADF’s current personnel target is to reach 57 000 members by 2016. Defence intends to achieve the target by recruiting and by reducing the ADF’s separation rate to below 10 per cent per year. The government allocated approximately $3.1 billion to Defence in 2006–07 to support its recruitment and retention initiative over the next 11 years; this includes implementation of further reforms to improve personnel retention within the ADF.

ANAO Audit Reports No.31 2002–03 *Retention of Military Personnel Follow-up* and No.35 1999–2000 *Retention of Military Personnel* have previously examined the ADF’s personnel management practices aimed at retaining ADF members. Those audits assessed the measures the ADF had taken to improve personnel numbers against the cost of recruiting and training new personnel, and whether more cost-effective steps could be taken to reduce the separation rates of desirable personnel.
An audit would complement the existing audit work by examining Defence’s current management of retention of ADF personnel, including recent reforms.

**Australian Defence Force Gap Year Program**

In 2008, as one of a number of Australian Defence Force (ADF) recruitment and retention measures, Defence introduced an ADF Gap Year Program targeted at students or recent school leavers. The program is administered individually by the three Services—Navy, Army and Air Force—at an estimated cost of approximately $306 million over 10 years. Gap Year participants undertake the same initial training as full-time ADF personnel, but without the longer-term commitment.

Defence anticipates that a significant number of participants would opt to remain in the ADF. The program has approximately 700 places per annum and in 2008–09, a total of 626 people (396 men and 230 women) were enlisted in the program.

An audit would assess the implementation and management of the ADF Gap Year Program.

**Fraud Control**

In 2009–10, the Department of Defence and the Defence Materiel Organisation (DMO) have budgeted to spend in excess of $26 billion from departmental appropriations. These expenditures cover a broad range of matters from salaries and allowances to large capital equipment and facilities expenditures. These expenditures also include significant payments to external providers for a broad range of services and consultancies.

An audit would examine the systems and processes within Defence and the DMO to manage their responsibilities related to the prevention, detection and investigation of fraud within these two organisations, including arrangements related to services provided by external providers. The audit would also examine Defence’s fraud risk assessment processes and its related fraud control plan.

**Management of Defence’s Obligations to Pay for Australian Government Taxes, Fees and Charges**

Australian Government agencies are subject to special arrangements that apply to Goods and Services Tax, Fuel Excise, Aviation Fuel Excise, Customs Duty and Fringe Benefits Tax, and other taxes, fees and charges. Among Australian Government agencies, Defence has some of the largest volumes across the broadest range of Commonwealth imposts.

An audit would examine Defence’s administration of the special arrangements that apply to Australian Government agencies in respect of Commonwealth taxes, fees and charges.
Implementation of Revised Governance Arrangements within the Defence Science and Technology Organisation

Over recent years, the Defence Science and Technology Organisation has put in place, through Chief Defence Scientist Instructions and other policies, performance reporting, accountability and compliance frameworks. The governance arrangements are intended to provide the Chief Defence Scientist and his advisory committee with a regular and comprehensive ‘health check’ of the organisation.

An audit would examine the Defence Science and Technology Organisation’s implementation of governance arrangements since 2006.

Cost, Schedule and Capability Executive Reporting (Defence Materiel Organisation)

The ANAO Major Projects Review report team undertakes a series of assurance reviews of elements of the Defence Materiel Organisation’s (DMO) major projects. It has identified that the numerous corporate and project management IT applications being employed by different project offices results in inconsistency between the information produced by each projects’ IT systems, and efficiencies in DMO cannot be gained by adopting a consistent approach to developing and subsequently reviewing the major projects while disparate IT systems are retained.

An audit would examine DMO major project reporting processes and associated supporting systems, to assess the effectiveness of project management reporting in DMO.
A. Veterans’ Affairs

Audit strategy overview

The Veterans’ Affairs portfolio, which includes the Department of Veterans’ Affairs (DVA), the Australian War Memorial and the Office of Australian War Graves, is part of the Defence portfolio. In 2009–10, the total appropriation for the Veterans’ Affairs portfolio was $11.8 billion.

DVA, on behalf of the Repatriation Commission and the Military Rehabilitation and Compensation Commission, administers the Veterans’ Entitlements Act 1986, the Military Rehabilitation and Compensation Act 2004, and the Safety, Rehabilitation and Compensation Act 1988. Under these Acts and other legislation, the department is responsible for carrying out government policy and implementing programs to fulfil Australia’s obligations to veterans and war widows, serving and former members of the Australian Defence Force, certain Australian Federal Police with overseas service and their dependants.

The ANAO’s audit strategy takes into consideration DVA’s approach to engaging with the younger veteran community to ensure services are accessible, effective and appropriate to meet their changing needs.

Potential audits

Mental Health and Related Services Delivered to Younger Veterans

In delivering the Australian Government’s programs in the past two financial years, DVA has focused on responding to the changing needs of the ex-service community. DVA initiated a survey of younger veterans in 2007–08 that found 55 per cent of respondents were satisfied and 26 per cent dissatisfied with DVA’s services. This compares with the general veterans’ satisfaction survey which found 92 per cent of respondents satisfied and three per cent dissatisfied with DVA’s services.

An audit would assess DVA’s service delivery and support to the younger veterans in regard to mental health and related care services.

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

The veteran population is ageing and use of hospital services by those aged 80 years and over is increasing. DVA is one of the largest purchasers of public hospital services.

Under Section 89 of the Veterans’ Entitlement Act 1986 DVA is able to enter into arrangements for the provision of hospital treatment to veterans and other eligible persons. The Department has arrangements in place with all public hospitals and contracted arrangements with most private hospitals across Australia. The choice of hospital accessed is a combination of veteran preference and whether the treating doctor or specialist has visiting rights at the particular hospital.

An audit would examine DVA’s management of the purchase of hospital services from state and territory governments, including the effectiveness of DVA’s systems and strategies to collect data on veterans’ access to hospitals, and on the quality of hospital outcomes.
Education, Employment and Workplace Relations

Audit strategy overview

The responsibilities of the Education, Employment and Workplace Relations portfolio include early childhood learning and care, schooling, vocational education and training, universities, employment and training services, and workplace arrangements.

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

Through the Education Revolution the Government aims to provide high-quality education to all children from the earliest age; world-class teaching and learning in schools; and effective training and life-long learning opportunities through education providers such as universities and the Technical and Further Education (TAFE) system, and in the workplace. To support reforms in these areas, the Council of Australian Governments (COAG) has agreed to a number of National Partnerships that commit the Australian and state and territory governments to achieving specific targets that raise the educational attainment and qualifications of all Australians, and aim to close the gap for Indigenous Australians, particularly in education and employment.

Recent coverage of education-related topics has included audits of vocational education and training and school-level education, including the Building the Education Revolution and Digital Education Revolution. For the coming period, the ANAO is focusing on audits of early childhood learning, including Indigenous early childhood initiatives, Indigenous secondary schooling initiatives, universities, and implementation of National Partnerships. Potential audits include the Early Childhood Education National Partnership, including its Indigenous elements, the Commonwealth Grants Scheme for Higher Education, and the Education Investment Fund.

Due to the Government’s focus on improving the transparency of school performance through national testing, and monitoring and reporting of students’ literacy and numeracy achievements for Years 3, 5, 7 and 9, the ANAO has also included an audit of the My School website in its work program.

Over the past six years, the ANAO’s audit coverage of DEEWR’s employment services programs has concentrated on the department’s administration of the Job Network. The ANAO will consider aspects of DEEWR’s administration of employment services once the replacement for the Job Network, Job Services Australia, matures. During the medium term, the ANAO’s planned audit coverage takes into consideration the role of the department and portfolio agencies in implementing reforms in workplace relations.
Audits in progress at 1 July 2010

Digital Education Revolution

The Government has committed $2.4 billion over seven years (2002–14) to roll out the Digital Education Revolution to ‘contribute sustainable and meaningful change to teaching and learning in Australian schools that will prepare students for further education, training and to live and work in a digital world’. This has included $32.6 million to supply students and teachers with the tools and resources they need to support online education, an additional $200 million in 2011–12 to support the National Secondary School Computer Fund beyond the initial four-year funding period, and a provisional allocation in the May 2010 Budget of $200 million for 2013–14.

The objective of this audit is to assess how effectively DEEWR implements and manages the Digital Education Revolution initiative, with particular focus on payment arrangements, monitoring and reporting or the Fund and on-costs.

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

Multifunctional Aboriginal Childrens Services and Creches

Multifunctional Aboriginal Children’s Services (MACS) and crèches are two types of Indigenous childcare services directly funded by the Australian Government as part of the Budget-Based Funding (BBF) sub-program. DEEWR manages the broader Child Care Services Support Program, of which the BBF sub-program is a part. During 2009–10 the Australian Government provided $19.8 million in funding for the operation of 32 MACS and 37 crèches.

The objective of the audit is to examine DEEWR’s implementation and management of MACS and crèches, including the approaches DEEWR uses to monitor the achievement of the program objectives.

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

Trade Training Centres in Schools

The Trade Training Centres in Schools program is an important element of the Australian Government's Education Revolution. The program will provide $2.5 billion over 10 years to enable all secondary schools to apply for funding of between $500 000 and $1.5 million for Trade Training Centres. The Program’s first funding round approved $90.3 million of projects in July 2008, and a further $335 million of projects in March 2009. A second funding round approved $384 million of projects in November 2009.

The objective of this audit is to review DEEWR’s administration of the program, including the processes for assessing applications for funds.

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

Potential audits

Early Childhood Education National Partnership

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

An audit would examine whether DEEWR has effectively met its responsibilities as set out in the National Partnership Agreement, including its development and oversight of bilateral agreements with state and territory governments, and its lead role in developing an Indigenous (including remote communities) strategy.

**My School Website**

In January 2009 the Australian Government released the My School website to introduce a new level of transparency and accountability to the Australian school system. My School is an Australian Curriculum, Assessment and Reporting Authority (ACARA) information service, which profiles almost 10 000 Australian schools, including National Assessment Program Literacy and Numeracy test results.

The performance of schools is greatly affected by a range of student intake and school location characteristics. The My School website is designed to allow and encourage comparisons with schools that are statistically similar in terms of the range of factors known to affect test performance.

An audit would examine whether ACARA effectively manages the My School website.

**Education Investment Fund**

The ANAO’s Planned Work Program for 2008–09 outlined a series of audits that would be undertaken to examine the establishment and management of the Nation Building Funds. An audit of the Education Investment Fund (EIF) would be the first audit in a series of proposed audits.

The EIF was established to:

- make payments towards creating or developing education infrastructure in areas such as higher education, research and vocational education and training; and
- make transitional payments relating to the former Higher Education Endowment Fund, the balance of which was transferred into the EIF.

The Department of Education, Employment and Workplace Relations and the Department of Industry, Science and Research are responsible for project identification and evaluation criteria, with the Department of Finance and Deregulation being involved in the payment process once decisions are made about which projects to fund.

An audit would examine how candidate projects are identified, how evaluation criteria for the Fund are developed and applied, and how efficiently and effectively the funding for approved projects is administered and accounted for. It would also examine the investment by the Future Fund Board of Guardians and Future Fund Management Agency of the assets of the EIF (which stood at $5.99 billion as at 31 December 2009).
**Productivity Places Program**

The Productivity Places Program (PPP) is part of the Australian Government’s Skilling Australia for the Future initiative. Under the program the Government, in partnership with the states and territories, plans to deliver an additional 711,000 training places over five years (2007–08 to 2011–12) in areas of current and expected future demand by industry.

The main element of the PPP is a National Partnership between the Commonwealth, state and territory governments to deliver training to job seekers and existing workers. The Australian Government retains direct administrative responsibility for sub-elements of the program which support recently retrenched workers and unemployed people seeking to start up small businesses.

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

**Commonwealth Grants Scheme for Higher Education**

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

An audit would examine whether DEEWR effectively administers the Commonwealth Grants Scheme, including the transition to revised funding arrangements.

**Smarter Schools National Partnerships**

The Australian Government has entered into Smarter Schools National Partnerships with the states and territories to address disadvantage, support teacher quality, and improve literacy and numeracy.

The partnerships are made up of:

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

A series of audits would examine whether DEEWR has effectively met its responsibilities as set out in particular partnerships, including the design of administrative arrangements, the implementation of these arrangements (including the payment and acquittal of funds) and the monitoring and reporting of progress towards agreed outcomes.
Administration of the Child Care Benefit

Child Care Benefit is financial assistance to help families that use either approved or registered child care providers with the cost of that child care. In 2010–11 it has a budget of $2 billion. The payment of Child Care Benefit varies depending on family income, the number of children in care, the hours of care, and the type of child care used. Families who are on the lowest incomes and use approved services receive the highest rate of Child Care Benefit. Eligible parents can elect to have the benefit paid directly to their child care provider to reduce their out-of-pocket expenses, or can claim it as a lump sum at the end of the financial year.

An audit would examine the effectiveness of the administration of Child Care Benefit payments.

Fair Work Education and Information Program

The Fair Work Education and Information Program (FWEIP) informs employees, employers and small business about the workplace relations system that commenced on 1 July 2009.

Under the program, the Australian Government has offered $12.9 million in grants to selected community, employee, employer and small business organisations to deliver education and information programs across Australia on how the new Fair Work Act 2009 will affect them. A key focus of the program is to ensure employers, particularly small businesses, learn about the new system and comply with it, including new aspects such as the Fair Dismissal Code for Small Business.

An audit would examine the effectiveness of the FWEIP with regard to the:

- administration of funding to providers (including selection, payment, and monitoring); and
- systems and strategies that DEEWR used to disseminate the information to target audiences (including grants to stakeholder organisations to deliver the education and information).

Fair Work Australia

Fair Work Australia (FWA) is part of Australia's national workplace relations system which also includes the Fair Work Ombudsman and the Fair Work divisions of the Federal Court of Australia and the Federal Magistrates Court of Australia. Fair Work Australia began operation on 1 July 2009 following the enactment of the Fair Work Act 2009 and associated transitional legislation. In 2009–10, the total estimated expenses for FWA were $73.5 million to assume the functions of the Australian Industrial Relations Commission, the Australian Industrial Registry and the Australian Fair Pay Commission. It also assumed some of the functions of the Workplace Authority.

The transition to the new system is being implemented in stages. An audit would examine the establishment of Fair Work Australia, including the implementation of processes and systems to support the exercise of new and/or changed powers under the Fair Work Act 2009.
Administration of Comcare

Comcare, together with the Safety, Rehabilitation and Compensation Commission (SRCC), regulates the Commonwealth's legislation for occupational health and safety and the rehabilitation and workers' compensation legislation. In 2010–11, Comcare will begin implementing its new 2015 Strategic Plan. As part of this plan Comcare is reshaping its role and has identified opportunities available to improve the health and safety outcomes of workers in the Comcare Scheme.

Comcare's Strategic Plan is being implemented in stages and an audit would examine key aspects of the agency's administration once the initial stages of the plan have been put into operation.

General Employee Entitlement Support Schemes

The General Employee Entitlements and Redundancy Scheme (GEERS) is an Australian Government-funded payment scheme designed to assist employees who have lost their employment as a result of the insolvency of their employer and are owed certain employee entitlements. The scheme is administered by DEEWR.

In 2002, the ANAO tabled Report No.20 2002–03 Employee Entitlements Support Schemes, which identified a range of opportunities for improvement of the scheme and made nine recommendations.

An audit would examine DEEWR's approach to managing GEERS including, where appropriate, determining the extent to which DEEWR has implemented the recommendations from the earlier report.

Job Services Australia

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

An audit would examine aspects of DEEWR's administration of the JSA program including: planning, the tender process to award JSA provider contracts, transition, and ongoing management.

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

Under the October 2008 National Partnership Agreement on Indigenous Early Childhood Development the Commonwealth, state and territory governments committed $564 million of joint funding over six years to provide integrated early childhood services including child care, early learning, parenting and family support, antenatal, and maternal and child health services in 35 communities. This commitment is a major element of the Early Childhood Building Block agreed by COAG as an area for action under the National Indigenous Reform Agreement (NIRA).
The actual mix of services will vary from community to community, but the delivery of these services will in all cases rely on the establishment of a Children and Family Centre. Funding of $293 million has been allocated in the National Partnership to establish these centres. The first centres are expected to be operational by the end of 2010, with the majority operational by the end of 2012.

An audit would examine the planning and consultation processes undertaken to establish the centres and their services, and the performance monitoring and reporting approaches developed by DEEWR to oversee implementation. Timing of the audit will take into consideration the schedule of progress reporting under the NPA. Consideration will be given to a future audit to focus on administration of the services being delivered through the CFCs once these are fully operational.

**Initiatives to Support Indigenous Boarding Facilities**

Funding of $28.9 million over four years from 2008–09 was provided to DEEWR to construct and operate three new Indigenous boarding facilities in the Northern Territory. The Indigenous Land Corporation is also contributing $15 million to the construction and operation of these facilities, bringing total Australian Government funding to $43.9 million. The first college was scheduled to be opened during 2009 with the other two scheduled to open in 2010. As at June 2010, feasibility studies for the three sites remained underway.

An audit would examine the implementation of these initiatives to support Indigenous Boarding Facilities. The audit would focus on the planning and consultation activities undertaken to date.

