



Changes in SAI's roles caused by Parliaments' requests or Parliaments' changed focus and roles

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Introduction

The Australian National Audit Office (ANAO) is a specialist public sector practice providing a full range of audit services to the Parliament and Commonwealth public sector agencies and statutory bodies. Our audit clients include some 234¹ government bodies. These include budget dependent agencies involved in the delivery of core services and commercially oriented entities. In addition to conducting performance and financial statement audits, the ANAO undertakes other assurance activities to provide independent reports on particular activities.

The ANAO has recently been requested to undertake two new assurance activities: review of Government Information and Advertising Campaigns, and review of the status of progress with Defence Major Projects. Both areas have been of considerable interest to the Parliament.

Since the introduction of the new arrangements for Government Information and Advertising Campaigns, in June 2008, the ANAO has issued 35 reports². Appendix 1 provides an example of our review conclusions, using the Independent Report on the Tax Bonus Campaign (Phase One) 2009.

One report has been issued in relation to Defence Materiel Organisation³ (DMO) Major Projects, in November 2008, which covers nine major Defence acquisition projects. Appendix 2 provides a copy of the ANAO's Independent Review Report on the Defence Materiel Organisation's Project Data Summary Sheets.

¹ Audits of the Financial Statement of Australian Government Entities for the Period Ended 30 June 2008.

² As of 8 April 2008

³ The DMO is part of the Department of Defence and is Australia's largest project management organisation. Its mission is to acquire and sustain equipment for the Australian Defence Force.

Assurance Activities

The ANAO undertakes a range of assurance activities, in addition to its program of performance and financial statement audits, generally in response to requests from stakeholders, including Ministers and Parliamentary Committees. Individual assurance activities may be handled through the issue of a formal report or by correspondence.

As the Auditor-General Act currently does not explicitly give the Auditor-General the authority to conduct assurance activities, they are undertaken under a provision of the Act that allows the Auditor-General to conduct audits on other activities 'by arrangement'. This provision allows the Auditor-General to enter into an arrangement with any person or body to provide services of a kind commonly performed by auditors.

The reviews are conducted in accordance with the Australian Standard on Assurance Engagements *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Australian Auditing and Assurance Standards Board (ASAE 3000 is the Australian version of ISAE 3000 of the same name). Each review is designed to enable the Auditor-General to obtain sufficient appropriate evidence to form a conclusion in relation to the proposed subject matter, i.e. Government Information and Advertising Campaigns or DMO Major Projects.

The reviews undertaken by the ANAO are designed to provide limited assurance (rather than reasonable assurance that is generally provided by an audit) through inquiry, observation and analysis of key documents and information that the relevant criteria has been satisfied. In the case of the Advertising reviews, the criteria used are based on guidelines issued by the Government. For the DMO Major Projects the criteria used are concerned with the budget, schedule and capability to be delivered by each project. While our work is appropriate for the purpose of providing a review conclusion in accordance with assurance standards, our review is not as extensive as individual performance audits conducted by the ANAO, in terms of the nature and scope of issues covered, and the extent to which evidence is obtained by the ANAO. Consequently, the level of assurance provided by the review is less than that typically provided by ANAO's performance audits as there is less 'work-effort' involved.

Government Information and Advertising Campaigns

On 2 July 2008, consistent with its policy platform the Government announced Guidelines on Campaign Advertising by Australian Government Departments and Agencies (the Guidelines) to govern the content and presentation of Commonwealth Government campaign advertising.

Prior to the November 2007 Federal Election, the Government's information activities were coordinated by the Special Minister of State, who chaired the Ministerial Committee on Government Communications, which took key decisions relating to major and sensitive information campaigns. The (then) Government's general administrative

requirements in relation to the management of information campaigns were set out in Guidelines for Australian Government Information Activities – Principles and Procedures, February 1995.

Campaign advertising has been subject to a number of performance audits and Parliamentary inquiries:

- An ANAO audit of Commonwealth Government information and advertising in 1994-95;
- The ANAO further examined aspects of the administration of government advertising in Report 12 of 1998-99. The audit made a number of suggestions to Government regarding campaign administration, including that the Government consider adopting principles and guidelines for the development, content and presentation of government advertising;
- On 10 December 1998, the Joint Committee of Public Accounts and Audit (JCPAA) decided to review Report 12 of 1998-99. The focus of the Committee's deliberations was the development of new guidelines for Commonwealth government advertising with the JCPAA recommending to Government that Guidelines, based on those suggested in ANAO Report 12 of 1998-99, be adopted;
- In 2004 and 2005, the Senate Finance and Public Administration References Committee undertook an inquiry into Government advertising and accountability, with the report of December 2005 making a number of recommendations; and
- An ANAO performance audit of the administration of contracting in relation to Government Advertising (Report No 24 of 2008-09) was tabled in Parliament on 5 March 2009, making four recommendations aimed at improving the administration of campaign advertising.

