

The Auditor-General
Audit Report No.46 2005-06
Performance Audit

Commonwealth State Housing Agreement Follow-up Audit

**Department of Families, Community Services and
Indigenous Affairs**

Australian National Audit Office

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Canberra ACT
14 June 2006

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Families, Community Services and Indigenous Affairs in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Commonwealth State Housing Agreement Follow-up Audit*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the name and title.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations/Glossary

AHRF	Australian Housing Research Fund
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
ARHP	Aboriginal Rental Housing Programme
CAP	Crisis Accommodation Programme
CFO	Chief Financial Officer
CH Strategy	Strategy for improving the quality and coverage of Community Housing data for the 2003 CSHA
CHIP	Community Housing and Infrastructure Programme
Community Housing	Community Housing refers to housing provided by community groups and local government to people on low income levels, and who may have special needs.
CSHA	Commonwealth State Housing Agreement
FaCSIA	Department of Families, Community Services and Indigenous Affairs
Finance	Department of Finance and Administration
FTWG	Finance Technical Working Group
HAA Annual Report	Housing Assistance Act Annual Report
HMAC	Housing Ministers' Advisory Committee
HMC	Housing Ministers' Conference

NDHAMG	National Data Housing Agreement Management Group
NHDA	National Housing Data Agreement
NHDDC	National Housing Data Development Committee
NIHIC	National Indigenous Housing Implementation Committee
PBS	Portfolio Budget Statement
PRWG	Policy and Research Working Group
Public Housing	Public Housing refers to dwellings owned (or leased) and managed by the State and Territory Housing Authorities to provide affordable rental accommodation.
RA	Rent Assistance
SAAP	Supported Accommodation Assistance Programme
SCIH	Standing Committee on Indigenous Housing
SHA	State Housing Authority
SMART	Specific, Measurable, Achievable, Relevant, Timed performance indicators.
Social Housing	Refers to both Public Housing and Community Housing.
SPP	Specific Purpose Payment
States	State and Territory Governments

Summary and Recommendations

Summary

Background

1. The Commonwealth State Housing Agreement (CSHA) is a joint Commonwealth-State arrangement that aims to assist both renters and purchasers obtain appropriate accommodation. The CSHA provides Australian Government grants to the States¹ to assist those people whose housing needs cannot be met in the private sector to access appropriate and affordable housing. The grants are made in the form of a Specific Purpose Payment. The CSHA is authorised under the *Housing Assistance Act 1996*.
2. The current CSHA provides \$4.75 billion for housing assistance across Australia from 1 July 2003 to 30 June 2008. The CSHA consists of a multilateral agreement and bilateral agreements between the Commonwealth, and each State and Territory. The multilateral agreement specifies an outcome measurement framework based on bilateral information, a core set of nationally consistent indicators, and data for benchmarking purposes.
3. The Department of Families, Community Services and Indigenous Affairs (FaCSIA) manages the CSHA on behalf of the Australian Government.

Previous ANAO audit

4. In 1999–2000, the Australian National Audit Office (ANAO) conducted an audit which assessed how effectively the then Department of Family and Community Services administered the 1996 CSHA (Audit Report No.17²).³ The audit report made four recommendations and also made a number of findings relating to the financial management, performance monitoring and management procedures for the CSHA. The recommendations are outlined in Table 1.
5. The overall conclusion was that the 1996 CSHA reflected a shift towards a performance driven regime with an emphasis on the achievement of

¹ In the context of the CSHA, 'State' refers to both State Governments and Territory Governments. Accordingly, all references to State in this report also include the Territory Governments.

² Australian National Audit Office 1999, *The Commonwealth-State Housing Agreement*, Audit Report No. 17 1999–2000, ANAO, Canberra.

³ Following the changes announced by the Prime Minister on 24 January 2006, the Department of Family and Community Services (FaCS) became the Department of Families Community Services and Indigenous Affairs (FaCSIA). Throughout this report, the department is referred to as FaCS when quoting or referring to the previous audit report and FaCSIA is used on all other occasions.

outcomes. This was supported by the development of a system of performance indicators to measure performance, and by improved financial accountability arrangements aimed at identifying the full costs of providing housing assistance under the CSHA and making the use of funding more transparent. This performance based framework was not in place under previous CSHA's and was, in itself, a significant improvement on prior agreements.

6. The audit did, however, identify deficiencies with the quality and reliability of performance and financial information provided by the States, which limited the usefulness of that information for measuring and/or assessing performance against required results. Consequently, the ANAO concluded that this information required considerable improvement before it could contribute more meaningfully to analysis of whether CSHA programme objectives have been met efficiently and effectively.

Audit objective

7. The objective of this follow-up audit was to review FaCSIA's progress in implementing the recommendations of Audit Report No.17, 1999–2000.