**Expansion of the Intensive Literacy and Numeracy Programs and Individual Learning**

One of the key targets under the Government’s Closing the Gap Initiative is to ‘halve the gap in literacy and numeracy achievement between Aboriginal and Torres Strait Islander students and other students within a decade’. The Government allocated $56.4 million over four years to 2011–12 under the Closing the Gap initiative for the expansion of intensive literacy and numeracy programs and to ensure that every Indigenous student has an individual learning plan. Both of these components were expected to start in schools at the beginning of the 2009 academic year. A key objective of this measure is to identify programs demonstrating the biggest improvements to Indigenous educational outcomes, such as the National Accelerated Literacy Program, and then expand and integrate them into schools.

An audit would examine the management and implementation of this measure, including the process for identifying high-performing numeracy and literacy programs, and the planning and design processes involved in expanding and integrating the programs into schools.
On 5 April 2009, the Government announced further stimulus initiatives as part of the Jobs and Training Compact, with the former Prime Minister stating that the Compact was with Australians affected by the global recession and was promising training, support and local initiatives to help them get back to work. The Jobs and Training Compact was to have three elements, the largest being a $650 million Jobs Fund to help support local jobs and training through community projects in regions hardest hit by the economic downturn.

Two audits of the Jobs Fund are planned. The first audit would relate to the establishment, implementation and administration of the Infrastructure Employment Projects stream. This stream has been announced as involving $150 million for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. It is administered by the Department of Infrastructure, Transport, Regional Development and Local Government. The Department of the Prime Minister and Cabinet also plays a role in the initiation of projects for funding through this stream of the Fund with the Department of the Treasury involved in the making of payments for approved projects. In addition, the published guidelines for the Infrastructure Employment Projects stream state that projects initiated by the Australian Government will be referred to a joint departmental committee.

The second audit would examine the establishment, implementation and administration of the Local Jobs stream of the Jobs Fund. Through the Local Jobs stream, $300 million was to be available for community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage. Of the funding available under this stream, $60 million was specifically set aside for heritage-related projects and $40 million was for the construction of bike paths (with the $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The audit scope would include all elements of the Local Jobs stream, the administration of which involves the Department of Education, Employment and Workplace Relations in respect to the general components of the Local Jobs stream, the Department of Environment, Water, Heritage and the Arts in respect to the quarantined heritage component and the Department of Infrastructure, Transport, Regional Development and Local Government in respect to the quarantined bike path component.
Environment, Water, Heritage and the Arts

Audit strategy overview

The Environment, Water, Heritage and the Arts portfolio was established in December 2007. Portfolio responsibilities include taking a lead role in protecting and conserving Australia’s environment and heritage, securing an efficient and sustainable use of water resources and nurturing a lively arts and culture sector. The total budget for the portfolio in 2009–10 was $7.7 billion. The Department of the Environment, Water, Heritage and the Arts (DEWHA), the lead portfolio agency, has undergone recent changes with its energy efficiency function being transferred to the Department of Climate Change and Energy Efficiency in March 2010. The department is implementing major new policy initiatives in the areas of climate change, water reform, environmental conservation and natural resource management. DEWHA reports to two Ministers; the Minister for Environment Protection, Heritage and the Arts, and the Minister for Climate Change, Energy Efficiency and Water.

In recent years, the ANAO’s performance audits have focused on energy efficiency programs such as the Home Insulation Program, which formed part of the Nation Building—Economic Stimulus Plan, and the Green Loans program, as well as climate change and environmental programs. Compliance with the Environment Protection and Biodiversity Conservation Act 1999 has also been reviewed.

The ANAO’s audit strategy for the coming years will focus on water reforms, natural resource management initiatives and the funding provided to support Australian art and films. This strategy reflects the scale and inherent challenges of these types of initiatives, the significant funding available and the widespread community interest in these topics. It also reinforces the importance of the department effectively implementing such initiatives.

Audits in progress at 1 July 2010

Green Loans

The Government announced the Green Loans program in the May 2009 Budget. The program, valued at $175 million, was designed to:

- provide 360,000 households with Home Sustainability Assessments conducted by registered assessors; and
- offer a maximum of 75,000 loans of up to $10,000 interest free for up to four years to eligible householders to purchase items recommended by the assessments.

The objective of the audit is to examine key aspects of the establishment and administration of the Green Loans program by the Department of the Environment, Water, Heritage and the Arts (DEWHA) and the program’s transition to the Department of Climate Change and Energy Efficiency. Particular emphasis is being given to the program’s three primary elements: training and accreditation of assessors; scheduling and conduct of Home Sustainability Assessments; and the framework for the payment and acquittal of assessors’ work and the Green Loans subsidies.

The audit report is expected to be tabled in the Spring 2010 Parliamentary Sittings.
**Home Insulation Program**

The Energy Efficient Homes Package formed part of the package of measures under the Nation Building—Economic Stimulus Plan ($42 billion). The package was part of the Government’s response to the global economic crisis and was announced by the former Prime Minister on 3 February 2009. The Energy Efficient Homes Package included the:

- Home Insulation Program—incentives for householders and renters in private rental accommodation to install insulation ($3.3 billion); and
- Solar Hot Water Rebate Program—expansion of incentives for householders to install solar hot water heaters ($0.5 million).

The objective of the audit is to assess key aspects of the establishment and administration of the Home Insulation Program by the Department of the Environment, Water, Heritage and the Arts as well as the transition of the program to the Department of Climate Change and Energy Efficiency. Particular emphasis will be given to the: design and establishment of the program; governance arrangements supporting the program; registration and training of installers; financial management and payment of rebates; and compliance strategy underpinning the program.

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

**Restoring the Balance in the Murray-Darling Basin**

The Restoring the Balance in the Murray–Darling Basin Water Purchase program aims to acquire water entitlements from willing sellers that represent value for money, and use the water allocated to them for the environment. The program is designed to improve the health of the basin’s rivers, wetlands and floodplains. Annual water entitlement purchases will be run for the next 10 years with the Government committing $50 million in the first year (2007–08) to purchase rights from both the northern and southern sections of the basin.

The objective of the audit is to assess: DEWHA’s administrative arrangements and water purchasing methods for the program; and the Commonwealth Environmental Water Holder’s arrangements for making effective use of available water.

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

**Potential audits**

**Sustainable Rural Water Use and Infrastructure Program**

The Sustainable Rural Water Use and Infrastructure program is a large grants program of some $5.6 billion focused on projects that are able to secure a long-term sustainable future for irrigation communities, in the context of climate change and reduced water availability into the future. Projects are expected to help support and drive regional investment and development, secure regional economies and support the local community. They are also required to demonstrate a long-term economic and environmental benefit that can be sustained over a 20-year horizon. In addition, projects are to deliver substantial and lasting returns of water to the environment to secure real improvements in river health.

An audit would examine the administration of the Sustainable Rural Water Use and Infrastructure program.
Caring for Our Country Program

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

An audit, or series of audits, would examine the administration of the Caring for Our Country program and whether the objectives of the program are being met. This audit would also involve the Department of Agriculture, Fisheries and Forestry as the program is jointly administered.

The Environment Protection and Biodiversity Conservation Act 1999—Follow on

Australia is home to more than one million species of plants and animals, many of which are found nowhere else on Earth. The State of the Environment Report (2006) noted that, while Australia’s biodiversity is of incalculable value, biodiversity continues to decline and faces ongoing pressures. The Environment Protection and Biodiversity Conservation Act 1999 (the EPBC Act) is the Government’s ‘flagship’ legislation to protect Australia’s biodiversity. The Act was designed to provide a legal framework for the conservation and sustainable use of Australia’s biodiversity. The Act requires the Minister to complete a list of threatened species and ecological communities and then develop recovery plans or conservation actions for these. It also outlines a range of requirements to regulate any interaction or possible threat to the survival of listed threatened species and ecological communities. As such, the Act is demanding in terms of the administrative support required to ensure the legislative provisions are met.

This audit would assess compliance with the EPBC Act and would follow on from previous ANAO audits into EPBC Act compliance and performance: Audit Report No.38 2002–03 Referrals, Assessment and Approvals under the Environment Protection and Biodiversity Conservation Act 1999 and Audit Report No.31 2006–07 The Conservation and Protection of National Threatened Species and Ecological Communities.

Australia Council

The Australia Council for the Arts is the Australian Government’s arts funding and advisory body. The council supports Australian art through funding, strengthening and developing the arts sector. It also collaborates to build new audiences, foster philanthropic support and deepen understanding of the arts through research. In 2008–09 $175.3 million in grant funding was provided to artists and arts organisations.

An audit would examine the Australia Council’s administration of its grants programs.
Screen Australia was created under the Screen Australia Act 2008 and, from 1 July 2008, took over the functions and appropriations of its predecessor agencies: the Australian Film Commission, the Film Finance Corporation Australia and Film Australia Limited. Screen Australia supports the development, production, promotion and distribution of Australian screen content. Its functions are to support and promote the development of a highly creative, innovative and commercially sustainable Australian screen production industry. In the 2009–10 budget, Screen Australia’s resources were approximately $102 million.

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

The Establishment, Implementation and Administration of the Jobs Fund

On 5 April 2009, the Government announced further stimulus initiatives as part of the Jobs and Training Compact, with the former Prime Minister stating that the Compact was with Australians affected by the global recession and was promising training, support and local initiatives to help them get back to work. The Jobs and Training Compact was to have three elements, the largest being a $650 million Jobs Fund to help support local jobs and training through community projects in regions hardest hit by the economic downturn.

Two audits of the Jobs Fund are planned. The first audit would relate to the establishment, implementation and administration of the Infrastructure Employment Projects stream. This stream has been announced as involving $150 million for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. It is administered by the Department of Infrastructure, Transport, Regional Development and Local Government. The Department of the Prime Minister and Cabinet also plays a role in the initiation of projects for funding through this stream of the Fund with the Department of the Treasury involved in the making of payments for approved projects. In addition, the published guidelines for the Infrastructure Employment Projects stream state that projects initiated by the Australian Government will be referred to a joint departmental committee.

The second audit would examine the establishment, implementation and administration of the Local Jobs stream of the Jobs Fund. Through the Local Jobs stream, $300 million was to be available for community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage. Of the funding available under this stream, $60 million was specifically set aside for heritage-related projects and $40 million was for the construction of bike paths (with the $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The audit scope would include all elements of the Local Jobs stream, the administration of which involves the Department of Education, Employment and Workplace Relations in respect to the general components of the Local Jobs stream, the Department of Environment, Water, Heritage and the Arts in respect to the quarantined heritage component and the Department of Infrastructure, Transport, Regional Development and Local Government in respect to the quarantined bike path component.
Families, Housing, Community Services and Indigenous Affairs

Audit strategy overview

Within the portfolio, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is the Australian Government’s principal source of advice on social policy (including Indigenous policy) and is responsible for the administration of about one-quarter of the Government’s budgetary outlays. FaHCSIA works in partnership with other government and non-government organisations to manage a diverse range of programs and services designed to improve the lives of Australians by helping to build the capacity and wellbeing of individuals, families and communities.

In recent years, the ANAO’s audit program has primarily examined FaHCSIA’s administration and implementation of various programs such as Family Relationship Centres and Disability Employment Services, as well as its coordinating role in delivering major reforms, such as the Child Support Scheme Reforms.

The future audit program will balance a continuation of program and payment implementation and administration audits (such as Affordable Housing and Carer Allowance), with consideration of the over-arching systems and frameworks (such as the Online Financial Management System) which FaHCSIA relies on to deliver its outcomes. Within these areas, governance and project management will be key themes considered as well as the impact of Commonwealth/state/territory arrangements.

The audit program will also include audits with an Indigenous focus, reflecting both FaHCSIA’s key role in policy and program delivery in this area and the incorporation of the former Office of Evaluation and Audit function into the ANAO. These audits will cover various topics relating to areas such as Indigenous housing, employment, economic participation and service delivery; with broader consideration of performance information arrangements for measuring progress of the ‘Closing the Gap’ initiative agenda and the implementation of service delivery reforms agreed by COAG under the National Indigenous Reform Agreement (see cross-portfolio audits).

Audits in progress at 1 July 2010

Implementation of the Family Relationship Centres Initiative

Family Relationship Centres (FRCs) were introduced in 2006–07 as a centrepiece of the Family Law Reforms. To provide national coverage and equitable access for families, 65 FRCs have been established around Australia. FRCs are operated by third-party providers and provide information, advice, referral and family dispute resolution services. The Attorney-General’s Department (AGD) has responsibility for the policy and funding aspects of FRCs, while FaHCSIA is responsible for contract management and the day-to-day administration of the initiative.

The objective of the audit is to examine the effectiveness of the selection, implementation, operation and monitoring of FRCs by AGD and FaHCSIA.

The audit report is expected to be tabled in the Winter 2010 Parliamentary Sittings.
Fixing Houses for Better Health

Fixing Houses for Better Health is a targeted program that aims to make small-scale but key safety and functionality repairs to houses with a focus on repairs that contribute to what are known as the ‘Healthy Living Practices’. The program has been delivered in remote areas of Australia since 1999.

The objective of the audit is to examine the effectiveness of FaHCSIA’s administration of the program since 2005.

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

Army Aboriginal Community Assistance Program

The Army Aboriginal Community Assistance Program (AACAP) aims to support the development, or upgrade of, environmental health infrastructure in remote Aboriginal and Torres Strait Islander communities, and to enhance primary health care services and facilities available to these communities. FaHCSIA manages the overall program and uses the Australian Army to deliver the services in communities.

The objective of this audit is to assess the effectiveness of FaHCSIA’s management of AACAP.

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

Government Business Managers

At the commencement of the Northern Territory Emergency Response the Government announced it would seek to ‘[improve] governance by appointing managers of all government business in prescribed communities.’ Today, there are 60 Government Business Managers (GBMs) providing services in 73 prescribed communities. After committing $75.9 million in 2007–08 and $30.9 million in 2008–09 the Government committed a further three-year’s funding totalling $84.1 million for the period 2009–10 to 2011–12. The Government has also committed approximately $11.5 million each year since 2007–08 for GBMs to request funding to meet local priorities in prescribed communities.

The objectives of the audit are to assess the administrative effectiveness of FaHCSIA’s management of the GBM measure, and the extent to which the measure has improved the coordination and delivery of services in the Northern Territory.

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

Home Ownership on Indigenous Land

The Home Ownership on Indigenous Land (HOIL) program aims to provide incentives and affordable loans to make home ownership a realistic choice for Indigenous people living on community titled land. The program is primarily administered by Indigenous Business Australia (IBA) with other elements being administered by FaHCSIA. The HOIL program received funding of $107.4 million over the four years from 2006–07.

The objective of this audit is to assess the administrative effectiveness of FaHCSIA’s and IBA’s management of the HOIL program.

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

Affordable Housing Initiatives

In recent years, the Commonwealth has increased its assistance and involvement in the provision of affordable housing. The National Affordable Housing Agreement is an agreement by COAG that commenced on 1 January 2009, initiating a whole-of-government approach in tackling the problem of housing affordability. The National Affordable Housing Agreement provides $6.2 billion worth of housing assistance to low and middle income Australians in the first five years and is supported by National Partnership Agreements on social housing, homelessness and Indigenous Australians living in remote areas:

• National Partnership Agreement on Social Housing—which aims to increase the supply of social housing through the provision of approximately 1600 to 2100 additional dwellings by 2009–10, and increase opportunities to grow the not-for-profit housing sector. The Agreement also includes Indigenous-specific outcomes.

• National Partnership Agreement on Homelessness—which focuses on strategies to reduce homelessness and help people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion.

• National Partnership Agreement on Remote Indigenous Housing—refer to 'Management and Delivery of Indigenous Housing' topic below.

In addition to the National Partnership Agreements, the Commonwealth also has in place various programs such as the:

• Social Housing Initiative under the Nation Building and Economic Stimulus Plan—which provides approximately $5.6 billion to construct up to 19 200 new public and community housing dwellings as well as address the repair and maintenance of existing dwellings;

• National Rental Affordability Scheme—a commitment of $1 billion over four years to help build 50 000 new affordable rental dwellings; and

• Housing Affordability Fund—an investment of up to $512 million over five years to lower the cost of building new homes.

An audit, or series of audits, would examine FaHCSIA’s administration of key government housing initiatives.

Delivery of Payment Entitlements

FaHCSIA makes a number of direct payments to individuals through Centrelink, including:

• the Age Pension, which is a non-contributory payment for people meeting certain age, residence and means test qualifications. It is designed to ensure that senior Australians have adequate means of support. In 2009–10, FaHCSIA estimates that it will provide $29.4 billion in Age Pension payments to eligible people; and

• Carer Allowance, which is an income supplement available to people who provide daily care and attention at home to a person with disability or a severe medical condition. In 2009–10, FaHCSIA estimates that it will provide $4.1 billion in Carer Allowance payments to eligible people; rising to $5 billion in 2010–11 and $6 billion in 2012–13.

An audit, or series of audits, would examine FaHCSIA’s and Centrelink’s administration of these payments.
Financial Management Program

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

In response to the increased need arising from the global financial crisis, the Commonwealth increased funding for the Financial Management Program from $50 million in 2008–09 to $105 million in 2009–10. Further, additional funding of $80.4 million has been provided for emergency relief and financial counselling, and $50 million is available to support projects such as no-interest loans that provide safe and affordable credit.