Agencies subject to the Financial Management and Accountability Act 1997 (the FMA Act) are required to comply with the Government's Guidelines, which require that a Minister only launch an advertising campaign when:

- the Chief Executive of the agency undertaking the campaign has certified that the campaign complies with the Guidelines and relevant government policies; and
- for campaigns with expenditure in excess of \$250,000, the Auditor-General has provided a report to the Minister on the proposed campaign's compliance with the Guidelines.

A Minister may also ask the Auditor-General to provide a report on campaigns valued at less than \$250,000 or which are sensitive in nature.

Reports on individual campaigns are made available to the public on the ANAO website following each campaign's launch. In addition, the ANAO will provide a regular report to Parliament on this activity. The limited assurance character of this new role has parallels in the activities the ANAO has agreed to undertake in regard to DMO Major Projects Report.

The JCPAA recently held the first of a series of public hearings into the role of the Auditor-General in scrutinizing government advertising.

The ANAO provided the JCPAA with a submission in which it observed that the ANAO and departments have put in place arrangements to respond to the new agreements for Government advertising, and have refined them in the light of experience. In some cases departments were required to apply the new Guidelines to campaigns whose development may have been underway for a considerable period of time.

As departments are increasingly working on campaigns conceived and developed under the new arrangements, they are demonstrating a growing appreciation of, and capacity to effectively respond to, the requirements of the Guidelines and to work with the ANAO to demonstrate their compliance with those requirements.

While departments still have some work to do to align their business processes to support effective compliance with the core requirements of the Guidelines, we would expect this to improve over time. The ANAO has been pleased by departments' willingness to engage early in campaign development and seek the ANAO's views at key stages in the campaign development process. This consultation is important in ensuring that the requirements of the Guidelines are adequately addressed and that departments have the documentation and processes in place to support efficient and effective review by the ANAO.

The Guidelines are generally holding up well, and have been particularly useful in establishing the expectations that all Government advertising campaigns must meet. However, there are some areas where, in the light of experience, the ANAO considers the Guidelines could be refined or supplemented by additional guidance. These include:

- Providing greater clarity as to the requirements of the cost-benefit analysis required by the Guidelines;
- Further enhancing transparency by requiring departments to present campaign information, including the CEO certification, on their websites; and
- Clarifying the requirements of the CEO's certification, including the scope of the 'relevant government policies' which need to be considered in the context of the Guidelines.

The Auditor-General has written to the responsible Minister in relation to these matters.

Defence Materiel Organisation Major Projects

Increased transparency and accountability on progress with major Defence equipment acquisitions has been a focus of Parliamentary interest for some time.

The Senate Foreign Affairs Defence and Trade Reference Committee in its 2003 report *Materiel acquisition and management in Defence*, found that there was relatively poor visibility on the progress of major projects as far as the Parliament and the public are concerned. The Committee recommended that the Senate request the Auditor-General to produce an annual report on progress in major Defence projects.

In 2006, the JCPAA recommended that the ANAO produce an annual report, based on data supplied by the Department of Defence and the DMO, on progress of the top 30 capital equipment projects. The Government's 2008 Defence election policy also signaled the establishment of an annual independent evaluation of the top 30 projects by the ANAO. The Government agreed and approved funding the Major Projects Report program in the May 2008 budget.

The first report, *Defence Materiel Organisation Major Projects Report 2007-08*, was tabled in Parliament by the ANAO on 27 November 2008.

The report was developed in conjunction with the DMO and covers the cost, schedule and capability progress achieved by selected DMO projects. While DMO was responsible for developing the management policies and processes needed, the ANAO contributed its knowledge and experience to inform the development of the approach adopted. That approach builds upon international experience, particularly in the United Kingdom and the United States of America.

The DMO and ANAO are working together to increase the annual report's coverage from nine projects in 2008, to 15 projects in 2009, and up to 30 projects in 2010 and 2011. At the same time the ANAO will seek to include in each report increased analysis of each project's performance and overall emerging trends.

This will allow a broader perspective on equipment acquisition performance by DMO than is currently available. This will not only be of interest to Parliament and the Government, but will also assist DMO in pursuing its agenda to improve its performance in managing major acquisition projects.

With the next report, the ANAO plans to undertake an analysis of projects' costs, schedule and capability performance data, in-year and over project life to date. The ANAO considers that over time, suitable analysis should be able to highlight emerging performance trends with the major projects, individually and as a portfolio of projects.

Lessons from the first year show that the DMO Report can be improved, particularly in the area of capability performance data. Capability achievement, in terms of Measures of Effectiveness (known as Key User Requirements in the United Kingdom's National Audit Office Major Projects Report), was excluded by the DMO from the Report because

of national security concerns. The DMO has provided an aggregated picture of capability performance covering the nine projects. However, there would be considerable benefit to this important element of project status if DMO was able to report unclassified project level capability status data.