8. The focus was whether FaCSIA had maintained or improved its oversight, coordination and administration of the CSHA, for both the 1999 CSHA and the 2003 CSHA, in line with the recommendations and findings identified in the previous ANAO audit.

Overall audit conclusion

9. The ANAO concluded that FaCSIA, in partnership with the States and other key stakeholders, has improved the systems and processes associated with the performance information used in the 1999 and 2003 CSHA's. In particular, FaCSIA has fully implemented Recommendation No's 1, 2 and 3 from the previous ANAO audit. This has resulted in considerable improvements to the quality and reliability of performance and financial information provided by the States and has addressed limitations to performance management identified in the previous report. The ANAO recognises that a majority of the work undertaken by FaCSIA to improve the performance management framework of the CSHA was begun and largely implemented under the 1999 CSHA, including the National Housing Data Agreement.

10. The performance management framework for the CSHA provides a sound basis for the effective monitoring of performance and for external

accountability performance reporting. However, the ANAO identified that performance reporting could be improved, particularly the Housing Assistance Act Annual Report, by more timely reporting and by including analysis that demonstrates the level of performance that has been achieved against the objectives of the CSHA.

11. In respect of Commonwealth funding for housing assistance provided under the CSHA, FaCSIA continues to improve its ability to monitor and manage financial risks through requiring the certification of the use of CSHA funds and independently audited financial returns. The substantial implementation of Recommendation No.4 of the previous ANAO audit has provided a risk-based approach to the management of the Commonwealth funding. The ANAO suggests that FaCSIA builds on this approach and involves all State Governments in a risk assessment at the beginning of each new CSHA. This will ensure that the risk assessment for each new CSHA is comprehensive and includes coverage of any risks associated with the delivery of housing assistance provided by the State Governments.

Key findings

12. Table 1 summarises the progress that FaCSIA has made in implementing the recommendations from the previous ANAO audit report with references to the paragraphs in this report that set out the ANAO's findings.

Table 1**FaCSIA's progress in implementing the previous ANAO audit report's recommendations**

Previous ANAO audit recommendations	Progress
<p>Recommendation No.1 (Performance information)</p> <p>The ANAO recommended that FaCS, in cooperation with key stakeholders, implement a suitable plan to progress and coordinate performance information development through Commonwealth-State bodies by the end of 1999.</p>	<p>Fully Implemented (Para 2.9)</p>
<p>Recommendation No.2 (Financial information)</p> <p>The ANAO recommended that, to provide the requisite assurance to management, the Government and the Parliament on the use of CSHA funds, FaCS ensure that processes to improve the consistency and comparability of financial information provided in State financial returns are developed and implemented before SHAs are required to provide the first financial returns under the 1999 CSHA.</p>	<p>Fully Implemented (Para 2.51)</p>
<p>Recommendation No.3 (Needs identification)</p> <p>The ANAO recommended that FaCS, in partnership with the States, refine needs identification methodologies to support further targeting of housing assistance to those most in need and enable the relative effectiveness of different housing strategies to be measured and/or assessed.</p>	<p>Fully Implemented (Para 2.38)</p>
<p>Recommendation No.4 (Risk management)</p> <p>The ANAO recommended that FaCS, in consultation with key stakeholders, undertake a comprehensive risk assessment as part of the policy development and strategic planning for the overall management of the CSHA and develop a management plan which addresses the key risks.</p>	<p>Substantially Implemented (Para 3.9)</p>

Source: Australian National Audit Office, *Commonwealth-State Housing Agreement*, Audit Report No.17 1999–2000, ANAO, Canberra.

Performance information (Chapter 2)

13. The previous ANAO audit concluded that there were problems with the quality and reliability of performance and financial information provided by the States which limited the usefulness of that information for measuring and/or assessing performance against required results.

14. The ANAO found that the National Housing Data Agreement (NHDA) is a suitable plan that has progressed and coordinated performance information through Commonwealth-State bodies and was in place by the end of 1999. This has resulted in Recommendation No.1 from the previous ANAO

audit report being fully implemented. In addition, the quality and reliability of the data available to measure CSHA performance information has been improved through the NHDA and its associated data dictionaries and processes that provide the basis for valid, complete, accurate, reliable and timely data.

15. However, the National Performance Information Framework could be improved by developing a specified outcome statement that draws together, clearly and succinctly, all the aspects of the CSHA that it is intended to measure. The ANAO suggests that FaCSIA pursues clarification of this issue through the appropriate CSHA working groups and in consultation with the States and other stakeholders such as the Australian Institute of Health and Welfare.

16. The ANAO found that FaCSIA has improved the processes for the consistency and comparability of financial information provided in State financial returns. A consolidated financial reporting framework was developed and implemented for the first returns under the 1999 CSHA. This has resulted in Recommendation No.2 from the previous ANAO audit being fully implemented. The information contained in the financial reporting framework provides FaCSIA with the basis to ensure that the States meet their accountability responsibilities under the CSHA. In addition, the information in the financial reporting framework provides a sound basis for FaCSIA to undertake high-level financial analysis to assess if CSHA funding is being used efficiently and effectively.