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

Management and Delivery of Indigenous Housing

The Australian Government has committed almost $5.5 billion to remote Indigenous communities over 10 years to address overcrowding, homelessness, poor housing and housing shortages. FaHCSIA has responsibility to deliver programs to achieve this, including the:

- National Partnership Agreement on Remote Indigenous Housing, which provides for up to 4200 new houses in remote Indigenous communities; upgrades to around 4800 existing houses through a program of major repairs and/or replacement; and the audit and transfer of municipal services; and
- Strategic Indigenous Housing and Infrastructure Program, which is a joint program between the Australian and the Northern Territory Governments, to provide 73 communities across the Northern Territory with improved housing and related infrastructure. The Strategic Indigenous Housing and Infrastructure Program involves the construction of around 750 new houses, 230 rebuilds of existing houses and 2500 upgrades plus essential infrastructure including power, water and sewage.

An audit, or series of audits, would examine FaHCSIA’s administration of key government Indigenous housing initiatives.

National Partnership Agreement on Indigenous Economic Participation

The National Partnership Agreement on Indigenous Economic Participation was established to contribute to the COAG target of halving the gap in Indigenous employment outcomes. The Agreement involves complementary investment and effort by the Commonwealth and the states/territories to significantly improve opportunities for Indigenous people to engage in private and public sector jobs. The Commonwealth has committed $172.7 million (of the total $228.8 million) over five years from 2008–09 and, under the Agreement, is directly responsible for:

- the creation and delivery of up to 1280 Australian Government service delivery jobs which have previously relied on Community Development Employment Project program subsidies;
- requiring successful contractors of major projects to implement Indigenous training, employment and supplier strategies;
• establishing an advisory service to support agencies (including state and territory
governments) to develop, implement and manage Indigenous employment procurement
requirements in their procurement arrangements; and

• implementing Indigenous employment strategies for the Australian Public Service to meet
the target of at least 2.6 per cent of public sector employment for Indigenous people across
all classifications by 2015.

An audit, or series of audits, would examine FaHCSIA’s, the Department of Education,
Employment and Workplace Relations’ and other relevant Australian Government agencies’
management and delivery of the Australian Government’s responsibilities under the National
Partnership Agreement.

**Income Management and the BasicsCard**

The Welfare Payments Reform program announced in July 2007 as part of the Northern
Territory Emergency Response included income management as one of five measures in the
program. Income management directs between 50 to 70 per cent of certain income support and
family payments and 100 per cent of all lump sum payments to essential expenses such as
food, clothing, housing and utilities, which can be purchased using a BasicsCard. The
BasicsCard is a PIN-protected card which allows customers to access their income-managed
money through EFTPOS facilities at approved stores and businesses.

In 2008–09 approximately 15 000 Centrelink customers in the Northern Territory were on
income management. In the 2009–10 Commonwealth Budget, $105.9 million was allocated to
continue compulsory income management in the Northern Territory and to provide financial
management services to income support recipients.

An audit would examine aspects of the implementation and ongoing operation of income
management and the BasicsCard. This could include the Department of Human Services’
management of the replacement BasicsCard tender process and Centrelink’s day-to-day
administration of income management.

**National Partnership Agreement on Indigenous Remote Service Delivery Strategy**

The National Partnership Agreement on Indigenous Remote Service Delivery Strategy has been
established to implement a new remote service delivery model that clearly identifies service
standards, roles and responsibilities and service delivery parameters to ensure that Indigenous
Australians living in selected remote communities receive and actively participate in services to
close the gap in Indigenous disadvantage.

The Australian Government has committed $187.7 million (of the total $291.2 million) over
six years from 2008–09 and, under the Agreement, is responsible for:

• establishing and staffing a new integrated service planning and delivery mechanism;

• facilitating problem-solving and ensuring the smooth implementation of service delivery
reforms;

• undertaking baseline mapping and monitoring and evaluation;

• providing a research capacity to advise on cultural accessibility; and

• introducing a national framework for the effective supply and use of Indigenous language
interpreters and translators.
An audit would examine FaHCSIA’s management of the Australian Government’s responsibilities under the National Partnership Agreement. A key element of the strategy is the development of local implementation plans. This process is currently underway and will be taken into consideration when determining audit timing.

**Grants Management**

FaHCSIA administered grants totalling around $1.8 billion in 2009–10, and will provide a similar amount in 2010–11 to a wide-range of non-government and community-based organisations, as well as to state government agencies and local government bodies, to support the delivery of their services and create opportunities for economic and social participation.

An audit will examine key elements of the design and operation of FaHCSIA’s processes for administering its grants programs, including assessing whether FaHCSIA is complying with the requirements and principles in the Commonwealth Grants Guidelines.
Finance and Deregulation

Audit strategy overview

The Finance and Deregulation portfolio is diverse and provides a broad array of support and services to Government. This includes the provision of budget and financial management services and advice; electoral services and support; non-defence asset management; the administration of the Government’s general insurance fund, investment funds and superannuation schemes; and the administration of Parliamentarians’ entitlements.

The ANAO’s planned performance audit strategy reflects the central position in government occupied by the Department of Finance and Deregulation (Finance) and the broad range of functions undertaken. Through its role in providing budget and financial management services and advice the department is often involved in audits for which it is not the primary agency being audited. In addition, the ANAO has a strategy of auditing the delivery of key central agency functions. Of particular note in this respect are the planned audits of the costing (together with Treasury) of election commitments under the Charter of Budget Honesty and the department’s central agency role in administering Gateway Reviews.

ANAO’s planned performance audit strategy also reflects the diverse nature of the portfolio. In this respect, the ANAO recently completed an audit of the AEC’s conduct of the 2007 Federal Election, and proposes to examine the AEC’s administration of disclosure obligations in relation to political donations. A potential audit of the Future Fund Management Agency is also planned.

Potential audits

Administration of Government Advertising Arrangements

Governments use advertising to inform the public about taxpayer-funded programs, to promote government policies and to support the establishment and delivery of services. Australian Government departments and agencies subject to the Financial Management and Accountability Act 1997 (the FMA Act) are required to: buy the media space for their advertising through the Central Advertising System; comply with the Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (March 2010); use the Communications Multi-Use List to select consultants for campaigns with expenditure over $250 000; and comply with their own department’s procurement policies for campaigns with expenditure under $250 000.

An audit would examine the administration of the government advertising framework by Finance. The audit would also examine several government advertising campaigns in selected portfolios to assess their compliance with the Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (March 2010), and appropriate procurement practices in accordance with the Communications Multi-Use List or agencies’ procurement policies.

The ANAO previously examined aspects of government advertising in Audit Report No.24 of 2008–09 and provided Ministers with assurance review reports on proposed government advertising campaigns from June 2008 to 31 March 2010. Audit Report No. 38 of 2009–10 provides a summary of the ANAO’s work in this area.
Implementation of Key Aspects of the Commonwealth Grant Guidelines

Conditional grants have been used increasingly in recent years as a mechanism for transferring funding to external parties for the purpose of achieving particular Australian Government policy objectives. With effect from 1 July 2009, the legislative and policy framework applying to the assessment and approval of grants has been significantly enhanced. A key aspect of the new framework is the promulgation under the Financial Management and Accountability Regulations 1997 of the Commonwealth Grant Guidelines (CGGs). The CGGs identify a number of mandatory process, decision-making and reporting requirements for both Ministers and officials involved in grants administration. The CGGs also include guidance on sound practice in grants administration that agencies should have regard to in implementing grant programs.

The introduction of a statutory basis for the issuing of grant guidelines placed the administration of grant programs on the same footing as procurement activities, which are subject to the requirements of the Commonwealth Procurement Guidelines (CPGs).

Similar to audit work that the ANAO undertook to examine how well agencies had implemented the most recent major changes to the CPGs, the ANAO proposes to undertake separate but contemporaneous audits of the development and approval of grant guidelines and the administration of key grant reporting requirements.

Implementation of Improvements to the Administration of Parliamentarians’ Entitlements

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

Against this background, and given the significant public interest in the administration of Parliamentarians’ entitlements, the ANAO has included in its plan an audit that would examine the implementation of improvements to the entitlements framework and its administration.

Administration of the Costing of Election Commitments

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

In the lead-up to the 2007 Federal Election, the then Government made 20 requests for costings of publicly announced policies. The then Opposition similarly made 10 requests for costings of its publicly announced policies. Clause 31 of the Charter outlines the requirements for the public
release of policy costings. The guidelines state that, when a policy costing is published, the published report will include the request for the costing submitted in accordance with the Charter; any request for further information made by the Secretaries; and any further information forwarded to the Secretaries or obtained in discussions with parties.

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

**Administration of the Financial Disclosure Provisions of the Commonwealth Electoral Act 1918**

Part XX of the *Commonwealth Electoral Act 1918* includes the requirements for, and administration of, the disclosure arrangements for selected revenue and expenditure items incurred by participants in the Federal electoral process.

In the report of its recent inquiry into the Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2008, the Chair of the Joint Standing Committee on Electoral Matters commented that the guiding principle for a funding and disclosure regime is that there must be a complete and meaningful trail of disclosure back to the true source of funds received by, or of benefit to, political parties and other participants in the electoral process.

An audit would examine whether the Australian Electoral Commission has administered the financial disclosure provisions of the *Commonwealth Electoral Act 1918* in a timely and effective way.

**Establishment and Management of the Nation Building Funds: the Education Investment Fund**

The ANAO’s Planned Work Program for 2008–09 outlined a series of audits that would be undertaken to examine the establishment and management of the Nation Building Funds. An audit of the Education Investment Fund (EIF) would be the first audit in a series of proposed audits.

The EIF was established to:

- make payments towards creating or developing education infrastructure in areas such as higher education, research and vocational education and training; and
- make transitional payments relating to the former Higher Education Endowment Fund, the balance of which was transferred into the EIF.

The Department of Education, Employment and Workplace Relations and the Department of Industry, Science and Research are responsible for project identification and evaluation criteria, with the Department of Finance and Deregulation being involved in the payment process once decisions are made about which projects to fund.

An audit would examine how candidate projects are identified, how evaluation criteria for the Fund are developed and applied, and how efficiently and effectively the funding for approved projects is administered and accounted for. The audit would also examine the investment by the Future Fund Board of Guardians and Future Fund Management Agency of the assets of the EIF (which stood at $5.99 billion as at 31 December 2009).
Administration of the Gateway Review Process

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

An audit would examine Finance’s administration and implementation of Gateway, as well as agencies that have had projects subject to one or more Gateway Reviews.

Consistent with a recommendation from the Joint Committee of Public Accounts and Audit, ANAO will consider following this audit of the Gateway Review Process with an audit of the two-stage Cabinet approval process for major projects.
Foreign Affairs and Trade

Audit strategy overview

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

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

Planned audit work for 2010–11 will have a continuing focus on these areas, and will also examine an important aspect of border security—biometric passports.

Audits in progress at 1 July 2010

Management of the Overseas Leased Estate

DFAT is responsible for the management of the Australian Government’s overseas estate, which comprises both owned and leased properties. The leased estate comprises 506 properties across 83 locations, including 55 chanceries, 39 Head of Mission residences and some 380 staff residences, with rent totalling $65 million in 2009–10. Management of the leased estate is shared between DFAT’s head office and its posts, with much of the day-to-day management and budgeting responsibility being devolved to posts.

The objective of this audit is to examine the effectiveness of DFAT’s management of the overseas leased estate. The audit focus includes governance, funding and reporting arrangements, day-to-day property management and management of key relationships with landlords and attached agencies. The audit complements the ANAO’s 2009–10 audit, Management of the Overseas Owned Estate.

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

AusAID’s Management of Aid for Tertiary Education

Aid for tertiary education has been an important element of Australia’s aid program since the 1950s, when scholarships were offered under the Colombo Plan. While scholarships to study in Australian tertiary institutions continue to dominate tertiary education spending, accounting for around 80 per cent of Australia’s assistance in the sector, some support is also provided in the form of assistance for in-country tertiary education institutions, including through initiatives such as the $149.5 million ‘Australia-Pacific Technical College’, which aims to provide internationally recognised post-secondary qualifications for Pacific Islanders through training centres in Vanuatu, Samoa, Fiji and Papua New Guinea. Major increases in the allocation of scholarship aid were announced in the 2010–11 budget, including $303.7 million over four years for Education and Development Awards (with a significant proportion going to scholarships) and $346.9 million over four years for scholarships to African countries.
The objective of this audit is to assess the effectiveness of AusAID’s management of aid for tertiary education.

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

**Potential audits**

**Management of Biometric Passports (ePassports)**

Australia was one of the first countries to introduce the ‘ePassport’ in October 2005. The ePassport has an embedded microchip that stores the holder’s identity information, including a digitised photograph, for use with biometric facial recognition technology. In 2007–08 DFAT introduced an improved version of its facial recognition program to enhance its ability to confirm identity and detect fraud. In May 2009 it introduced the second generation ePassport—the N series—which is Australia’s most secure passport to date. DFAT issued over 1.5 million passports in 2008–09.

An audit would examine the efficacy of the new Australian biometric passports to ensure they are delivering the outcomes intended. The audit would complement previous audits of DFAT’s Passport Services and the Department of Immigration and Citizenship’s (DIAC) management of the introduction of biometric technologies.

**AusAID’s Management of Regional Programs**

AusAID’s regional programs aim to achieve shared development outcomes for multiple countries in a particular region. Examples include: management of shared natural resources; management of trans-boundary issues; or attempts to achieve economies of scale in achieving common national objectives (most relevant to small states), including through capacity-building of regional organisations. Regional programs will be one of the major mechanisms through which expansion of the Australian aid program to Africa and South America will occur. To date, aid delivered through regional programs has grown from $183.4 million in 2005–06 to $677 million in 2009–10.

An audit would examine the effectiveness of AusAID’s arrangements for integrating regional program expenditure with the objectives of participating partner countries, and supporting Australia’s aid program objectives.
Health and Ageing

Audit strategy overview

The Health and Ageing portfolio has a broad objective of working to achieve a health care system that meets the health care and ageing needs of all Australians. Achievement of this objective relies upon a large number of portfolio agencies delivering programs and initiatives both directly to health practitioners and health consumers, and through a range of intermediaries, including state and territory governments.

The Department of Health and Ageing (DoHA) is the lead agency in the portfolio and is responsible for achieving the Australian Government’s priorities by developing evidence-based policy, managing programs and undertaking research and regulation activities. In the 2009–10 Federal Budget, DoHA was appropriated $41.2 billion for 15 department-specific outcomes reflecting the Australian Government’s desired results for health and ageing. Recent ANAO audit coverage has focused on portfolio outcomes involving population health, aged care and population ageing, primary care, and health workforce capacity.

The ANAO’s 2010–11 audit program for the Health and Ageing portfolio has been developed within the context of the ANAO’s audit strategy. This strategy recognises the broad range of DoHA outcomes and targets the key risks to their achievement. The strategic areas of the ANAO’s planned audit coverage include:

- meeting the needs of older Australians—quality aged care comprising high-quality community and residential aged care;
- healthy communities—health system capability including a skilled general practitioner workforce;
- protecting the health of consumers—regulatory effectiveness including safe therapeutic goods and safe food;
- achieving program outcomes—effective program delivery including mental wellbeing; and
- addressing major cost drivers and finding efficiencies.

Subject to the passage of legislation from July 2010, the Australian Government will begin to provide $5.3 billion in additional funding to support health and hospital reforms over the next four years. The National Health and Hospitals Network Agreement sets out the shared intention of the Commonwealth and state and territory governments to implement a National Health and Hospitals Network (NHHN) for Australia. To inform its future audit coverage, the ANAO will monitor the Commonwealth–state/territory developments with respect to the health and hospital reforms.

Audits in progress at 1 July 2010

Practice Incentives Program

The Practice Incentives Program (PIP) aims to recognise and provide financial incentives to General Practices that provide comprehensive quality care and that are either accredited or working towards meeting the Royal Australian College of General Practitioners Standards for General Practices. Some $298 million was paid to General Practices and GPs under PIP in 2008–09.
Responsibility for program delivery is shared; DoHA is responsible for program policy development, including eligibility criteria, and Medicare Australia is responsible for assessing all applications from General Practices for participation in the program.

The audit is assessing DoHA’s effectiveness in undertaking PIP program planning, program monitoring and review; and with Medicare Australia, in ensuring PIP program delivery to General Practices and their medical practitioners.

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

Food Standards Regulation

The Australian and New Zealand governments established Food Standards Australia New Zealand (FSANZ) as an independent statutory agency under the Food Standards Australia New Zealand Act 1991. FSANZ is responsible for setting food standards within an integrated food regulatory system involving the governments of Australia and New Zealand, and the Australian states and territories. The food regulatory system is complex in terms of bi-national, government, state, territory and local government relationships.

The audit forms part of the ANAO’s strategic focus on regulation. It examines the effectiveness of FSANZ as a regulator of food standards and focuses on its compliance with legislation, risk management approaches, stakeholder engagement, and standard-setting. The audit also includes an assessment of FSANZ’s internal and external reporting.