Other Assurance Reviews

The Auditor-General receives requests to review certain issues from members of the Federal Parliament and the general public from time to time. Two recent responses involved the National Broadband Network Program (May 2008) and the Broadband Connect Infrastructure Program (July 2007).

In 2003 the Australian Government required its departments to commence sustainability reporting (previously known as triple bottom line reporting). The ANAO prepared sustainability reports in relation to two Australian Government departments: the Department of Families, Community Services and Indigenous Affairs (FaCSIA) and the Department of the Environment. Following a wide-ranging examination, the ANAO prepared an assurance statement which is included in the published sustainability report. The objective of our assurance work is to provide an independent opinion on the completeness, accuracy and reliability of the selected data parameters and the representation and discussion of such data in the report.

Another change we have seen in recent years is a more collaborative approach to public administration necessitated by the need for more global solutions to policy issues. Business and the wider community reasonably expect that government programs and services will be delivered, increasingly, in a seamless way. This includes cross-government or jurisdictional boundaries. My audit mandate does not extend to 'following the money' through the State system; however I can provide assurance to the federal Parliament in relation to whether federal agencies are effectively monitoring these activities. There is also scope to join with my State counterparts in conducting 'cross-jurisdictional' joint reviews on selected activities.

Review of the Auditor-General Act 1997

In March 2009 the JCPAA announced it would undertake an inquiry of the Auditor-General Act 1997. The JCPAA has written to all Australian Public Sector departments and agencies, as well as other key stakeholders, inviting them to make submissions.

One issue raised by the ANAO is an amendment to the Act to explicitly recognize assurance activities as a separate function, given the increasing demand for these services. While, as noted earlier, there is provision in the current Act for the ANAO to undertake these activities 'by arrangement', the ANAO considers that assurance activities, which are recognized by the auditing profession in standards issued by the Australian Auditing and Assurance Standards Board, should be given explicit recognition in the Act.

Conclusions

National audit institutions have an important role to play in providing an independent view of the performance and financial management of government entities, thus assisting Parliaments in holding governments to account.

The ANAO is currently working in two new assurance areas – in relation to Government Information and Advertising Campaigns and DMO Major Projects.

Our role in conducting an independent review on individual Government Information and Advertising Campaigns has provided the Government with assurance on the extent to which agencies are complying with Government guidelines governing expenditure which attracts a deal of Parliamentary and public scrutiny.

Our work in relation to the DMO Major Projects is an audit assignment, separate from our usual assurance role in relation to financial statements and individual performance audits, which is designed to provide greater accountability to Parliament on major Defence capital equipment projects.

We undertake a range of other assurance activities, responding to requests to review certain issues of importance to Government and the general public.

The ANAO has been alert to the opportunities to provide other assurance services that can contribute to providing assurance to Parliaments and other key stakeholders on the performance of key government programs. In this context, standing and momentum is important; it is easier to influence the debate if we are well regarded and influential than if we have to battle all the way. The only way to sustain momentum over time is by being clearly independent, delivering quality services in key areas of public administration and being constructive in formulating recommendations for change.

Appendices:

1. Independent Report on the Tax Bonus Campaign (Phase One) 2009.
2. Independent Review Report on the Defence Materiel Organisation's Project Data Summary Sheets by the Auditor-General.

Appendix 1

EXAMPLE OF ANAO REVIEW CONCLUSIONS FOR GOVERNMENT INFORMATION AND ADVERTISING CAMPAIGNS

Independent Report on the Tax Bonus Campaign (Phase One) 2009

Independent Report on the Tax Bonus Campaign (Phase One) 2009

To the Treasurer

Introduction

The Government *Guidelines on Campaign Advertising by Australian Government Departments and Agencies* (the Guidelines) state that Government information and advertising campaigns can only be approved for launching by the responsible Minister where:

- the Chief Executive of the agency undertaking the campaign certifies that the campaign complies with the Guidelines and relevant Government policies; and
- for those campaigns with expenditure in excess of \$250 000, the Auditor-General provides a report to the Minister responsible for the agency undertaking the campaign as to the proposed campaign's compliance with the Guidelines.

Scope

I have undertaken a review of the Tax Bonus Campaign (Phase One) 2009, administered by the Australian Taxation Office to enable me to report on the proposed campaign's compliance with the Guidelines.

The Guidelines state that campaigns should be instigated only where a need is demonstrated, target recipients are clearly identified and the campaign is based on appropriate research, and require that:

- material should be relevant to government responsibilities;
- material should be presented in an objective, fair and accessible manner;
- material should not be directed at promoting party political interests;
- material should be produced and distributed in an efficient, effective and relevant manner, with due regard to accountability; and
- advertising must comply with legal requirements.