17. The ANAO found that Recommendation No.3 from the previous ANAO audit has been fully implemented. The development of nationally consistent and comparable effectiveness indicators that measure the targeting of housing assistance under the CSHA to those most in need has enabled the relative effectiveness of different housing strategies to be measured and/or assessed. The indicators provide the flexibility for the States to adapt the targeting to meet local needs, while at the same time providing a national basis for measuring the extent to which targeting housing assistance contributes to the achievement of CSHA objectives.

Ongoing oversight of Commonwealth funding (Chapter 3)

18. FaCSIA has substantially implemented Recommendation No.4 from the previous ANAO audit, given that it undertook a comprehensive risk assessment of the CSHA, and implemented the majority of suggested

management actions arising from that risk assessment. However, only one State stakeholder was consulted as a part of the development of the risk assessment. The ANAO suggests that, as part of the development and negotiations of future agreements, FaCSIA undertake a comprehensive risk assessment and that it broaden its consultation during the risk assessment process to encompass the full range of State and non-government stakeholders.

19. The ANAO found that the current governance structure for intergovernmental housing committees provides for clearer roles and responsibilities than previous arrangements and is a basis for effective communication between all jurisdictions. The adoption of a formal meeting structure has addressed the issues identified in the previous ANAO audit, and provides regular forums to discuss and progress housing policy.

20. Bilateral agreements were a new feature of the 1999 CSHA and have continued for the 2003 CSHA. The bilateral agreements with each State include performance indicators that measure how the delivery of housing assistance under the CSHA links with related programmes. The integration of performance indicators in the bilateral agreements has the potential to assist FaCSIA in further understanding the links between the delivery of housing assistance under the CSHA and other government programmes and to have a positive influence on the achievement of Whole-of-Government outcomes.

21. FaCSIA continues to provide and monitor funds as outlined in the CSHA. The 1999 CSHA introduced clauses that addressed the concerns raised in the previous report and these were maintained for the 2003 CSHA. This has led to improved processes for FaCSIA to effectively manage and monitor Commonwealth funding under the CSHA.

22. For example, States are now required to provide FaCSIA with Chief Executive Officer (CEO) certifications on the use of funds and independently audited financial returns within six months of the end of the reporting year. In addition, under changed clauses included in the 1999 and 2003 CSHAs, FaCSIA has increased the frequency of the payments it makes to the States. Under the 1996 CSHA, these payments were made in equal instalments, monthly in advance. These payments are now made fortnightly in advance. The increase in the frequency of payments reduces the risk that FaCSIA could release CSHA funds earlier than necessary to meet the immediate funding needs of the States. The ANAO considers that this should reduce the risk

identified in the previous audit of the States accumulating cash at a cost to the Commonwealth.

23. The 1999 and 2003 CSHA's each include clauses that provide the Commonwealth with the option to withhold a proportion financial assistance if the States do not comply with these reporting requirements. The ANAO found that, throughout the 1999 CSHA, despite the late submission by half of the States of their CEO certifications, independently audited financial statements and bilateral reports, the Commonwealth did not exercise its option to apply financial sanctions and withhold any portion of a State's funding.

24. The 2003 CSHA included further clauses stipulating that the failure to meet reporting requirements could result in a reduction to a States annual funding of an amount up to five per cent. Since the commencement of the 2003 CSHA, all States have submitted their CEO certification, independently audited financial statements and bilateral reports within six months of the end of the financial year. To date, no sanctions have been imposed on States for late submission of CSHA reporting requirements.

25. There is scope for improvement in the arrangements for analysing the States' financial returns. While some analysis of the States' financial returns was included in the 2003–04 Housing Assistance Act (HAA) Annual Report, this could be improved by FaCSIA indicating if results were above or below expectations and identifying any areas for concern. The results of this analysis could also be used to inform risk management and future decision making.

Reporting and analysis of performance of the CSHA (Chapter 4)

26. The ANAO found that the timeliness of performance reporting, particularly the HAA Annual Report, could be improved. Throughout the 1999 CSHA, the HAA Annual report was tabled in Parliament between 16 and 32 months after the end of the associated reporting year. This improved slightly for the first report provided under the 2003 CSHA, which was tabled 15 months after the end of the associated reporting year⁴. FaCSIA advised the ANAO that it will endeavour to have the HAA Annual Report tabled by June of the year following the end of the grant reporting year. The ANAO supports FaCSIA's aim to table the HAA Annual Report by June of the year following the reporting year but considers that there would be benefit in the report being

⁴ At the time of this audit report only one HAA Annual Report under the 2003 CSHA had been tabled in Parliament and this was the 2003-04 HAA Annual Report. The report for the 2004-05 reporting year is due by the end of June 2006.

tabled earlier if possible. By tabling the report before the end of the next reporting period, FaCSIA would be providing timely performance reporting to Parliament and other stakeholders.