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

National Blood Supply

The National Blood Authority is the national coordinating agency for supply and demand planning and the purchase of blood and blood products from suppliers on behalf of the Australian Government. In 2009–10, the Authority’s total resources are estimated at $1.1 billion. The Authority commenced operation on 1 July 2003 as an independent statutory agency under the National Blood Authority Act 2003. It was established as part of government reforms, to improve management of Australia’s blood supply; the Australian Government (63 per cent) and the state and territory governments (37 per cent collectively) jointly fund its operations. The Authority manages contracts with several major suppliers of blood, blood products and diagnostic reagents. The largest contract is with the Australian Red Cross Blood Service—$1.7 billion from 2006 to 2010.

The audit is assessing whether the National Blood Authority’s governance and contractual arrangements are effective in ensuring sufficient blood supply and services.

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

General Practice Training

The Australian Government supports vocational training for doctors wanting to pursue general practice as a career. The General Practice Education and Training Limited (GPET) manages training programs on behalf of the government. As at May 2010, GPET’s estimated expenses for 2009–10 are $114 million. It plans to deliver 700 general practice vocational training places in 2010.
Against the backdrop of the Department of Health and Ageing-GPET funding agreement, the audit is examining aspects of GPET’s administration. The audit objective is to assess the effectiveness of GPET’s management of its two main programs: the Australian General Practice Training and Pre-vocational General Practice Placement programs. These programs aim to improve quality and access to primary care across Australia, including through general practitioner vocational education and training for medical graduates.

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

**Potential audits**

**Aged Care Standards and Accreditation**

Government expenditure on aged care places is expected to continue to increase in line with the ageing of the Australian population. The Australian Government, through the Aged Care Standards and Accreditation Agency (appointed by DoHA under the *Aged Care Act 1997*), assesses the performance of residential aged care homes against established accreditation standards.

ANAO Audit Report No.42 2002–03, *Managing Residential Aged Care Accreditation*, identified six recommendations for improvement. Since then, the Agency has experienced a significant increase in funding and expansion of its compliance program. For example, in 2004–05, the Agency received an additional $36.3 million over four years and the 2006–07 Federal Budget provided a further $8.6 million for increased ‘spot checks’ of aged care homes.

An audit would align with the ANAO’s strategic coverage of the quality assurance framework established under the *Aged Care Act 1997* and examine the Agency’s management of monitoring activities within the accreditation cycle and the related compliance role of DoHA. Implementation of the recommendations of the earlier audit would also be examined.

**Access to Allied Psychological Services**

In response to the high burden of mental illness in Australia, the Government announced the Better Outcomes in Mental Health Care (BOiMHC) Initiative in the 2001–02 Federal Budget, allocating $120.4 million over four years. This initiative consisted of five interrelated components aimed at improving community access to quality primary mental health care. At present, two components remain, including Access to Allied Psychological Services (ATAPS) and GP Psychological Support.

ATAPS is a key feature of the initiative, consuming the majority of the funding allocation, with a budget of approximately $27 million per year. ATAPS is a capped program and since its inception in 2003, has received a total of $80.7 million in funding.

An audit would examine the effectiveness of DoHA’s administration of the ATAPS program.

**Therapeutic Goods Regulation**

The Australian Government has identified as a priority the Australian community’s access to high-quality, safe, and effective therapeutic goods. The Therapeutic Goods Administration (TGA)—a division of DoHA—regulates the quality, safety and efficacy or performance of therapeutic goods, including medicines and medical devices. TGA’s operations are funded, in part, by cost recovery from industry through charges and fees for service. In 2008–09, the
Government signalled its intention to pursue a reform agenda to update and streamline the existing regulatory framework for therapeutic goods in Australia.

The ANAO has undertaken performance audits on therapeutic goods regulation in the past and has identified significant opportunities for improvements in the administration of the regulatory framework.

An audit would form part of the ANAO’s strategic focus on regulators within the Health and Ageing portfolio. It would examine TGA’s effectiveness as a regulator, stakeholder engagement, implementation of proposed government reforms and, where relevant, progress against previous ANAO recommendations.

**Mental Health Nurse Incentive Program**

The Mental Health Nurse Incentive Program provides a non-Medicare Benefit Schedule (MBS) incentive payment to community-based general practices, private psychiatrist services and other appropriate organisations (such as Divisions of General Practice) who engage mental health nurses to assist in the provision of coordinated clinical care for people with severe mental disorders. The program forms part of the Australian Government's component of the COAG’s National Action Plan on Mental Health 2006–11.

The program commenced on 1 July 2007 and funds nursing work in collaboration with psychiatrists and general practitioners to provide services such as monitoring a patient’s mental state, medication management and improving links to other health professionals and clinical service providers.

An audit would examine aspects of the planning, implementation and management of the Mental Health Nurse Incentive Program.

**Improving Palliative Care**

It has been estimated that terminal illness affects around half a million Australians as patients, carers, family members or friends every year. Palliative care seeks to maintain quality of life for these people, by addressing their distinctly different physical, psychological and spiritual needs.

The Australian Government's National Palliative Care Program aims to improve access to and the quality of palliative care. Working closely with state governments to ensure that Australian Government activities are complementary, DoHA manages its Palliative Care and Community Assistance Program (PCCA). With an annual budget of $30 million, the PCCA Program aims to improve access to the quality of palliative care for people with a terminal illness.

An audit would examine DoHA’s management of the PCCA Program to improve the standards of palliative care.

**Aged Care Complaints**

In July 2006, the Australian Government announced measures to strengthen the complaints-handling powers under the *Aged Care Act 1997*, including establishing an Office of Aged Care Quality and Compliance (the Office), an Aged Care Complaints Investigation Scheme (CIS), and an Aged Care Commissioner. These measures were legislated in April 2007.

The Office manages the CIS and has the power to investigate all ‘in scope’ complaints and reported information relating to an approved provider’s responsibilities under the Act. The Aged
Care Commissioner has a role to, among other things, examine on appeal certain decisions made by the CIS under the Investigation Principles 2007, examine complaints received about the Secretary’s processes for handling matters under the Investigation Principles 2007 and examine complaints about aspects of the application of the Accreditation Grant Principles 1999.

An audit would, as part of an ongoing review of the quality assurance framework under the *Aged Care Act 1997*, examine the effectiveness of DoHA’s administration of aged care complaints.

**GP Super Clinics**

The Australian Government has committed $275 million over five years, starting in 2007–08, to establish GP Super Clinics in 31 localities across Australia. GP Super Clinics were designed to bring together general practitioners (GP), nurses, visiting medical specialists, allied health professionals and other health care providers, to deliver care that is tailored to the needs and priorities of local communities, and they are a key element in the government’s drive to build a stronger primary care system. They are expected to provide a greater focus on health promotion and illness prevention and better coordination between privately provided GP and allied health services, community health and other state and territory government-funded services than the traditional model of GP practices.

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

**National E-Health Implementation**

In the 2009–10 budget, the Australian Government committed $57 million to E-Health to facilitate the transition of paper-based clinical record keeping to electronic means for better information exchange to deliver safer, more efficient, better quality healthcare.

Over the period July 2009 to June 2012, the National E-Health Transition Authority (NEHTA) will deliver key components of the National E-Health Strategy, endorsed by Australian Health Ministers in late 2008. The Council of Australian Governments (COAG) has agreed to provide $208 million to NEHTA, with 50 per cent funded by the Commonwealth and the remainder by the states and territories under the COAG funding formula.

An audit would examine DoHA’s management and co-ordination of E-Health developments within DoHA and with state/territory governments.

**Investing in Health Infrastructure**

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

**Preventative Health**

Well-planned prevention programs have made enormous contributions to improving the quality and duration of our lives. The public health revolutions of the 19th century led the way, and in recent years we have seen major improvements in areas such as tobacco control, road trauma and drink driving, skin cancers, immunisation, cardiovascular disease, childhood infectious diseases, Sudden Infant Death Syndrome and HIV/AIDS control.

The National Preventative Health Taskforce has developed the National Preventative Health Strategy focusing initially on obesity, tobacco and excessive consumption of alcohol. The strategy has a number of targets which have been aligned with a further set of interim targets set by the COAG. The strategy recommends the creation of a National Preventative Health Agency to ‘provide a unique opportunity to provide strong leadership and coordination of the preventative reform agenda’. While the strategy has a phased and long-term approach to preventative health, the department and its portfolio agencies have, for some time, been focusing on preventative health measures across the range of portfolio outcomes.

The strategy’s conceptual framework links directly to four elements: ensuring a well-informed public; keeping people and families at the centre of action; responsive regulation; and supporting vulnerable groups.

An audit would examine how DoHA and relevant portfolio agencies are implementing the coordinated and more structured focus in these areas of preventative health.
Human Services

Audit strategy overview

The Human Services portfolio was established in October 2004 with the aim of improving the development and delivery of social and health-related services, including financial assistance, to customers. The portfolio comprises the Department of Human Services (DHS), which includes the Child Support Agency (CSA) and CRS Australia, Centrelink, Medicare Australia and Australian Hearing.

In recent years the performance audit coverage of DHS has concentrated on the Child Support Reforms and the work of the CSA, which has approximately 1.5 million customers and assisted separated parents to transfer $2.79 billion in 2008–09.

The future audit strategy will continue to focus on CSA’s implementation of the Child Support Reforms as well as other aspects of CSA’s operations, such as the management of the debt base. Complementing this will be audits which examine other service delivery functions and processes within DHS including: CRS Australia’s operations and the management of customer feedback; and DHS’s broader role in the development and roll-out of policy initiatives such as Income Management and the BasicsCard.

In December 2009, the Australia Government announced its Service Delivery Reform agenda—‘works for you’. The reforms commenced in 2010 and will be implemented in stages. Given that the first stages primarily relate to consolidation of some back-office operations and preparations for governance changes in 2011, the ANAO will monitor progress and update its work program as necessary.

Audits in progress at 1 July 2010

Service Delivery in CRS Australia

CRS Australia is a business unit within DHS and has been providing vocational rehabilitation for some 69 years, first commencing operations in 1941. The majority of CRS Australia’s work is derived from its service delivery agreement with the Department of Employment, Education and Workplace Relations (DEEWR) for the provision of vocational rehabilitation and job placement services for clients referred from Centrelink or Job Capacity Assessments. CRS Australia also provides services to other agencies and the private sector for vocational rehabilitation and occupational and health and safety advice. CRS Australia provides its services from more than 170 sites in urban, rural and remote Australia, including through visiting and outreach services.

The objective of the audit is to assess the effectiveness of CRS Australia’s delivery of vocational rehabilitation, job placement and related services.

The audit report is expected to be tabled in the Autumn 2011 Parliamentary Sittings.
Potential audits

Implementation of Stage 2 and Stage 3 of the Child Support Scheme Reforms

The Child Support Reforms were an $877 million suite of measures (the Child Support Scheme Reforms (CSSR), Improving Compliance program and Building a Better CSA program), designed to fundamentally reform and improve the Child Support Scheme. Stage 2 of the CSSR was largely related to the legal and review aspects of the system while Stage 3 of CSSR included some major changes to the scheme, including the introduction of a new child support formula.

An audit would assess CSA’s implementation of CSSR Stages 2 and 3. The audit would complete a review of the Child Support Reforms and follow on from the 2009–10 ANAO audits: Child Support Reforms: Stage One of the CSSR and Improving Compliance and Building a Better CSA.

Child Support Agency’s Management of International Debt

Total child support debt relates to the cumulative total amount of outstanding child support since the commencement of the Child Support Scheme in 1988. CSA’s international debt relates to money owed to, or by, parents residing overseas and any domestic debt associated with these customers. In 2009, international debt accounted for approximately 26 per cent of CSA’s $1 billion debt base. Increasing by 11.9 per cent in 2008–09, international debt has in recent years been growing at a faster rate than domestic debt.

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

An audit would examine CSA’s effectiveness in managing the international debt base.

Child Support Agency’s Change of Assessment Process

Change of assessment is a process that CSA customers (payer or payee) can apply for if they believe the current determination of child support payable does not reflect their own, their child’s, or the other parent’s true financial circumstances. In 2008–09, CSA received 22 495 applications, and of the 17 930 that were accepted (that is not withdrawn, incomplete or ineligible), 61.4 per cent resulted in a variation to the child support assessment.

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

Child Support Agency’s Management of Employer Withholdings

The Child Support (Registration and Collection) Act 1988 allows CSA to deduct child support payments from employees’ salaries or wages, and requires employers to comply with CSA’s requests. As well as collecting ongoing payments, CSA can also collect arrears payments through this process. CSA cites employer withholdings as one of its two most successful compliance measures. In 2008–09, 70 763 customers and 28 967 employers were subject to this process, with collections totalling $402.2 million.
An audit would examine CSA's administration of the employer withholding arrangements and their effectiveness in increasing the amount of child support paid.

**Customer Service Feedback**

The Human Services portfolio is designed to improve the provision of social and health-related services for customers. An important part of a service delivery function is the ability to capture and respond to customer feedback. Obtaining customer and provider feedback gives an agency the opportunity to gather perceptions, expectations and experiences of service delivery and identify areas for improvement.

An audit would examine the management of customer feedback within the Human Services portfolio and could comprise either a whole-of-portfolio audit or a series of audits relating to individual agencies and/or programs.

**Income Management and the BasicsCard**

The Welfare Payments Reform program announced in July 2007 as part of the Northern Territory Emergency Response included income management as one of five measures in the program. Income management directs between 50 to 70 per cent of certain income support and family payments and 100 per cent of all lump sum payments to essential expenses such as food, clothing, housing and utilities, which can be purchased using a BasicsCard. The BasicsCard is a PIN-protected card which allows customers to access their income-managed money through EFTPOS facilities at approved stores and businesses.

In 2008–09 approximately 15,000 Centrelink customers in the Northern Territory were on income management. In the 2009–10 Commonwealth Budget, $105.9 million was allocated to continue compulsory income management in the Northern Territory and to provide financial management services to income support recipients.

An audit would examine aspects of the implementation and ongoing operation of income management and the BasicsCard. This could include DHS’s management of the replacement BasicsCard tender process and Centrelink’s day-to-day administration of income management.

**Service Delivery in Australian Hearing**

Australian Hearing’s mission is to provide the best hearing care, the latest hearing aid technology and to lead the world in hearing research. Australian Hearing provides its hearing services under the Australian Government Hearing Services Program, which is administered by the Department of Health and Ageing through the Office of Hearing Services. The Hearing Services Program has two streams—the Community Service Obligation program (where Australian Hearing is the sole provider) and the Voucher program (an open, competitive program).

An audit would examine Australian Hearing’s service delivery, including its community service obligations.
Efficiencies in the Human Services Portfolio

Since its inception in 2004, DHS has led portfolio work to coordinate service improvements and efficiencies in areas such as property sharing arrangements, and streamlining tendering and contracting processes. DHS estimates that more than $70 million has been saved through joint portfolio procurement exercises.

An audit would examine the effectiveness of the joint procurement exercises, including the impact on improved service delivery and the savings generated.
A. Centrelink

Audit strategy overview

Centrelink is an Australian Government statutory agency within the Human Services portfolio and defines its purpose as ‘serving Australia by assisting people to become self-sufficient and supporting those in need’. In delivering its range of services and payments in 2008–09, Centrelink distributed $86.8 billion in payments to 6.84 million customers. This was achieved by a workforce of nearly 28 000 staff operating from over 1000 service delivery points across Australia.

In recent years, the ANAO audit program has focused on both Centrelink’s role in delivering payments such as community recovery assistance in the event of a disaster; and the risks associated with Centrelink’s service delivery responsibilities through audits covering business continuity. The ANAO has also been undertaking a series of audits examining Centrelink’s compliance and fraud activities.

The future audit strategy will build on recent work and focus on the delivery of specific payments in addition to how Centrelink manages the risks to service delivery through mechanisms including quality assurance processes. More broadly, the ANAO will examine areas that contribute to a citizen-focused approach such as case management, the use of specialist officers and debt prevention.

Audits in progress at 1 July 2010

Centrelink Fraud Investigations

Centrelink has a range of compliance and fraud management programs aimed at reviewing customers’ eligibility for Centrelink benefits. During 2008–09 Centrelink conducted 26 084 fraud-related investigations. This led to $113.4 million in debts and savings.

The audit is examining the effectiveness of Centrelink’s approach to investigating and responding to external fraud. In particular, the audit is assessing Centrelink’s compliance with the Australian Government’s regulatory framework for responding to fraud in regard to fraud investigations and case referral to the Commonwealth Director of Public Prosecutions for consideration of prosecution.

This audit is one of a series of fraud-related ANAO audits that included a survey of key aspects of fraud control arrangements in the APS and the proposed update of the ANAO Better Practice Guide on Fraud Control in Australian Government Agencies that reflects current practices in dealing with fraud.

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

Centrelink’s Role in the Process of Appeal to the Social Security Appeals Tribunal and the Administrative Appeals Tribunal

Customers who want to have their Centrelink decision reviewed externally can appeal consecutively to the Social Security Appeals Tribunal (SSAT) and to the Administrative Appeals Tribunal (AAT). As part of this process Centrelink has three key roles, namely: to provide customers with adequate information about their appeal rights; to provide the Tribunals with relevant information to allow them to conduct their reviews; and to implement Tribunal decisions.
in a timely manner. The appeal process also provides valuable information that can be used to inform broader administration, service delivery and policy development considerations.