The criteria I have used to make my assessment of the compliance of the Tax Bonus Campaign (Phase One) 2009 with the Guidelines are the matters specified at paragraphs 11 to 24 of the *Guidelines on Campaign Advertising by Australian Government Departments and Agencies* published by the Department of Finance and Deregulation in June 2008.

As of the date of this report, proposed campaign materials in languages other than English (including indigenous languages) have not been produced. As such these materials are outside the scope of this review. The Australian Taxation Office has undertaken to provide these materials to me separately for review against the Guidelines before they are publicly released.

Responsibilities of the Department

Agencies subject to the *Financial Management and Accountability Act 1997* must comply with the Guidelines as a matter of Government policy. The Commissioner of Taxation has certified that the campaign complies with the Guidelines.

The Auditor's Responsibility

My responsibility is to express, in this assurance report, an independent conclusion based on my review.

My review is conducted in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. My review is designed to enable me to obtain sufficient appropriate evidence to form a conclusion whether anything has come to my attention to indicate that the campaign does not comply, in all material respects, with the Guidelines.

Review methodology

I have conducted the review of the campaign by making such enquiries and performing such procedures as I considered reasonable in the circumstances including:

- an examination of campaign materials including print advertisements, digital content and search and radio script;
- a review of supporting documents and records relevant to the campaign, including related research and campaign funding approvals;
- interviews with staff of the Australian Taxation Office involved with the preparation of the campaign;
- an assessment of the reasonableness of the judgements made by the Australian Taxation Office against each of the Guidelines; and
- an examination of the certification by the Commissioner of Taxation dated 26 February 2009.

The ANAO review did not extend to an assessment of the general system controls and supporting procedures in place in the Australian Taxation Office to manage its advertising activities, but focussed on matters relating specifically to the Tax Bonus Campaign (Phase One) 2009. A review of this nature provides less assurance than an audit.

Conclusion

Based on my review described in this report, nothing has come to my attention that causes me to believe that Tax Bonus Campaign (Phase One) 2009 does not comply, in all material respects, with the requirements of the Government's *Guidelines on Campaign Advertising by Australian Government Departments and Agencies*.



Ian McPhee

Auditor-General

Canberra

27 February 2009

Appendix 2

ANAO'S Independent Review Report on the Defence Materiel Organisation's Project Data Summary Sheet



Auditor-General for Australia



Independent Review Report on the Defence Materiel Organisation's Project Data Summary Sheets by the Auditor-General

To the President of the Senate

To the Speaker of the House of Representatives

Scope

I have undertaken a review of the accompanying Project Data Summary Sheets as at 30 June 2008 against the Guidelines for nine major capital equipment acquisition projects included in this pilot report for which the Defence Materiel Organisation (DMO) is responsible. The nine projects are:

- Airborne Early Warning and Control Aircraft – AIR 5077 Phase 3
- Armidale-Class Patrol Boats – SEA 1444 Phase 1
- High Frequency Modernisation – JP 2043 Phase 3A
- Bushmaster Protected Mobility Vehicle – LAND 116 Phase 3
- F/A-18 Hornet Upgrade – AIR 5376 Phase 2.2
- Collins Replacement Combat System – SEA 1439 Phase 4A
- Armed Reconnaissance Helicopter – AIR 87 Phase 2
- C-17 Globemaster III Heavy Airlifter – AIR 8000 Phase 3
- Guided Missile Frigate Upgrade Implementation – SEA 1390 Phase 2.1

My review encompassed information relating to the cost, schedule and capability performance of each project, but did not include an assessment of the following information.

- (a) Major Project Risks and Major Project Issues included in Tables 1.2, 4.1 and 4.2 of each Project Data Summary Sheet.
- (b) Future dates that are 'forecasts' regarding a project's expected achievement of delivery schedules and capability that are included in Sections 1, 3 and 4 of each Project Data Summary Sheet.

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Auditor-General Review

ANAO Report No.9 2008–09 Defence Materiel Organisation Major Projects Report 2007-08

A review of this nature provides less assurance than an audit.

Basis for Qualified Conclusion

Due to systems limitations, there is uncertainty in relation to the reported information on prime contract expenditure at base date price, presented in the Project Data Summary Sheets at Table 2.7. Consequently, I have not been able to obtain all the information necessary to be satisfied about the accuracy of the prime contract expenditure as reported. This constitutes a basis for a qualified conclusion of my review.

Qualified Conclusion

Except for the effect of such adjustments as might be necessary had the uncertainty relating to the information in Table 2.7, referred to in the above paragraph not existed, based on my review described in this Report, nothing has come to my attention that causes me to believe that the information in the Project Data Summary Sheets, within the scope of my review, has not been prepared, in all material respects, in accordance with the Guidelines.



Ian McPhee
Auditor-General

Canberra ACT
20 November 2008