27. The ANAO notes that the first HAA Annual Report produced under the 2003 CSHA was an improvement on the reports published under the 1999 CSHA and includes some assessment of the extent to which the objectives of the CSHA are being achieved. However, the ANAO considers that there is further scope for improvement of the information on the CSHA contained in both the HAA Annual Report and FaCSIA's Annual Report.

28. In particular, readers of the HAA Annual Report would benefit from a more detailed analysis of whether the results of non-financial and financial performance information indicated if expectations are being met and whether trends over time suggest that housing assistance being delivered under the CSHA is being delivered effectively and efficiently.

29. In addition, the ANAO found that the *FaCS Annual Report 2004–2005* did not provide effective reporting on the overall achievements of the CSHA. This could be improved by including commentary on whether the results of the performance indicators have met expectations and how the CSHA has contributed to the achievement of FaCSIA's outputs and outcomes.

30. The previous ANAO audit found that, due to the interim nature of the 1996 CSHA, no evaluation had been undertaken, despite it being a requirement of the *Housing Assistance Act 1996*. During this audit, the ANAO found that the 1999 CSHA was evaluated, however the timing of the completion of the evaluation was too late to inform the negotiation of the 2003 CSHA. This has been taken into account with the planning of the 2003 CSHA evaluation. FaCSIA is working with the States to ensure that the 2003 CSHA evaluation is completed in time to inform the negotiations for future housing assistance beyond the current CSHA.

31. Housing research mechanisms used by the Commonwealth and States have changed since the previous ANAO audit. From January 2000, the Australian Housing and Urban Research Institute (AHURI) became the major vehicle for housing research. The current AHURI funding agreement provides a mechanism for evaluating research arrangements to provide assurance to management and government that the research produced represents value for money and is policy relevant.

Recommendations

32. The ANAO made one recommendation to improve the usefulness to readers of the reporting provided by FaCSIA in the Housing Assistance Act Annual Report.

FaCSIA's response

33. The Secretary of FaCSIA provided the following summary response to the audit findings and recommendations.

FaCSIA agrees with the recommendation and the overall assessment of the report.

FaCSIA agrees with the recommendation in the report as it confirms the overall direction of work being done by FaCSIA to continuously improve the level of reporting and analysis in the Housing Assistance Act Annual Report. This ongoing work is taking place as improved performance information becomes available through the national housing data collections and the State and Territory Bilateral reports.

Recommendations

Recommendation No.1

Para. 4.23

To improve the level of accountability for, and transparency of reporting on, Commonwealth State Housing Agreement performance against the agreed outcomes of the Commonwealth State Housing Agreement in the Housing Assistance Act (HAA) Annual Report, and to assist readers of the report to better understand the results reported, the Australian National Audit Office recommends that the Department of Families, Community Services and Indigenous Affairs include in future HAA Annual Reports:

- (a) commentary to indicate whether trends in the financial and non-financial national performance indicators demonstrate progress made in achieving CSHA objectives; and
- (b) an assessment of the comparative performance of the CSHA from year to year.

FaCSIA's Response: Agreed

Audit Findings and Conclusions

1. Introduction

This chapter provides background information about the Commonwealth State Housing Agreement (CSHA), the previous ANAO audit report and explains the audit approach.

1.1 Housing is an essential of life, and the quality of housing has a major bearing on the quality of life of its residents. The delivery of housing assistance programmes has for many years, represented a small but significant component of Australian welfare provisions.

1.2 Under the Australian Constitution housing is the sole responsibility of the State and Territory Governments. However, the Commonwealth plays a large role in funding housing, both through direct housing assistance such as the Commonwealth State Housing Agreement (CSHA) and Rent Assistance⁵ (RA) as well as indirect assistance such as through the tax system.⁶ The Department of Families, Community Services and Indigenous Affairs (FaCSIA) manages the CSHA on behalf of the Australian Government.⁷

The Commonwealth State Housing Agreement

1.3 The CSHA is a joint Commonwealth State⁸ arrangement which aims to assist both renters and purchasers obtain appropriate accommodation. The CSHA provides Australian Government grants to the States to assist those people whose housing needs cannot be met in the private sector, to access appropriate and affordable housing. The grants are made in the form of a Special Purpose Payment. The CSHA is authorised under the *Housing Assistance Act 1996*.

1.4 The first CSHA was signed in 1945. The CSHA has moved from being a support for post-war reconstruction, through a period of promoting home

⁵ Rent Assistance is a Commonwealth funded non-taxable income supplement payment added on to the pension, allowance or benefit of eligible income support customers who rent in the private rental market. Pensioners, allowees and those receiving more than the base rate of Family Tax Benefit Part A may be eligible for Rent Assistance.