The objective of the audit is to assess whether, in relation to appeals to the SSAT and the AAT, Centrelink undertakes its role effectively to support the timely implementation of Tribunals’ decisions about customers’ entitlements.

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

Potential audits

Centrelink’s Quality Assurance Framework

In 2008–09, Centrelink delivered $86.8 billion in payments. In order for Centrelink to maintain payment integrity, and operate as a high-performing service delivery agency, it is critical to have in place a robust quality assurance framework. Centrelink uses various measures and controls to monitor and improve the quality of its decision-making, including the Quality Online process, which is a preventative measure designed to control errors before payments are made and also to assess the accuracy of work.

An audit would examine the effectiveness of the controls and measures that comprise Centrelink’s quality assurance framework, with specific reference to the Quality Online process.

Case Management

Centrelink interacts with 6.84 million customers in a variety of situations. Certain customers require a more structured approach to meet their needs and in these circumstances Centrelink can adopt a ‘case management’ approach. Case management is a more focused approach to addressing a customer’s individual circumstances in order to achieve the desired outcomes and can be used in wider variety of situations such as for those customers living in extraordinary circumstances due to a natural disaster.

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

Specialist Officers

Centrelink has a number of specialist officers located in its Customer Service Centres around Australia. These specialist officers play a vital role in providing targeted assistance to specific customer groups, who in some cases can be the most vulnerable or underrepresented in the welfare system. Specialist officers include Multicultural Service Officers, Indigenous Service Officers, Social Workers, Financial Information Service Officers, Prison Liaison Officers, Community Engagement Officers and Privacy Officers.

An audit would examine Centrelink’s approach to developing the role and required capabilities (including training where relevant) of a specialist officer. It would also assess the effectiveness of the specialist officer function in supporting Centrelink’s service delivery objectives.
Debt Prevention

Debt prevention is a significant issue for Centrelink. ANAO Audit Report No.42 2007–08, Management of Customer Debt—Follow-up Audit, identified that the value of Centrelink’s debt base had been steadily increasing from $967 million in 2003, to approximately $1.3 billion at 30 June 2007. During that time the number of customers with a debt increased by 102,840 people. Managing a debt base of this size is a considerable administrative task for Centrelink and policy departments.

A key to addressing the growth in the debt base is Centrelink’s strategies to prevent customers incurring a debt. An audit would examine the effectiveness of Centrelink’s debt prevention activities.

Delivery of Payment Entitlements

FaHCSIA makes a number of direct payments to individuals through Centrelink, including:

- the Age Pension, which is a non-contributory payment for people meeting certain age, residence and means test qualifications. It is designed to ensure that senior Australians have adequate means of support. In 2009–10, FaHCSIA estimates that it will provide $29.4 billion in Age Pension payments to eligible people; and

- Carer Allowance, which is an income supplement available to people who provide daily care and attention at home to a person with disability or a severe medical condition. In 2009–10, FaHCSIA estimates that it will provide $4.1 billion in Carer Allowance payments to eligible people; rising to $5 billion in 2010–11 and $6 billion in 2012–13.

An audit, or series of audits, would examine FaHCSIA’s and Centrelink’s administration of these payments.

Tasmanian Freight Equalisation Scheme

Producers located in Tasmania face the unique situation that in order to distribute their products to other states, they often need to rely on sea freight. In order to minimise sea freight costs and provide Tasmanian industries with equal opportunities to compete in mainland markets, the Tasmanian Freight Equalisation Scheme was introduced in July 1976 to assist producers through subsidising the costs of sea freight. The scheme operates under a set of directions issued by the Minister for Infrastructure, Transport, Regional Development and Local Government and is administered by Centrelink, through a Memorandum of Understanding with the Department of Infrastructure, Transport, Regional Development and Local Government. The scheme has been extended in recent years to also include King Island and the Furneaux Group of islands.

In 2008–09, 10,751 claims were received (an increase of 34.5 per cent from 2007–08), and $109 million was paid under the scheme.

An audit would examine the effectiveness and administration of the Tasmanian Freight Equalisation Scheme.
Income Management and the BasicsCard

The Welfare Payments Reform program announced in July 2007 as part of the Northern Territory Emergency Response included income management as one of five measures in the program. Income management directs between 50 to 70 per cent of certain income support and family payments and 100 per cent of all lump sum payments to essential expenses such as food, clothing, housing and utilities, which can be purchased using a BasicsCard. The BasicsCard is a PIN-protected card which allows customers to access their income-managed money through EFTPOS facilities at approved stores and businesses.

In 2008–09 approximately 15,000 Centrelink customers in the Northern Territory were on income management. In the 2009–10 Commonwealth Budget, $105.9 million was allocated to continue compulsory income management in the Northern Territory and to provide financial management services to income support recipients.

An audit would examine aspects of the implementation and ongoing operation of income management and the BasicsCard. This could include the Department of Human Services’ management of the replacement BasicsCard tender process and Centrelink’s day-to-day administration of income management.

Caroline Chisholm Centre Lease

The Caroline Chisholm Centre, located in Greenway, Australian Capital Territory, houses Centrelink’s National Support Office. The Centre was constructed after Centrelink signed a $460 million, 18-year, leasing arrangement with the centre’s owners Allco/Multiplex in 2005. Officially opened in May 2008, the Caroline Chisholm Centre consists of two buildings and accommodates approximately 2800 staff.

An audit would examine Centrelink’s leasing arrangements for the Caroline Chisholm Centre.
B. Medicare Australia

Audit strategy overview

Medicare Australia is an Australian Government statutory agency within the Human Services portfolio with the objective of working 'with its strategic policy partners and stakeholders to improve the health and wellbeing of Australians by delivering information and payment services'. Key programs for which Medicare Australia is responsible for delivering payments include Medicare, the Pharmaceutical Benefits Scheme, 30% Rebate on Private Health Insurance, and Aged Care. During 2008–09, Medicare Australia paid over $30 billion in payments across the various programs it delivers.

In recent years, the ANAO has undertaken a performance audit program that has progressively examined Medicare Australia's administration of the various health program payments it delivers, including the Pharmaceutical Benefits Scheme and the Practice Incentives Program.

The future audit strategy will continue this program with a potential audit of aged care payments. The audit coverage will also be expanded to reflect the increasingly diverse responsibilities of the agency (for example the development of the Unique Healthcare Identifier (UHI) Service), and cover some of the relatively smaller programs, such as rural and remote incentives, that are delivered by Medicare Australia.

Audits in progress at 1 July 2010

Practice Incentives Program

The Practice Incentives Program (PIP) aims to recognise and provide financial incentives to General Practices that provide comprehensive quality care and that are either accredited or working towards meeting the Royal Australian College of General Practitioners Standards for General Practices. Some $298 million was paid to General Practices and GPs under PIP in 2008–09.

Responsibility for program delivery is shared; DoHA is responsible for program policy development, including eligibility criteria, and Medicare Australia is responsible for assessing all applications from General Practices for participation in the program.

The audit is assessing DoHA's effectiveness in undertaking PIP program planning, program monitoring and review; and with Medicare Australia, in ensuring PIP program delivery to General Practices and their medical practitioners.

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

Potential audits

Administration of Aged Care Payments

In October 2005, Medicare Australia began managing aged care benefit payments on behalf of the Department of Health and Ageing (DoHA). Medicare Australia makes payments to approved aged care providers to help them provide quality, cost-effective care for frail, older people and support for their carers. In 2008–09 Medicare Australia processed 53,248 aged care claims making up $7.3 billion in aged care benefits.
An audit would continue the ANAO’s review of the various payments Medicare Australia delivers by examining its administration of aged care benefit payments.

**Medicare Safety Net**

The Medicare Safety Net was introduced in 2004 and is designed to protect Australians and their families from high medical costs for out-of-hospital medical services. The Safety Net provides thresholds, depending upon the person or family circumstance, that if reached will result in Medicare paying between 80 per cent and 100 per cent of the out-of-pocket or gap expenses. In 2008–09, the cost of the Medicare Safety Net was approximately $460 million.

An audit would examine Medicare Australia’s administration of the Medicare Safety Net including the processes in place to ensure eligible people are registered.

**Rural and Remote Programs**

Attracting and retaining medical practitioners in rural and remote areas has been a significant challenge for health administrators in recent times. Medicare Australia administers over $50 million annually for a number of rural and remote programs aimed at encouraging medical practitioners to retain their services in these areas; increase the number of rural practitioners; and provide training to practitioners in delivering health services to rural and remote areas.

An audit would examine the effectiveness of the various rural and remote program payments administered by Medicare Australia.

**Medicare Australia’s Role in the Development of the Unique Healthcare Identifier (UHI) Service**

The provision of modern health care requires a greater sharing of health information between practitioners. The Unique Healthcare Identifier (UHI) will identify patients, practitioners and organisations involved in health care across Australia, and provide assurance regarding the identity of health records being communicated electronically. In December 2007, the National E-Health Transition Authority (NEHTA) signed a two-year, $51.6 million contract with Medicare Australia to design, build and test the UHI Service, which was to be delivered in December 2009.

An audit would examine Medicare Australia’s role in the development and delivery of the UHI Service, including the management of the contract with NEHTA.

**The Australian Organ Donor Register**

The Australian Organ Donor Register provides a service for people wishing to consent or object to becoming organ or tissue donors. People register their consent or objection through a website, or through completing forms provided by Medicare Australia. The register is administered by Medicare Australia and, in the event of someone’s death, can be accessed by authorised personnel at any time, anywhere in Australia, to identify the deceased’s organ donor status. In 2008–09 more than 1.2 million people had registered their consent to organ or tissue donation.

An audit would examine the effectiveness of Medicare Australia’s administration of the register.
Compensation Recovery Program

The Compensation Recovery program aims to prevent ‘double dipping’ in benefits and subsidies paid by the Australian Government in relation to an injury or illness, where a person receives compensation in excess of $5000 for the injury or illness by way of a judgment or settlement. Medicare Australia administers the program on behalf of DoHA and in 2008–09, 45 057 cases were finalised with $33.2 million being recovered.

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

Capturing and Managing Customer Service Feedback

The Human Services portfolio is designed to improve the provision of social and health-related services for customers. An important part of a service delivery function is the ability to capture and respond to customer feedback. Obtaining customer and provider feedback gives an agency the opportunity to gather perceptions, expectations and experiences of service delivery and identify areas for improvement.

An audit would examine the management of customer feedback within the Human Services portfolio and could comprise either a whole-of-portfolio audit or a series of audits relating to individual agencies and/or programs.
Immigration and Citizenship

Audit strategy overview

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

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

The ANAO has focused its recent audit coverage on key risks to DIAC achieving its outcomes, centring on the need to balance border security and effective, efficient visa and entry processing; and to facilitate the economic benefits of migration and effective settlement of new migrants in Australia. Current audit coverage in DIAC is focused on these risks, including the management of student visas and the need to be assured about the good character of visa and citizenship applicants.

Planned audit work for 2010–11 will focus on DIAC’s management of unlawful non-citizens and the quality of service they receive in detention and the implementation of the Systems for People IT change program.

Audits in progress at 1 July 2010

Management of Student Visas

Student visas enable international students to temporarily enter Australia to undertake full-time study. There are seven sub-classes of student visa according to the type of study to be undertaken. The aim of the program is to develop and administer student visa arrangements that will assist the growth of the education industry through entry to Australia of genuine full-time students. Australia’s international education sector has grown at an average of 15 per cent per annum over the last decade. In 2008–09, DIAC received 362,193 student visa applications and granted 320,368.

The objective of the audit is to assess the effectiveness of DIAC’s management of the student visa program, focusing on the effective administration of the student visa application and decision-making process; the effectiveness of activities to ensure compliance with student visa conditions; and the effectiveness of cooperation between DIAC and the Department of Education, Employment and Workplace Relations in supporting the program.

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

DIAC is responsible for administering, inter alia, the visa system under the *Migration Act 1958* and promoting and approving Australian citizenship through the *Citizenship Act 2007*. The character provisions of the Migration Act and the Citizenship Act aim to safeguard the Australian community from unacceptable risk of harm. All visa and citizenship applicants must satisfy DIAC that they are of good character.

The objective of the audit is to assess the effectiveness of DIAC’s administration of the character provisions of the *Migration Act 1958* and the *Citizenship Act 2007*. The audit focus includes the policies, guidance and support DIAC provides to its staff, its decision-making processes and performance management and reporting systems, and its continuous improvement processes. The audit complements the ANAO’s audits of visa administration, particularly ANAO Audit Report No.37 2006–07 *Administration of the Health Requirement of the Migration Act 1958*.

This audit report is expected to be tabled in the Winter 2011 Parliamentary Sittings.

Potential audits

Detention Facilities—Contract Management and Quality of Service

Australia’s *Migration Act 1958* requires people who are not Australian citizens and who are unlawfully in Australia to be detained. Unlawful non-citizens may be detained in Immigration Detention Centres (IDCs), Immigration Residential Housing (IRH), Immigration Transit Accommodation (ITA), or in community detention. The majority of unlawful non-citizens are held in IDCs. As at 22 January 2010, 80 per cent of the 2038 people in immigration detention were housed in the five IDCs around Australia. In 2009, DIAC signed contracts with Serco Australia Pty Ltd, worth a total of $415 million, to provide detention services at IDCs, IRHs and ITAs. International Health and Medical Services Pty Limited are contracted to provide general and mental health services to people in immigration detention.

An audit would examine DIAC’s management of immigration detention arrangements, focusing on IDCs but including IRH, ITA and community detention. The audit could examine the transition to the new detention service providers, DIAC’s management of the contracts, particularly its monitoring of the seven immigration detention values, and the level and quality of service provided to detainees.

Systems for People

As part of its ongoing change activities, DIAC has developed and implemented Systems for People (SfP). DIAC describes SfP as a technology-enabled business transformation project which aims to improve its information technology systems, develop nationally consistent business processes, provide a single view of clients across a range of business areas, introduce better quality control and provide for improved record keeping. Work on the program commenced in 2006, with completion scheduled for 2010. In the 2006–07 Federal Budget, the Government announced an SfP budget of $494.6 million. As at 30 June 2009, $528 million had been expended on SfP and related projects, 80 per cent of the revised budget of $659.1 million budget.

An audit would focus on the implementation of SfP, including the development and implementation process and the extent to which it has achieved its aims.
Audit strategy overview

Portfolio responsibilities include: providing, evaluating, planning and investing in infrastructure; fostering an efficient, sustainable, competitive, safe and secure transport system; and helping regions and local government develop and manage their futures.

ANAO’s recent performance audit activities have focused on the funding and delivery of transport infrastructure and administration of regional grants programs, such that each of the major funding programs has been examined on at least one occasion. ANAO has also recently completed an audit of Infrastructure Australia’s conduct of the national infrastructure audit, and development of the infrastructure priority list.

Current audits due to table in 2010–11 include three that are examining the administration of the two major regional funding programs as well as further audits of the funding of infrastructure projects through the Jobs Fund. In addition, audit work is underway in the area of transport safety regulation, through an audit of the Civil Aviation Safety Authority’s implementation and management of its safety management systems approach, and there is an audit of the Aviation and Maritime Security Identity Cards.

Audits in progress at 1 July 2010

Conduct of the National Infrastructure Audit and Development of the Infrastructure Priority List

Infrastructure Australia was established to conduct audits to determine the adequacy, capacity and condition of nationally significant infrastructure and to develop Infrastructure Priority Lists that prioritise Australia’s infrastructure needs. The results of the first National Infrastructure Audit were published in December 2008 and the first Infrastructure Priority List was published in May 2009. The objective for the audit is to assess the effectiveness of the conduct of the first National Infrastructure Audit and development of the Infrastructure Priority List, with particular emphasis on:

- the submissions process and the methodology used to assess submissions;
- the overall conduct of the Audit process;
- the formulation of the Interim and Final Infrastructure Priority Lists; and
- the provision of advice and recommendations to the Government.

This audit report is expected to table in the Spring 2010 Parliamentary Sittings.

Audits of Regional Funding Programs

In May 2008, the Government announced that a Regional and Local Community Infrastructure program (now known as the Community Infrastructure program) would be funded in the 2009–10 Federal Budget to deliver major investments in regional and local community, recreational and environmental infrastructure initiatives. In developing the program, the Government asked the House of Representatives Standing Committee on Infrastructure,

As part of the Government’s response to the global financial crisis, establishment of the program was brought forward and funding of $300 million was announced in November 2008. This comprised:

- one-off grants totalling $250 million allocated to all councils on a formula basis involving a one-off payment for additional ready-to-proceed projects and for additional stages of projects already underway
- a $50 million strategic projects component with applications for at least $2 million in federal funding for large strategic projects able to be lodged by councils by late December 2008 (a limit of one application per council or group of councils applied).

The strategic component was increased in January 2009 to $550 million.

In addition to the Community Infrastructure program, the Government developed the Better Regions program to help communities deal with the pressures on community infrastructure resulting from growth. The Better Regions program is intended to respond to the growth pressures being experienced by communities on the urban fringes, regional centres and in ‘tree change’ and ‘sea change’ areas. During the 2007 Federal Election campaign, the Labor Party announced more than 40 projects amounting to over $85 million. In the 2008–09 Federal Budget the Government announced that funding of $176 million over four years would be provided for the program.