⁶ For example, exemptions from capital gains tax and depreciation for investment purposes.

⁷ Following the changes announced by the Prime Minister on 24 January 2006, the Department of Family and Community Services (FaCS) became the Department of Families, Community Services and Indigenous Affairs (FaCSIA). Throughout this report, the department is referred to as FaCS when quoting or referring to the previous audit report and FaCSIA is used on all other occasions.

⁸ In the context of the CSHA, 'State' refers to both State Governments and Territory Governments. Accordingly, all references to State in this report includes the Territory Governments.

ownership to the present day where it is targeted towards people on low incomes or at a disadvantage. The *Housing Assistance Act 1996* represented a significant shift from prior legislation, with the CSHA becoming performance based and focussed on the achievement of outcomes under the current Act. The first CSHA authorised under the *Housing Assistance Act 1996*, was signed in 1996. In 1999, a second CSHA under the *Housing Assistance Act 1996* was signed and this ran for four years until 2003.

1.5 The current CSHA provides \$4.75 billion for housing assistance across Australia from 1 July 2003 to 30 June 2008. The CSHA consists of a multilateral agreement and bilateral agreements between the Commonwealth, and each of the States. The multilateral agreement specifies an outcome measurement framework based on bilateral information, a core set of nationally consistent indicators, and data for benchmarking purposes.

1.6 On average, the Commonwealth provides approximately two-thirds of total funding for the CSHA, with the remainder being provided by the States. In 2003–04, the Australian Government and the States provided just under \$1.3 billion in total for housing programmes (contributing 72.4 per cent and 27.6 per cent respectively). Public and Community Housing accounted for the majority of CSHA funding.

1.7 CSHA funds are applied to the following purposes:

- **Public Housing /Base Funding**⁹ (Public Housing). Public rental housing is the major form of assistance provided under the CSHA. Public Housing funding covers dwellings owned (or leased) and managed by State and Territory Housing Authorities to provide affordable rental accommodation;
- **Community Housing Programme** (Community Housing). This is an identified funding programme¹⁰ under the CSHA that primarily provides funding for capital purposes to encourage participation by community groups (such as churches and welfare organisations) and local government in the provision of housing for people on low income levels, and who may have special needs;

⁹ Base funding is general purpose funding that may be used for any housing assistance purpose. The majority of base funding is used for public housing, but base funding is also used to provide other forms of assistance, such as home purchase assistance and private rental assistance.

¹⁰ Identified programme funding is funding that is provided for a specific housing purpose.

- **Aboriginal Rental Housing Programme (ARHP).** Specific purpose Commonwealth financial assistance for Indigenous housing is provided through the ARHP within the CSHA, and through the Community Housing and Infrastructure Programme (CHIP);¹¹ and
- **Crisis Accommodation Programme (CAP).** Under this programme capital funding¹² is primarily provided for crisis accommodation services funded under Supported Accommodation Assistance Programme (SAAP).

1.8 As well as the CSHA, the Australian Government provides a range of support and assistance for housing. The main forms of this other assistance are outlined in Appendix 1.

Previous ANAO performance audit

1.9 In 1999–2000, the ANAO conducted an audit of the administration of the CSHA (Audit Report No.17)¹³. The ANAO made four recommendations which are outlined in Table 1.1, which also includes FaCSIA’s response.

1.10 The overall audit opinion was that the 1996 CSHA reflected a shift towards a performance driven regime with an emphasis on the achievement of outcomes. This was supported by the development of a system of performance indicators to measure performance, and by improved financial accountability arrangements aimed at identifying the full costs of providing housing assistance under the CSHA and making the use of funding more transparent. This performance based framework was not in place under previous CSHA’s and was, in itself, a significant improvement on prior agreements.

1.11 The audit found, however, that there were deficiencies with the quality and reliability of performance and financial information provided by the States, which limited the usefulness of that information for measuring and/or assessing performance against required results. Consequently, the ANAO concluded that this information required considerable improvement before it could contribute more meaningfully to analysis of whether CSHA programme objectives have been met efficiently and effectively.

¹¹ CHIP is an Australian Government programme that seeks to improve the living environment of Indigenous Australians by providing people in need with housing and associated infrastructure and is also administered by FaCSIA.

¹² CAP is also an identified funding programme under the CSHA.

¹³ Australian National Audit Office 1999, *The Commonwealth-State Housing Agreement*, Audit Report No. 17 1999–2000, ANAO, Canberra.