Having regard to developments within the various regional programs that the department administers since the audit report on the Regional Partnerships program was tabled, ANAO has commenced separate audits of:

- the Community Infrastructure program: council allocation component;
- the Community Infrastructure program: strategic projects component; and
- the Better Regions program.

In broad terms, each audit is assessing whether the relevant program has been effectively designed and administered. In addition, in relation to the strategic projects component, as the rapid injection of funds is intended to support local jobs, the audit methodology includes examination of advice provided to government, and development and implementation of program arrangements to support employment.

The report on the audit of the strategic projects component is expected to be tabled in the Spring 2010 Parliamentary Sittings. A separate report on each of the remaining two audits is expected to be tabled during 2010–11.
Administration of CASA's Safety Management Systems Approach

Australia is a signatory to the Convention on International Civil Aviation, commonly referred to as the Chicago Convention, which sets out the agreed principles to maintain a safe and orderly international civil aviation environment. ICAO Standards place a responsibility for Chicago Convention-contracting states to have a State Safety Program (SSP) and for operators to implement a Safety Management System (SMS) that is acceptable to the state. In its September 2008 report on the administration of CASA and related matters, the Senate Rural and Regional Affairs and Transport Committee recommended that the ANAO audit CASA’s implementation and administration of its safety management systems approach. This audit is being conducted in response to that request.

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

Management of the Aviation and Maritime Security Identification Regime

Aviation and Maritime Security Identification Cards (ASIC and MSIC) for airport and seaport workers form part of Australia’s effort to secure the transport sector against terrorism. All individuals who require unescorted access to a secure area of an airport, seaport or offshore facility are required to undertake a background check and display an ASIC or MSIC indicating that they have passed this check. Responsibility for the ASIC and MSIC regime is shared between the Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG) and the Attorney-General’s Department (AGD), although the actual issuing of cards is performed by over 200 separate issuing authorities, including both private and public sector bodies. There are around 125 000 ASICs and 137 000 MSICs in current circulation.

The objective of this audit is to assess the effectiveness of DITRDLG’s and AGD’s management of the ASIC and MSIC regime. The audit focus includes governance, reporting and funding arrangements, administration of the issuing of the cards, information systems and compliance activity.

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

Potential audits

Tasmanian Freight Equalisation Scheme

Producers located in Tasmania face the unique situation that in order to distribute their products to other states, they often need to rely on sea freight. In order to minimise sea freight costs and provide Tasmanian industries with equal opportunities to compete in mainland markets, the Tasmanian Freight Equalisation Scheme was introduced in July 1976 to assist producers through subsidising the costs of sea freight. The scheme operates under a set of directions issued by the Minister for Infrastructure, Transport, Regional Development and Local Government and is administered by Centrelink, through a Memorandum of Understanding with the Department of Infrastructure, Transport, Regional Development and Local Government. The scheme has been extended in recent years to also include King Island and the Furneaux Group of islands.

In 2008–09, 10 751 claims were received (an increase of 34.5 per cent from 2007–08), and $109 million was paid under the scheme.

An audit would examine the effectiveness and administration of the Tasmanian Freight Equalisation Scheme.
Administration of Round 2 of the Strategic Projects Component of the Regional and Local Community Infrastructure Program

The Regional and Local Community Infrastructure Program (RLCIP) was established by the Government to stimulate growth and activity in Australia as part of the response to the global economic crisis. The first $550 million funding round for the Strategic Projects component of the RLCIP was conducted in 2008-09 and is currently the subject of an ANAO performance audit. At the Australian Council of Local Government meeting on 25 June 2009, the former Prime Minister announced additional funding of $120 million for the Strategic Projects component of the RLCIP, to be conducted through a competitive process. Applications closed in January 2010.

An audit would examine the conduct of the second funding round, noting that the first round was conducted prior to the Commonwealth Grant Guidelines (CGGs) being introduced, but the second round was conducted after significant enhancements were made to the grants administration framework (including the publication of the CGGs).

The Establishment, Implementation and Administration of the Jobs Fund

On 5 April 2009, the Government announced further stimulus initiatives as part of the Jobs and Training Compact, with the former Prime Minister stating that the Compact was with Australians affected by the global recession and was promising training, support and local initiatives to help them get back to work. The Jobs and Training Compact was to have three elements, the largest being a $650 million Jobs Fund to help support local jobs and training through community projects in regions hardest hit by the economic downturn.

Two audits of the Jobs Fund are planned. The first audit would relate to the establishment, implementation and administration of the Infrastructure Employment Projects stream. This stream has been announced as involving $150 million for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. It is administered by the Department of Infrastructure, Transport, Regional Development and Local Government. The Department of the Prime Minister and Cabinet also plays a role in the initiation of projects for funding through this stream of the Fund with the Department of the Treasury involved in the making of payments for approved projects. In addition, the published guidelines for the Infrastructure Employment Projects stream state that projects initiated by the Australian Government will be referred to a joint departmental committee.

The second audit would examine the establishment, implementation and administration of the Local Jobs stream of the Jobs Fund. Through the Local Jobs stream, $300 million was to be available for community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage. Of the funding available under this stream, $60 million was specifically set aside for heritage-related projects and $40 million was for the construction of bike paths (with the $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The audit scope would include all elements of the Local Jobs stream, the administration of which involves the Department of Education, Employment and Workplace Relations in respect to the general components of the Local Jobs stream, the Department of Environment, Water, Heritage and the Arts in respect to the quarantined heritage component and the Department of Infrastructure, Transport, Regional Development and Local Government in respect to the quarantined bike path component.
Innovation, Industry, Science and Research

Audit strategy overview

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

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

Combined funding for the portfolio in 2009–10 was approximately $5.6 billion. Recent ANAO audits have covered various industry assistance schemes, including the two largest—the Automotive Competitiveness and Investment Scheme and the Textile, Clothing and Footwear Scheme; and the portfolio agencies, the Australian Institute of Marine Science and the Australian Research Council.

The ANAO’s audit program for the coming years proposes to focus on the programs administered by the Department of Innovation, Industry, Science and Research (DIISR), and portfolio agencies, to assist science, research and innovation in industry. These functions underpin economic growth and generate knowledge to address some of the environmental and social challenges facing Australia.

Potential audits

Green Car Fund

The Green Car Innovation Fund is a competitive, merit-based grants program developed to enhance research, development and commercialisation of Australian technologies that significantly reduce fuel consumption or greenhouse gas emissions of passenger motor vehicles. The Fund will provide $1.3 billion over 10 years from 2009. The Fund aims to help the Australian automotive industry deliver the improved environmental performance required by the Automotive Transformation Scheme, which also forms part of A New Car Plan for a Green Future. The program aims to contribute one dollar for every three dollars contributed by grantees.

An audit would examine the administration of the Green Car Fund by DIISR.
Research Block Grants

The Department of Innovation, Industry, Science and Research manages seven programs valued at $1.4 billion to support research and research training in Australian Higher Education Providers. Research Block Grants are allocated according to a performance-based formula and are independent of funding for specific research projects, programs, or fellowships. Institutions have considerable autonomy in deciding what research projects, personnel, equipment and infrastructure this funding should support.

An audit would examine DIISR’s administration of the Research Block Grants.

Cooperative Research Centres Programs

Cooperative Research Centres (CRCs) are partnerships between publicly funded researchers and end-users (either from the private, public or community sector) to address clearly articulated, major challenges that require medium to long-term collaborative efforts. The first CRCs were established in 1991. There are currently 48 CRCs operating in six broad CRC sectors: manufacturing technology; information and communication technology; mining and energy; agriculture and rural-based manufacturing; environment and medical science; and technology.

The Commonwealth has contributed more than $3 billion over the life of the program with approximately $9 billion contributed in cash and in-kind by CRC participants. The twelfth funding round was announced in December 2009, providing $130 million to seven CRCs.

An audit would examine the administration of the CRC program by DIISR.

Commercialisation Grants

Commercialisation Australia (within DIISR) is a new Australian Government initiative to build the capacity of Australia’s talented researchers, entrepreneurs and innovative companies to convert ideas into successful commercial realities and create high-skill, high-wage jobs. Commercialisation Australia will receive $196.1 million over four years to 2013, with ongoing funding of $82 million a year thereafter. Commercialisation Australia offers: skills and knowledge grants; proof of concept grants; and early stage commercialisation repayable grants. Commercialisation Australia also provides technical advice to AusIndustry, the program delivery division within DIISR that manages the grants.

An audit would examine the administration of commercialisation grants by DIISR.

Commonwealth Scientific and Industrial Research Organisation—Administration and Coordination of Selected National Research Flagships

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is Australia’s largest national research and development organisation covering a variety of scientific and industrial fields. In 2010–11, CSIRO has a proposed budget of $1.18 billion. This budget is directed at four programs which are focussed on delivering scientific solutions to Australian industry and communities, while simultaneously helping to build Australia’s science base. Of the four CSIRO programs National Research Flagships and Core Research and Services are the key mechanisms for strategic and applied research. National Research Flagships are distinct from Core Research and Services in that they are generally larger, multi-disciplinary responses with longer timeframes that are targeted to major challenges and opportunities of national or
global significance. There are 10 National Research Flagships encompassing a diverse range of research themes which have a combined budget of approximately $550 million for 2010–11. An audit would examine whether CSIRO is effectively administering and coordinating selected National Research Flagships.

Australia Research Council—Follow on

The ARC is a statutory authority that advises the Government on research matters, manages the National Competitive Grants Program (NCGP), a significant component of Australia's investment in research and development, and has responsibility for the Excellence in Research for Australia (ERA) initiative. In 2009–10 total net resourcing for the ARC was $684.1 million, which includes funding for ERA and the NCGP.

An audit would examine the ARC’s administration of grants and the progress made in implementing the recommendations from ANAO Audit Report No. 38 2005–06 The Australian Research Council’s Management of Research Grants.

Establishment and Management of the Nation Building Funds: the Education Investment Fund

The ANAO’s Planned Work Program for 2008–09 outlined a series of audits that would be undertaken to examine the establishment and management of the Nation Building Funds. An audit of the Education Investment Fund (EIF) would be the first audit in a series of proposed audits.

The EIF was established to:

• make payments towards creating or developing education infrastructure in areas such as higher education, research and vocational education and training; and

• make transitional payments relating to the former Higher Education Endowment Fund, the balance of which was transferred into the EIF.

The Department of Education, Employment and Workplace Relations and the Department of Innovation, Industry, Science and Research are responsible for project identification and evaluation criteria, with the Department of Finance and Deregulation being involved in the payment process once decisions are made about which projects to fund.

An audit would examine how candidate projects are identified, how evaluation criteria for the Fund are developed and applied, and how efficiently and effectively the funding for approved projects is administered and accounted for. The audit would also examine the investment by the Future Fund Board of Guardians and Future Fund Management Agency of the assets of the EIF (which stood at $5.99 billion as at 31 December 2009).
Parliamentary Services

Audit strategy overview

The Department of Parliamentary Services (DPS) is one of three departments which comprise the Parliamentary Service, the other two being the Department of the Senate and the Department of the House of Representatives.

The Secretary of the department reports to the Presiding Officers of the Parliament (the President of the Senate and the Speaker of the House of Representatives) and has responsibility for managing DPS and providing advice to the Presiding Officers on matters relating to DPS.

The Presiding Officers have approved the following Outcome statement for DPS:

Occupants of Parliament House are supported by integrated services and facilities, Parliament functions effectively and its work and building are accessible to the public.

The services provided by the department are broad-ranging, encompassing the management, maintenance and provision of information, security, facilities, visitor, building, maintenance, landscaping, IT network, telecommunications, broadcasting and Hansard services.

The audit strategy is to examine the effectiveness of different aspects of the management of parliamentary services over time.

Potential Audits

Management of Commercial Licences within Parliament House

The Facilities section of the Department of Parliamentary Services manages the licences for various commercial activities carried out at Parliament House. These services include catering, child care, post office, travel agency and bank, providing a range of visitor services (including guided tours for building visitors and school groups) as well as operating the Parliament Shop.

The Department of Parliamentary Services 2008–09 Annual Report recorded $1 252 000 in rental income and notes that the Building Services Branch (BSB) have begun reviewing the licensing arrangements for the provision of commercial services and tenancies within Parliament House. The report states that these reviews are to incorporate a more commercial management approach to each licensing arrangement, and notes that while some reviews were completed in 2008–09, the remainder will be finished in 2009–10.

An audit would examine the effectiveness of the management of commercial licensing arrangements at Parliament House.
Prime Minister and Cabinet

Audit strategy overview

The Prime Minister and Cabinet portfolio agencies produce a range of outcomes and outputs which assist in providing coordinated, efficient and accountable public administration, supported by a values-based Australian Public Service. The Department of the Prime Minister and Cabinet plays a key role in the coordination of a number of the principal portfolio responsibilities which cover areas of counter-terrorism policy coordination, national security policy coordination, work and family policy coordination, privacy, and freedom of information.

As part of its role as a central policy agency, the Department of the Prime Minister and Cabinet provides advice to, and support for, the Prime Minister in her capacity as head of the Government and the Cabinet. Major tasks for the department include developing timely, well-argued, robust and forward-looking policy advice, coordinating policy through the Cabinet process, and supporting implementation of key government programs.

Major risks for the department and its portfolio agencies continue to relate to the treatment of complex issues at the forefront of public policy and government administration, and involve change and rapid developments in many areas. These issues include climate change, Commonwealth–state relations, the ‘global financial crisis’ and national security.

Potential audits

The Establishment, Implementation and Administration of the Jobs Fund

On 5 April 2009, the Government announced further stimulus initiatives as part of the Jobs and Training Compact, with the former Prime Minister stating that the Compact was with Australians affected by the global recession and was promising training, support and local initiatives to help them get back to work. The Jobs and Training Compact was to have three elements, the largest being a $650 million Jobs Fund to help support local jobs and training through community projects in regions hardest hit by the economic downturn.

Two audits of the Jobs Fund are planned. The first audit would relate to the establishment, implementation and administration of the Infrastructure Employment Projects stream. This stream has been announced as involving $150 million for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. It is administered by the Department of Infrastructure, Transport, Regional Development and Local Government. The Department of the Prime Minister and Cabinet also plays a role in the initiation of projects for funding through this stream of the Fund with the Department of the Treasury involved in the making of payments for approved projects. In addition, the published guidelines for the Infrastructure Employment Projects stream state that projects initiated by the Australian Government will be referred to a joint departmental committee.

The second audit would examine the establishment, implementation and administration of the Local Jobs stream of the Jobs Fund. Through the Local Jobs stream, $300 million was to be available for community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage. Of the funding available under this stream, $60 million was specifically set aside for heritage-related projects and $40 million was for the construction of bike paths (with the $100 million in quarantined funding not to extend past 30 June 2010). This stream, including the two quarantined sub-streams, related to commitments made by the
Government in negotiations with the Australian Greens in the context of securing passage of the legislation relating to the Nation Building and Jobs Plan.

The audit scope would include all elements of the Local Jobs stream, the administration of which involves the Department of Education, Employment and Workplace Relations in respect to the general components of the Local Jobs stream, the Department of Environment, Water, Heritage and the Arts in respect to the quarantined heritage component and the Department of Infrastructure, Transport, Regional Development and Local Government in respect to the quarantined bike path component.

**Administration of the Lobbyists Register**

In 2008 the Australian Government introduced the Lobbyists Register and Lobbyists Code of Conduct. These measures were intended to provide a uniform ethic and transparency to interactions between lobbyists and government representatives. Included in the register are:

- the business registration details and trading names of the lobbyist including, where the business is not a publicly listed company, the names of owners, partners or major shareholders;
- the names and positions of persons employed, contracted or otherwise engaged by the lobbyist to carry out lobbying activities; and
- the names of clients on whose behalf the lobbyist conducts lobbying activities.

An audit would review administration of the establishment and ongoing maintenance of the Lobbyists Register and would assess the department’s effectiveness in promoting transparent conduct between lobbyists and government representatives.
Resources, Energy and Tourism

Audit strategy overview

The Resources, Energy and Tourism portfolio was established through Administrative Arrangement Orders in December 2007 and is responsible for Australia’s resources, energy and tourism industries. Portfolio agencies include:

- Geoscience Australia;
- the National Offshore Petroleum Safety Authority; and
- Tourism Australia.

Combined funding for the portfolio in 2009–10 was $1.3 billion. The Department of Resources, Energy and Tourism (DRET) administers a number of major energy and resource programs. Recent audits have given priority to the portfolio agencies of Tourism Australia and Geoscience Australia. The ANAO’s future audit program will focus on the department’s major energy and resources programs.

Potential audits

Renewable Energy Demonstration Program

The Renewable Energy Demonstration Program (REDP) is a $235 million competitive grants program designed to accelerate the commercialisation and deployment of new renewable energy technologies for power generation in Australia. The REDP aims to:

- demonstrate the technical and economic viability of renewable energy technologies for power generation through large-scale installations;
- support the development of a range of renewable energy technologies for power generation in Australia;
- enhance Australia’s international leadership in renewable energy technology for power generation development; and
- attract private sector investment in renewable energy power generation.

This program is administered by the Australian Centre for Renewable Energy within DRET. An audit would examine the administration of the REDP by DRET.
Treasury

Audit strategy overview

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

In recent years, the Treasury has played a prominent role in many key reforms and initiatives. For example, as part of its role as a central policy agency, the Treasury is leading policy development and public engagement on a number of long-term, economy-wide reforms such as the review of the tax and transfer systems, and Australia’s transition to a less carbon-intensive economy. Past audit activity has examined administration of payment of Goods and Services Tax to the states and territories, and the calculation and reporting of tax expenditures. The audit strategy for the portfolio will maintain a strong focus on the Treasury.

The portfolio also includes various financial system regulators. Past ANAO audits have examined bank prudential supervision and aspects of the work of the Australian Securities and Investments Commission.

In light of the global financial crisis and significant government policy responses, such as the guarantees on bank deposits, the ANAO has commenced, or plans to commence, work on initiatives in this area. Audit activity is also planned into the costings (by Treasury and Finance) of election commitments under the Charter of Budget Honesty.

Potential audits

The Establishment, Implementation and Administration of the Jobs Fund

On 5 April 2009, the Government announced further stimulus initiatives as part of the Jobs and Training Compact, with the former Prime Minister stating that the Compact was with Australians affected by the global recession and was promising training, support and local initiatives to help them get back to work. The Jobs and Training Compact was to have three elements, the largest being a $650 million Jobs Fund to help support local jobs and training through community projects in regions hardest hit by the economic downturn.

Two audits of the Jobs Fund are planned. The first audit would relate to the establishment, implementation and administration of the Infrastructure Employment Projects stream. This stream has been announced as involving $150 million for the construction of local infrastructure that would create immediate jobs in communities affected by the global recession. It is administered by the Department of Infrastructure, Transport, Regional Development and Local Government. The Department of the Prime Minister and Cabinet also plays a role in the initiation of projects for funding through this stream of the Fund with the Department of the Treasury involved in the making of payments for approved projects. In addition, the published guidelines for the Infrastructure Employment Projects stream state that projects initiated by the Australian Government will be referred to a joint departmental committee.

The second audit would examine the establishment, implementation and administration of the Local Jobs stream of the Jobs Fund. Treasury is not involved in the administration of this stream and so is not involved in the audit.
Establishment and Management of the Nation Building Funds: the Education Investment Fund (EIF)

The ANAO’s Planned Work Program for 2008–09 outlined a series of audits that would be undertaken to examine the establishment and management of the Nation Building Funds. An audit of the Education Investment Fund (EIF) would be the first audit in a series of proposed audits.

The EIF was established to:

- make payments towards creating or developing education infrastructure in areas such as higher education, research and vocational education and training; and
- make transitional payments relating to the former Higher Education Endowment Fund, the balance of which was transferred into the EIF.

The Department of Education, Employment and Workplace Relations and the Department of Industry, Science and Research are responsible for project identification and evaluation criteria, with the Department of Finance and Deregulation being involved in the payment process once a decision is made about which projects to fund.

An audit would examine how candidate projects are identified, how evaluation criteria for the Fund are developed and applied, and how efficiently and effectively the funding for approved projects is administered and accounted for. It would also examine the investment by the Future Fund Board of Guardians and Future Fund Management Agency of the assets of the EIF (which stood at $5.99 billion as at 31 December 2009).

Development and Implementation of the Australian Government’s Guarantee of Large Deposits and Wholesale Funding

On 12 October 2008, the former Prime Minister announced deposit and wholesale funding guarantees that apply to authorised deposit-taking institutions incorporated in Australia. These institutions are, as a group, of systemic importance to the functioning of the financial system and the broader economy, and are subject to prudential regulation by the Australian Prudential Regulation Authority.

The guarantees were designed to help Australian banks, credit unions and building societies continue to access funding in domestic and international credit markets. The guarantees were also designed to ensure Australian institutions were not placed at a commercial disadvantage in relation to their international competitors that have received similar government guarantees on their bank debt.

The Reserve Bank of Australia, as agent for the Commonwealth, administers the guarantees. This role includes performing administrative tasks such as processing applications from institutions for coverage of liabilities and collecting fees. In addition, the legal framework for the scheme allows for information sharing between the Reserve Bank of Australia, the Australian Prudential Regulation Authority and other relevant agencies.

An audit would examine the Reserve Bank of Australia’s administration of the guarantees.
Administration of the Costing of Election Commitments

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

In the lead-up to the 2007 Federal Election, the then Government made 20 requests for costings of publicly announced policies. The then Opposition similarly made 10 requests for costings of its publicly announced policies. Clause 31 of the Charter outlines the requirements for the public release of policy costings. The guidelines state that, when a policy costing is published, the published report will include the request for the costing submitted in accordance with the Charter; any request for further information made by the Secretaries; and any further information forwarded to the Secretaries or obtained in discussions with parties.

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

Audit strategy overview

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

Particular risks for Tax Office administration in 2010–11 include:

- completion of the major ICT ‘change program’;
- legal and administration implications arising out of the Henry review;
- appropriateness of responses to changes in taxpayer behaviours; and
- implementation of administrative processes for new government policies, relating to the economic downturn.

Reflecting the Tax Office’s key roles, the ANAO has given priority to audits that provide coverage to risks associated with the effective collection of revenue. Particular emphasis has been given to the systems, processes and governance frameworks that support revenue collection and community confidence in the tax system within the context of the Tax Office’s Compliance Management program.

The ANAO’s future audit strategy will build on the current approach. While retaining a focus on revenue collection and superannuation, the ANAO will expand the program to review the Tax Office’s client service, covering Tax Office shopfront information centres. The ANAO will also assess aspects of the Tax Office’s administration of Project Wickenby and the non-profit sector.

Audits in progress at 1 July 2010

*The Tax Office’s Implementation of its Client Contact—Work Management—Case Management System*

As part of the Tax Office’s Change Program the Tax Office implemented a Client Contact—Work Management—Case Management System (CWC). The CWC is an enterprise-level system used to manage cases and work items, as well as manage client relationship interactions arising from telephone calls and correspondence. This audit is assessing the implementation of the Tax Office’s CWC, including assessing the progress of the CWC against the endorsed Change Program business case.

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

*Administration of the Wine Equalisation Tax*

The Wine Equalisation Tax (WET) is a value-based tax applied to wine consumed within Australia. Along with the Luxury Car Tax, WET was introduced in 2000 to help cushion the effect that the abolition of sales tax would have otherwise had. The WET rate is 29 per cent of the wholesale sales value.
Eligible Australian and New Zealand wine producers can apply for a 29 per cent rebate of WET to a maximum value of $500,000. In 2008 Australians consumed 426 million litres of Australian wine and 53 million litres of imported wine for a combined value of some $2.5 billion. The Australian wine industry employs some 31,000 people. In 2008–09 the Tax Office collected $708 million in WET.

The objective of this audit is to assess the effectiveness of the Tax Office’s administration of the Wine Equalisation Tax.

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

**The Tax Office’s Administration of Fuel Tax Credit Payment Scheme**

The Tax Office is responsible for conducting various grant, benefit, tax offset and redistribution programs, sometimes in conjunction with other agencies, arising from a range of government policies. In 2007–08 transfer payments totalled some $9.3 billion. The most significant transfers in value terms were the various business fuel rebate schemes that help users of different fuels. In 2007–08 fuel scheme transfers totalled $4.8 billion. The Tax Office also administers transfers helping families and individual taxpayers including the family tax benefit, the baby bonus and private health insurance rebate. In 2007–08, payments of these transfers totalled almost $2.5 billion.

The objective of this audit is to assess the Tax Office’s effectiveness in administering the fuel tax credit transfer payment scheme. It will focus on this one major element of the transfer payments system and consider the key components of administration including: education and compliance strategies for recipients; mechanisms for communicating with key stakeholders, such as other Australian Government organisations; skilling and operational support for Tax Office staff; performance monitoring and reporting; and linkages to other governance arrangements in the Tax Office.

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

**Potential audits**

**Administration of the Superannuation Lost Members Register**

The Lost Members Register is a central register of superannuation fund members and retirement savings account holders, maintained by the Tax Office, where the members or holders have been reported by their superannuation funds as lost. The Register contains information sent to the Tax Office by a superannuation provider or its supplier because people may have changed jobs, addresses or names. ANAO Audit Report No.17 2005–06, *Administration of the Superannuation Lost Members Register* made eight recommendations, with high priority given to two recommendations relating to the quality of Lost Members Register data. Since that audit there have been a number of administrative changes within the Tax Office relating to the Register and changes in legislation and funding that have impacted on its administration.

An audit would examine the Tax Office’s administration of the Lost Members Register.
The Compliance Approach Towards, and Management of, Small to Medium Enterprises

There are 130,000 businesses with an annual turnover of between $2 million and $250 million in Australia. These small to medium enterprises employ 26 per cent of the workforce and account for 15 per cent of the Tax Office’s total revenue collections. The Tax Office compliance work surrounding small to medium enterprises includes comparing information that businesses provide in tax returns with information supplied by third parties, including financial institutions, government agencies and industry. This data matching is increasingly automated and comprehensive and includes reviews of unusually high refunds and unusual pay-as-you-go instalment payment patterns. The Tax Office also uses statistical analysis to help identify tax risks based on business results that are outside industry norms or expected economic performance.

An audit would examine the Tax Office’s management of small to medium enterprises, including the use of profiling to manage compliance risks.

Administration of Transfer Pricing

With increasing globalisation of markets, some small to medium enterprises are adopting more aggressive tax practices with some making use of transfer pricing. The transfer pricing provisions provide a legislative framework for dealing with arrangements under which profits are moved out of Australia, primarily through the mechanism of inter-company and intra-company transfer pricing for products, services and intangibles.

The Tax Office has been conducting a transfer pricing compliance program that includes conducting reviews and audits as well as providing an advanced pricing arrangement program to give businesses one-on-one certainty about the treatment of their transfer pricing arrangements.

An audit would consider the effectiveness of the governance and administrative arrangements of transfer pricing administration as well as the Tax Office’s interaction with revenue authorities in other jurisdictions to ensure equity for Australia’s revenues in this area.

Project Wickenby

Project Wickenby is a multi-agency task force that was formally established in February 2006. The objective of the task force is to make Australia unattractive for tax fraud and evasion. The work aims to detect, deter and deal with: tax avoidance and evasion; breaches of financial laws and regulations; attempts to defraud the community including investors and creditors; money laundering; and concealment of income or assets.

The agencies involved in administering Project Wickenby are the Tax Office, the Australian Securities and Investments Commission, the Australian Crime Commission, the Commonwealth Director of Public Prosecutions, the Australian Federal Police, AUSTRAC, and the Attorney General’s Department with the support of the Australian Government Solicitor. For improved collaboration the Project Wickenby Cross-agency Advisory Committee was established, while the Tax Office remained the lead agency reporting to the government on progress.

Government resourcing for Project Wickenby is approximately $430 million.

An audit would examine whether the Tax Office effectively carried out its role as part of the Project Wickenby taskforce. The audit would cover aspects of the governance arrangements,
compliance approaches, and administration practices in relation to the terms of reference laid out by the Government.

**Administration of the Non-profit Organisations Sector**

Non-profit organisations are estimated to make up just over four per cent of GDP, with nearly five million volunteers contributing an additional $14.6 billion in unpaid work. As of the 2006–07 financial year there were 51,671 organisations with charity status endorsed by the Tax Office. When an organisation has charity status they can claim concessions on income tax, fringe benefits tax and the goods and services tax. Also, 25,000 organisations have been endorsed by the Tax Office for deductible gift status. Unless an organisation is stated explicitly in the income tax law, deductible gift status can only be claimed following endorsement by the Tax Office. In 2006–07 $1.9 million was claimed for deductible gifts by individuals while $373 million was claimed in refundable franking credits.

With a reliance on the endorsement of tax deductible status from within the Tax Office forming a crucial element of this sector, an audit would examine the Tax Office’s administrative arrangements involving the non-profit sector, and would focus on examination of the deductible gift endorsement process and associated arrangements.

**Administration of the Obligations of Employers Relating to Staff**

The Tax Office is responsible for administrative arrangements covering employer tax obligations not only with respect to company tax instalments but also with respect to payments relating to their employees. Employer obligations in respect of employees include fringe benefits tax (FBT) and pay as you go (PAYG) withholding tax, and Superannuation. The *Superannuation Guarantee (Administration) Act 1992* requires employers to contribute a minimum of nine per cent of their employees’ ordinary time earnings to a complying superannuation fund. The Tax Office collects about $3.4 billion annually from some 70,000 employers under the *Fringe Benefits Tax Assessment Act 1986* and $115.9 billion in PAYG. During the 2008–09 financial year the Tax Office reviewed the compliance of more than 20,000 employers and raised $277 million in superannuation entitlements for around 147,000 employees.

An audit would examine the Tax Office’s administration of employer obligations and would also assess the effectiveness of Tax Office processes involved when businesses are placed into administration/liquidation with outstanding payments in these areas.

**Tax Office Shopfronts**

While the Tax Office’s general business model is to encourage online dealings, the Tax Office still provides a face-to-face service through its shopfronts. A total of 730,796 general visits were made to shopfronts in 2008–09, up by six per cent compared to the previous year. Approximately 37 per cent of these visitors proceeded from the reception desk for a more detailed interview to answer their enquiry. This activity is subject to a corporate service standard. In order to expand the sites where taxpayers can access ATO information, the Tax Office has an arrangement with Centrelink to provide basic tax information at Centrelink offices.

An audit would examine the effectiveness of the administration of Tax Office shopfronts.
Administration of the First Home Saver Account

On 4 February 2008, the Government confirmed its 2007 federal election commitment to establish First Home Saver Accounts to assist Australians aged 18 and over to save for their first home. First Home Saver Accounts are the first of their kind in Australia and will provide a simple, tax-effective way for Australians to save for their first home through a combination of Government contributions and low taxes.

For the first $5,000 that the account holder contributes into the account each financial year, the government will generally contribute 17 per cent of that amount. There will be an account balance cap of $75,000 for the 2008–09 financial year, which will be indexed over the life of the account. In 2009 payments to First Home Saver Accounts were approximately $6 million.

An audit of the First Home Saver Accounts would examine the effectiveness of the Tax Office’s administration of the accounts.

Administration of the Luxury Car Tax

Luxury Car Tax is charged at 33 per cent of the cost, when a luxury car is sold or imported.

A luxury car is a car with a value above the Luxury Car Tax threshold (currently $57,180). Luxury Car Tax is only applied to the value of the vehicle above the Luxury Car Tax threshold, less GST, and is accounted for by the purchaser, when completing an activity statement for the tax period that applies for GST.

Legislation to increase the Luxury Car Tax rate from 25 per cent to 33 per cent from 1 July 2008 became law on 3 October 2008, and includes a number of concessions.

- In certain circumstances primary producers and tourism operators will be able to claim a refund of eight per cent of the Luxury Car Tax (to a maximum of $3,000) on certain four-wheel drive or all-wheel drive vehicles.
- Luxury Car Tax will not apply to certain fuel-efficient cars under the fuel-efficient car limit ($75,000 for the 2008–09 year) from 3 October 2008. Luxury Car Tax at the rate of 33 per cent will apply to vehicles above this threshold.
- 25 per cent Luxury Car Tax will apply to contracts entered into for purchases or imports of a luxury car before 13 May 2008 (the date of the Federal Budget announcement to increase the Luxury Car Tax rate).

An average of some $405 million has been collected over the past three financial years.

An audit of the Luxury Car Tax would examine the effectiveness of the Tax Office’s administration of the assessment and collection process relating to the Luxury Car Tax.
Management of GST Liability Adjustments

Net GST is calculated as the Gross GST payable plus Deferred GST payments on imports less Input tax credits. If net GST is more than zero this amount is payable to the ATO: a GST liability. Businesses may need to adjust their net GST liability when events occur that affect the current GST liability balance. Examples of events requiring adjustments include sale price changes, sale cancellations, and write-off or recovery of a bad debt. Businesses claim GST credits by lodging activity statements or an annual GST return.

For the 2007–08 financial year net GST liabilities increased by 5.3 per cent to $41.8 billion. Also in that financial year, the number of entities with a net liability up to $10 000 decreased 3.2 per cent while the number of entities with a net GST liability over $10 million increased by 10.4 per cent or $2.9 billion.

An audit would examine the Tax Office’s management of the GST credit liability adjustment process.
Cross-portfolio Audits

Audits in progress at 1 July 2010

Direct Sourcing Procurement Processes

Australian Government organisations purchase around $30 billion worth of goods and services annually. When undertaking procurement, organisations are required to follow the principles and requirements set out in the Commonwealth Procurement Guidelines and in associated financial framework legislation.

The objective of this audit is to assess whether direct sourcing is conducted in accordance with the Commonwealth Procurement Guidelines and relevant legislation. The audit will also examine the implementation of relevant recommendations contained in ANAO Audit Report No.57 2004–05, Purchasing Procedures and Practices and ANAO Audit Report No.21 2006–07, Implementation of the Revised Commonwealth Procurement Guidelines.