Table 1.1**Recommendations from Audit Report No.17 1999–2000, Commonwealth State Housing Agreement**

Rec No	ANAO Recommendations	FACS Response
No.1 Para. 2.23	The ANAO recommends that FaCS, in cooperation with key stakeholders, implement a suitable plan to progress and coordinate performance information development through Commonwealth-State bodies by the end of 1999.	Agree
No.2 Para. 3.35	The ANAO recommends that, to provide the requisite assurance to management, the Government and the Parliament on the use of CSHA funds, FaCS ensure that processes to improve the consistency and comparability of financial information provided in State financial returns are developed and implemented before SHAs are required to provide the first financial returns under the 1999 CSHA.	Agree
No.3 Para. 4.29	The ANAO recommends that FaCS, in partnership with the States, refine needs identification methodologies to support further targeting of housing assistance to those most in need and enable the relative effectiveness of different housing strategies to be measured and/or assessed.	Agree
No.4 Para. 5.16	The ANAO recommends that FaCS, in consultation with key stakeholders, undertake a comprehensive risk assessment as part of the policy development and strategic planning for the overall management of the CSHA and develop a management plan which addresses the key risks.	Agree

Source: Australian National Audit Office, *The Commonwealth-State Housing Agreement*, Audit Report No.17 1999–2000, ANAO, Canberra. p. 24.

Follow-up audit approach

1.12 The objective of this follow-up audit was to review FaCSIA’s progress in implementing the recommendations of Audit Report No.17 1999–2000.

1.13 The audit focused on the financial management, performance monitoring and management procedures for the Public Housing and Community Housing Programmes under the 1999 and 2003 CSHA. The follow-up audit examined whether FaCSIA had maintained or improved its oversight, coordination and administration of the CSHA, in line with the recommendations and findings identified in the previous ANAO audit.

1.14 As an initial step, ANAO sought advice from FaCSIA regarding implementation of the recommendations, including any supporting evidence of the implementation of the recommendations.

1.15 The audit methodology also included: analysing FaCSIA’s key systems and documents relating to the administration of its responsibilities under the CSHA; interviewing relevant FaCSIA staff; seeking the views of relevant State

and Territory government officials and non-government stakeholders;¹⁴ and consulting with the Australian Institute of Health and Welfare (AIHW) in relation to data collection, reporting and measurement; and conduct of general research into the administration of the CSHA.

Audit scope

1.16 The audit did not examine the aspects of the CSHA that related to Indigenous programmes, namely the ARHP, due to recent ANAO audit coverage of Indigenous housing issues in ANAO Audit Report No.44 2003–2004 *National Aboriginal Health Strategy Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities Follow-up Audit*. The audit also did not examine CAP as it would be more appropriate to cover this aspect of the CSHA in a future possible audit of the administration of SAAP.

1.17 Fieldwork was primarily undertaken during the period August 2005–November 2005.

1.18 The audit was conducted in accordance with ANAO audit standards at a cost to the ANAO of some \$316 000.

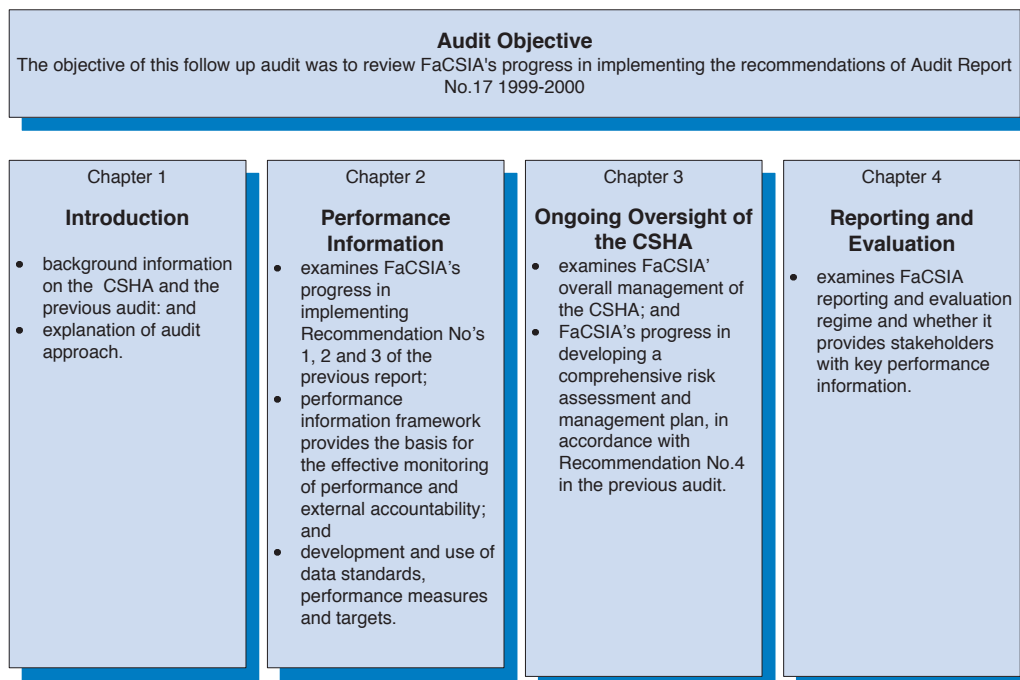
Structure of the report

1.19 Figure 1.1 outlines the structure of the report. Each of the remaining three chapters first identify key findings from the previous ANAO audit, and then assess FaCSIA progress in addressing those findings.

¹⁴ For example, the Local Government Associations, Australian Council Of Social Service, and a number of other relevant Non –Government Organisations.

Figure 1.1

Report structure



2. Performance Information

This chapter examines whether FaCSIA implemented Recommendations No.s 1, 2 and 3 of the previous ANAO audit. The performance management framework in the CSHA is also assessed to determine whether it provides the basis for the effective monitoring of performance and external accountability, including the development and use of data standards, performance measures and targets.

Introduction

2.1 The ANAO reviewed the 1999 and 2003 CSHA performance management frameworks to assess whether FaCSIA had progressed and/or implemented the recommendations from the previous ANAO audit.¹⁵ Specifically, the ANAO assessed whether FaCSIA:

- developed and implemented a plan for the 1999 CSHA to progress and coordinate performance information through Commonwealth and State/Territory bodies (Recommendation No.1, 1999–2000);
- had, in partnership with the States, refined needs identification methodologies to support further targeting of housing assistance to those most in need and enable the relative effectiveness of different housing strategies to be measured and/or assessed (Recommendation No.2, 1999–2000); and
- developed and implemented processes to improve the consistency and comparability of financial information provided in State/Territory financial returns before State Housing Authorities (SHA's) were required to provide the first financial returns under the 1999 CSHA(Recommendation No.3, 1999–2000).

2.2 Each section of this chapter will first discuss the key findings from the previous ANAO audit and then assess FaCSIA's progress in addressing those findings.

¹⁵ The four recommendations of the previous ANAO audit report related to the 1999 CSHA. Recommendation No.s 1 and 2 specifically stated that these recommendations should be implemented by 1999.

National Housing Data Agreement

Findings of the previous ANAO audit

The previous ANAO audit concluded that there were problems with the quality and reliability of performance and financial information provided by the States which limited the usefulness of that information for measuring and/or assessing performance against required results. There was considerable scope to improve: data collection standards and quality assurance processes to improve the accuracy, reliability, consistency and compatibility of the data used for performance information.¹⁶

In addition, performance indicators had been developed and reported for two programme elements of the CSHA, namely public rental housing and community housing. However, the usefulness of the framework was reduced due to limitations in the data and in comparing the relative effectiveness of the different programme elements of the CSHA.

The previous ANAO audit also found that the overarching coordination of performance indicator development work could be improved by clearly defining the separate roles, responsibilities and priorities of the different working groups through a more explicit strategic framework and planning process. Such a framework would also enable an evaluation of the progress of these various workgroups against milestones.¹⁷

The ANAO made the following recommendation:

Recommendation No.1 of the previous ANAO audit

The ANAO recommended that FaCS, in cooperation with key stakeholders, implement a suitable plan to progress and coordinate performance information through Commonwealth-State bodies by the end of 1999.¹⁸

FaCS' response: Agree.

Findings of the follow-up audit

2.3 The 1999 CSHA was gazetted on 1 July 1999¹⁹. The ANAO's 1999–2000 CSHA audit report was tabled in November 1999 and did not include a detailed analysis of either the 1999 CSHA or the development of the National Housing Data Agreement (NHDA) as a subsidiary agreement to the CSHA to guide data management issues. The NHDA established a strategic framework and planning process for the coordination, development, collection and maintenance of nationally consistent housing data for the CSHA. The NHDA was signed in October 1999 and is a subsidiary agreement to the both the 1999 and 2003 CSHA's. The signatories are the Commonwealth, States and Territories, the Australian Bureau of Statistics and the Australian Institute of Health and Welfare(AIHW). The NHDA was designed to provide:

- a framework for national housing information development;

¹⁶ Australian National Audit Office, op.cit., p. 14, para 14.

¹⁷ ibid., p. 48, para 2.54.

¹⁸ Ibid., p. 53, para 2.55.

¹⁹ Gazette Notice No. S 298, Thursday 1 July 1999, Commonwealth of Australia 1999.

- clearly defined roles, responsibilities and priorities of the different working groups;²⁰
- a process for all signatories to: agree on the priorities for projects; funding of national data development; and reviewing the progress of the work undertaken by the National Housing Data Agreement Management Group (NHDAMG) and the National Housing Data Development Committee (NHDDC);²¹ and
- a structure for developing, establishing and reviewing the national housing information infrastructure, including nationally agreed data definitions and concepts (a data dictionary), supporting agreed sets of data items to be reported (national minimum data sets) and a means to store information centrally (national data repository).

2.4 The Housing Assistance Unit of the AIHW compiles CSHA National Data reports and manuals, using data provided under the NHDA. These reports and manuals are produced each financial year, and form a series that covers all forms of housing assistance under the 1999 and 2003 CSHA. AIHW receives funding from the Commonwealth and States to undertake its work for the CSHA.