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

Capitalisation of Software

Management of software assets should be based on a life-cycle approach that involves critical decisions around acquisition, replacement, operation, enhancement and disposal. The Consolidated Australian Government Financial Statements for the year ending 30 June 2009 include computer software assets valued at $5.7 billion (up from $5.1 billion in 2008).

The objective of this audit is to examine the management of (and accounting for) computer software assets within selected Australian Government organisations. The audit would also assess the extent to which the recommendations contained in ANAO Audit Report No.54 2002–03 Capitalisation of Software have been implemented.

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

Senate Order for Departmental and Agency Contracts (Calendar Year 2009 Compliance)

The Senate Order for Departmental and Agency Contracts requires agencies operating under the Financial Management and Accountability Act 1997 to place lists of contracts valued at $100 000 or more on the Internet. These lists must, among other things, indicate whether each contract requires the parties to maintain the confidentiality of any of the contract’s provisions.

The objective of this audit is to assess the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2009 listings and assess the effectiveness of the processes used by selected agencies for compiling contract listings.

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

The Certificate of Compliance process contains reporting requirements relating to legal compliance and financial sustainability for Australian Government organisations. As well as improving the level of reporting relating to the Australian Government’s financial management arrangements, the Certificate of Compliance process is designed to help increase the understanding of the requirements of the financial framework among organisations. Three Certificate of Compliance cycles have now been completed (30 June 2007, 30 June 2008 and 30 June 2009). The 2009 reporting process identified around 15 000 individual instances of non-compliance (down from over 32 000 in 2008).

The objective of this audit is to assess organisations’ management of the implementation and ongoing use of the Certificate of Compliance process. The audit is also considering what action the Department of Finance and Deregulation has taken to support organisations to meet Certificate of Compliance-related requirements.

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

Potential audits

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

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

An audit would examine the initial application of the Outcomes and Programs Framework in selected Australian Government agencies, particularly focusing on the KPI reporting requirements of the PBS and the role of the Department of Finance and Deregulation (Finance) in administering the framework.

Following completion of this audit, a second audit, Performance Reporting Against the New Financial Framework, is being planned, which proposes to examine the extent to which Australian Government agencies have fully implemented the arrangements, including how agencies have aligned their budget and annual reporting.

Performance Reporting Against the New Financial Framework

In the 2009–10 Commonwealth Budget a number of revisions were made to the budget reporting framework. The most significant of these involved changes to the arrangements for outcomes to reflect an increased emphasis on programs. Beginning in 2009–10, all General Government Sector agencies are required to report in accordance with an Outcomes and Programs Framework. Programs are the building blocks of government financial and non-financial reporting, management and analysis and should provide a tangible link between government decisions, government activities and the impacts of those actions.
An audit would build on the findings from the initial audit Development of Key Performance Indicators to Support the Outcomes and Programs Framework and examine the extent to which Australian Government agencies have fully implemented the arrangements, including how agencies have aligned their budget and annual reporting.

The ANAO would follow this audit with an update to its 2004 Better Practice Guide on Annual Performance Reporting to reflect changes in the guidance for annual performance reporting provided by the Department of the Prime Minister and Cabinet and relevant changes flowing from Operation Sunlight being administered by Finance.

**Audit Committees and Internal Audit**

Audit Committees and Internal Audit make a valuable contribution to public sector management by providing independent assurance and assistance in areas such as risk, control, compliance and financial reporting. Through their independent review role, Audit Committees are well placed to identify opportunities for performance improvement.

An audit would assess whether selected Australian Government organisations have used better practice principles when establishing and operating their Audit Committee and Internal Audit. The audit would focus on implementation of the better practices contained in the ANAO’s Better Practice Guides Public Sector Audit Committees (2005) and Public Sector Internal Audit (2007). The audit would also assess whether the recommendations contained in Audit Report No.3 2004–05 Management of Internal Audit in Commonwealth Organisations have been implemented.

**Developing and Managing Internal Budgets**

Developing and managing internal budgets is central to organisations effectively managing their resources. Organisations use internal budgets to establish and communicate funding priorities, support financial planning and associated decision-making, set financial controls, support resource allocation, identify cost structures, determine prices and monitor financial performance.

An audit would assess the effectiveness of internal budget processes at selected Australian Government organisations. Specifically, it would examine whether internal budgeting is embedded into each organisation’s business planning processes, whether internal budget development processes are well designed, and whether financial performance is being actively monitored. The audit would focus on implementation of the better practices contained in the ANAO’s Better Practice Guide Developing and Managing Internal Budgets (2008).

**Managing Employees with a Disability**

Diversity in the workplace can benefit organisations in a number of ways. A diverse range of backgrounds and perspectives provides a broader range of ideas and insights for use in decision-making and policy development. Organisations that recognise and value diversity tend to be more productive workplaces, and are more likely to attract and retain employees. An integral part of workplace diversity is the employment of people with disabilities.

An audit would examine the effectiveness of Australian Government organisations’ practices associated with employing people with a disability, including recruitment processes, working conditions, workplace design and functionality and graduated return to work. The audit would also determine the adequacy of policies and procedures and assess compliance with relevant legislation, including the Public Service Act 1999 and the Disability Discrimination Act 1992.
Information and Communication Technology—Confidentiality of Client Information

The Privacy Act 1988, which applies to all Australian Government agencies, contains Information Privacy Principles providing for the security and storage of personal information. The Privacy Amendment (Private Sector) Act 2000 aims to provide privacy protection for personal records across the private sector, including those organisations providing outsourced services to the public sector. A Privacy Commissioner survey in 2009 found a high incidence of data, including client information, on agencies’ portable storage devices (such as flash drives) not being properly secured and some agencies did not have controls around the use of personal storage devices and loss or theft of such devices.

A series of ICT-focused audits would test the security of client information.

Information and Communication Technology—Protection of information

Australian Government organisations electronically create, collect, process, store and transmit large amounts of official information. All such information must be handled with due care. Additional layers of protection are required where official information is assessed as critical to the performance of government functions; or because its loss or misuse could harm Australia’s national security, or adversely impact on the operations of government, the interests of the community, or of any individual.

Australian Government organisations must manage information in accordance with a range of legislative requirements and policies. This includes the Protective Security Manual, the Information Security Manual, the Crimes Act 1914, the Public Service Act 1999 and the Privacy Act 1988. There are also a wide range of legislative obligations pertaining to the protection, use and disclosure of specific types of information.

An audit would assess whether selected Australian Government organisations have implemented effective ICT systems and practices to protect information in accordance with legislative requirements and government policies.

Implementation and Management of Electronic Document Records Management Systems

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

An audit would assess EDRMS implementation and management in selected Australian Government organisations and whether the implemented systems meet the needs of these organisations.
Senate Order for Departmental and Agency Contracts

The Senate Order for Departmental and Agency Contracts requires agencies operating under the Financial Management and Accountability Act 1997 to place lists of contracts valued at $100 000 or more on the Internet. These lists must indicate, among other things, whether each contract requires the parties to maintain the confidentiality of any of the contract's provisions.

An audit would assess the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2010 calendar year listings, and the processes used by selected agencies for compiling contract listings.

Procurement

Australian Government organisations purchased over $23 billion in property and services in 2009 through procurement processes. When undertaking procurement, organisations are required to follow the principles and requirements set out in the Commonwealth Procurement Guidelines and associated legislation.

As part of a continuing series of audits focusing on procurement, the ANAO is planning to examine specific procurement approaches, including different types of procurement. For example, an audit of procurement methods may focus on organisations' use of standing offer arrangements, including coordinated and cooperative procurement arrangements.

Closing the Gap in Indigenous Disadvantage Initiative: Performance Information Reporting

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

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

Underpinning these targets are the seven COAG-agreed Building Blocks (Early Childhood, Schooling, Health, Economic Participation, Healthy Homes, Safe Communities and Governance and Leadership) which form the strategic areas for action by governments.

An audit would examine the performance information architecture that has been developed to enable robust reporting against these targets and the extent to which agency-specific
performance information and reporting systems have been adapted to be able to generate reliable information relating to these targets and progress within the seven Building Blocks. The COAG Reform Council’s 2010 National Indigenous Reform Agreement Baseline Performance Report, issued in May 2010, has highlighted a range of gaps in the existing performance framework and has recommended steps for improvement. There is also ongoing work being undertaken by a series of departmental committees and working groups. Timing of an audit would take the work of these groups and the recommendations of the COAG Reform Council into consideration.

**Implementation of the COAG Service Delivery Principles for Programs and Services for Indigenous Australians**

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

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

An audit would examine the organisational initiatives undertaken to date by Australian Government agencies to put these principles into operation and ensure that they are being adhered to. The audit would also consider what overarching arrangements exist to monitor adherence to the principles across governments.

**ICT Reform Program**

In April 2008 the Australian Government engaged Sir Peter Gershon to lead an independent review of the Government’s use and management of information and communication technology (ICT). The review was undertaken to identify ways in which the Government could strengthen the whole-of-government management of ICT and maximise the benefits from ICT to drive greater efficiency and deliver better services. The review made recommendations directed at improving ICT governance, capability and skills; better managing business-as-usual ICT operations, relationships with industry and data centre requirements; and ensuring that the Government’s ICT operations are sustainable. In November 2008 the Government endorsed the recommendations of the review and initiated the ICT Reform Program to implement the Government’s directions regarding the recommendations.
An audit would examine how selected Australian Government organisations have implemented new arrangements in response to the ICT Reform Program.

**Record Keeping**

Record keeping is a key element of sound public administration and accountability for all Australian Government entities. As part of a continuing series of audits focusing on record keeping, an audit would examine the extent to which entities meet their record keeping responsibilities. For example, the audit may examine how effectively entities manage records created and stored electronically in corporate record keeping systems and in other electronic systems in accordance with record keeping requirements including the *Archive Act 1983*.

**Freedom of Information**

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

The *Freedom of Information Amendment (Reform) Bill 2009* and the *Information Commissioner Bill 2009* introduce major reforms to the *Freedom of Information Act 1982* to promote a pro-disclosure culture across government and to build a stronger foundation for more openness in government. These Bills are not yet legislated but have been endorsed by the Senate Committee on Finance and Public Administration.

An audit would assess the appropriateness of agencies’ policies and processes for dealing with requests for information in accordance with the Act; agencies’ compliance with the provisions of the Act and their preparedness for any impending changes to the FOI legislation. An audit would also assess whether the recommendations contained in Audit Report No.57 2003–04 *Administration of Freedom of Information Requests* have been implemented.

**Capacity Development for Indigenous Service Delivery**

Australian Government agencies rely on Indigenous organisations and provide significant annual funding to the delivery of programs and services. The ability or capacity of these organisations to deliver the program and services for which they are funded has a strong influence on the delivery of the service and on the ultimate achievement of outcomes sought by government.

An audit would assess the extent to which key Australian Government agencies recognise and seek to reduce service delivery risks posed by capacity constraints in Indigenous organisations.
Better Practice Guides

Potential guides

**Strategic and Operational Management of Assets by Public Sector Entities**

Asset management is an essential component of good governance in both the public and private sectors, and should be aligned to, and integrated with, an entity’s strategic, corporate and financial planning. This guide focuses on the holdings of non-financial assets including: land and buildings, infrastructure, plant and equipment, heritage and cultural assets, intangibles (including IT systems and intellectual property), inventory, and other assets held by general government entities. It does not cover: financial assets, specialist assets (including specialist military equipment), or assets related to sales of government businesses.

The aim of this guide is to provide an update to the previous publication *Better Practice Guide on Asset Management June 1996* and to provide a practical asset management framework that can be adopted by Australian Government entities to assist in the effective management, maintenance, and use of assets to achieve their goals and agreed program delivery outcomes.

In particular, the Guide draws together and illustrates the practical application and essential inter-dependencies of a strategic asset management framework—being asset management, planning and the strategic goals of an entity.


Employee benefits (including superannuation contributions) are of major importance for agencies and their employees. The end-to-end business cycle for the management of processes associated with employee benefits relies heavily on commercial off-the-shelf software to assist in the payroll and human resource management function. As a result, the integrity, confidentiality and availability of Human Resources (HR) information is heavily dependent upon the implementation of effective system controls.

The BPG is intended to be a practical reference to assist HR and Payroll departments in Australian Government entities to improve systems processes, security and control over HR information.

**Fraud Control**


The ANAO recently completed Audit Report No.42 2009-10, *Fraud Control in Australian Government Agencies*, which included a survey of all APS agencies and assessed key aspects of fraud control arrangements in place across the APS. Following this audit, the ANAO is updating its better practice guide to reflect current practices to prevent and deal with fraud.
Public Sector Audit Committees

In February 2005 the ANAO released the Better Practice Guide—Public Sector Audit Committees. The guide aimed to update the original ANAO guide (issued in 1997) following developments in better practice around that time, and an increased focus on regulatory reforms to governance practices arising from the Corporate Law Economic Reform Program (CLERP 9 was enacted in June 2004) and the Uhrig report issued in 2003.

An Audit Committee plays a pivotal role in the governance framework of organisations in both the public and private sectors. Chief Executives and boards are placing increased reliance on audit committees to provide them with independent assurance and assistance in areas such as management of risk, internal control, legislative compliance and financial reporting.

To continue to support good governance of public sector entities, the ANAO plans to update the better practice guide on Public Sector Audit Committees to reflect contemporary practices and requirements.

Public Sector Governance Update

In June 2003 the ANAO released the Better Practice Guide Public Sector Governance. The guide aimed to help Australian Government agencies achieve better public sector governance by discussing the overarching public sector governance framework and proposing processes and practices to address commonly encountered governance problems.

A number of important developments in public sector governance have occurred since the release of that guide. To continue supporting good governance of Australian Government organisations, the ANAO plans to update the 2003 better practice guide.

Developing and Managing Contracts

Contracting is an integral part of doing business in the public sector. The delivery of many, if not most, government programs involve some contracting with the private sector. As a result, developing and managing contracts is a skill required by public sector entities in the management of most programs.

In February 2007 the ANAO, in partnership with the Department of Finance and Deregulation, released the Better Practice Guide Developing and Managing Contracts. The guide aimed to help public sector entities achieve effective practices in the development and management of contracts. The ANAO plans to update the guide to reflect contemporary practices in the development and management of contracts.

Green Office Procurement and Sustainable Office Management Better Practice Guide

Government agencies purchase, lease or consume a significant range of goods and services. In 2007–08, the procurement of goods and services by Australian Government agencies was valued at over $26 billion. These include office supplies, vehicles, information and communications technology, energy, waste and water services as well as office buildings and facilities. While these goods and services are procured for agencies to achieve their outcomes, they do have an environmental impact. This impact includes greenhouse gas emissions (such as from energy consumption in buildings and from vehicles), waste to landfill from paper,
equipment and office refurbishments as well as the consumption of scarce resources such as fresh water and fossil fuels.

The better practice guide would build on the knowledge gained from previous ANAO audits: Audit Report No. 25 2008–09 Green Office Procurement and Sustainable Office Management; and Audit Report No. 22 2005–06 Cross Portfolio Audit of Green Office Procurement. The guide will be prepared in consultation with a number of government agencies.

**Performance Reporting**

Annual reports are a key mechanism by which agencies are accountable through the Government to the Parliament for the efficiency, effectiveness and economy with which they manage the resources they administer. An important function of effective annual reports is that they provide sufficient information and analysis for the Parliament to make a fully informed judgement on performance.

The ANAO plans to update its 2004 *Better Practice Guide on Annual Performance Reporting* to reflect changes in the guidance for annual performance reporting provided by the Department of the Prime Minister and Cabinet and relevant changes flowing from the introduction of the Outcomes and Programs framework.
# Financial Statement Audits by ministerial portfolio/entity

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<td>Agriculture, Fisheries and Forestry</td>
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<td>Australian Pesticides and Veterinary Medicines Authority</td>
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<p>| Attorney-General’s                            | Administrative Appeals Tribunal                                 |
|                                                | Attorney-General’s Department                                  |
|                                                | Australian Commission for Law Enforcement Integrity           |
|                                                | Australian Crime Commission                                    |
|                                                | Australian Customs and Border Protection Service               |
|                                                | Australian Federal Police                                      |
|                                                | Australian Government Solicitor                                |
|                                                | Australian Human Rights Commission                             |
|                                                | Australian Institute of Criminology                            |
|                                                | Australian Law Reform Commission                               |
|                                                | Australian Security Intelligence Organisation                  |
|                                                | Australian Transaction Reports and Analysis Centre (AUSTRAC)   |
|                                                | Criminology Research Council                                   |
|                                                | CrimTrac Agency                                                |
|                                                | Family Court of Australia                                      |
|                                                | Federal Court of Australia                                     |
|                                                | Federal Magistrates Court of Australia                         |
|                                                | High Court of Australia                                        |
|                                                | Insolvency and Trustee Service Australia                       |</p>
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<tr>
<td>Steve Chapman</td>
<td>(02) 6203 7800</td>
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<tr>
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<td><a href="mailto:steve.chapman@anao.gov.au">steve.chapman@anao.gov.au</a></td>
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<tr>
<td>Peter White</td>
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<tr>
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<td><a href="mailto:peter.white@anao.gov.au">peter.white@anao.gov.au</a></td>
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<tr>
<td>Group Executive Director</td>
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