Data collection, quality and reporting

2.5 Section 4.3.6(b) and Schedule 1 of the NHDA set out the processes and expectations for the development of a national minimum data set for housing. In 1999, a National Housing Assistance Data Dictionary was established to provide the basis for the National Minimum Data Set and sets out agreed data definitions, classifications and standards and acts as an authoritative source of national housing data definitions. The data dictionary is the main vehicle through which the NHDA ensures that national standards and definitions are promoted and maintained.

2.6 The ANAO found that the National Minimum Data Set provides reliable and comparable data to support the National Performance Information Framework for Public Housing and other related housing data, such as data used by the States in their bilateral performance reporting. This has addressed

²⁰ Section 5 of the NHDA established the NHDAMG and the NHDDC. These working groups are explained in Appendix 3.

²¹ Each year the NHDAMG and NHDDC produce a work plan that outlines the work to be undertaken in each funding year.

the problems with data collection, quality and reporting identified in the previous ANAO audit.

Community Housing data

2.7 The ANAO also found that under the NHDA for the 1999 and 2003 CSHA, work had been undertaken to develop and improve the data and performance indicators for Community Housing. This had gone some way to addressing the issues raised in the previous ANAO audit. However, there is a need for further improvement to the data before it can be used to make accurate assessments of the performance of Community Housing in achieving CSHA objectives.

2.8 In early 2004, the NHDAMG in consultation with the Policy and Research Working Group (PRWG) developed a 'Strategy for improving the quality and coverage of Community Housing data for the 2003 CSHA' (CH Strategy). The ANAO considers that the work plan outlined in the CH Strategy has the potential to assist in improving the quality, coverage and usefulness of Community Housing data and lead to improved performance reporting.

2.9 The ANAO concluded that the NHDA is a suitable plan that has progressed and coordinated performance information through Commonwealth-State bodies and was in place by the end of 1999. This has resulted in Recommendation No.1 from the previous ANAO audit report being fully implemented. In addition, the quality and reliability of the data available to measure CSHA performance information has been improved through the NHDA and its associated data dictionaries and processes which provide the basis for valid, complete, accurate, reliable and timely data.

National Performance Information Framework

2.10 A robust framework is fundamental to good reporting on performance. Without a sound system for identifying and collecting reporting against appropriate indicators, it is difficult to provide reliable performance information and analysis. Good performance information allows programme managers, the Government and other stakeholders, including Parliament, to determine whether the programme resources are efficiently and effectively being directed towards the achievement of the desired outcomes.

2.11 In addition to specifying data standards, the NHDA also specifies a core set of nationally consistent indicators required under the 1999 and 2003 CSHA. These indicators include 11 effectiveness and efficiency indicators that form the basis of the National Performance Information Framework. The

ANAO reviewed these indicators to determine whether they had led to improvements in the performance information used for reporting on performance under the CSHA; facilitated measurement of achievements against the objectives of the CSHA; and if the limitations in performance monitoring identified in the previous ANAO audit had been overcome.

Structure of the National Performance Information Framework

Findings of the previous ANAO audit

Performance indicators had been developed and reported for two programme elements of the CSHA, namely public rental housing and community housing. The structure of the performance indicator framework for these two programme elements of the CSHA provides a sound basis for measuring and assessing performance and achievements against objectives and outcome requirements once complete and reliable information is collected²².

However, while performance indicators had been developed for the other programme elements of the CSHA (except the CAP) they had not been reported against. Therefore, it has not been possible to compare the relative effectiveness of the different programme elements of the CSHA. These difficulties have limited the ability of FaCS to fully compare on a national basis the achievement of the Government's objectives across different programme types and to identify and promote better practices that are being applied in particular jurisdictions.²³

Findings of the follow-up audit

2.12 In 1999, with the signing of the NHDA, a new performance information framework was developed to reflect the structural shift between the 1996 CSHA and the 1999 CSHA. The new framework shifted from a multilateral reporting framework to a multilateral-bilateral reporting framework.

2.13 The ANAO observed that three of the CSHA programmes, namely, Public Housing, Community Housing and the Aboriginal Rental Housing Programme all have similar national performance information frameworks which measure the same effectiveness and efficiency indicators.²⁴ There are different definitions for the way data is collected and calculated for each programme to reflect their different natures. However, use of the same effectiveness and efficiency indicators for all three programmes is intended to

²² Australian National Audit Office, op.cit., p.40, para 2.12.

²³ Ibid., p. 40 para 2.13.

²⁴ The performance information framework for the other CSHA programme, CAP, is yet to be developed in the same way as the other three CSHA programmes have been. In 2004, a review of the CAP identified that there was an absence of clear accountability requirements and specified objectives for the programme. These concerns are currently being addressed through the PRWG and NHDAMG work plans.

provide the basis for the eventual comparability of performance information across programmes.

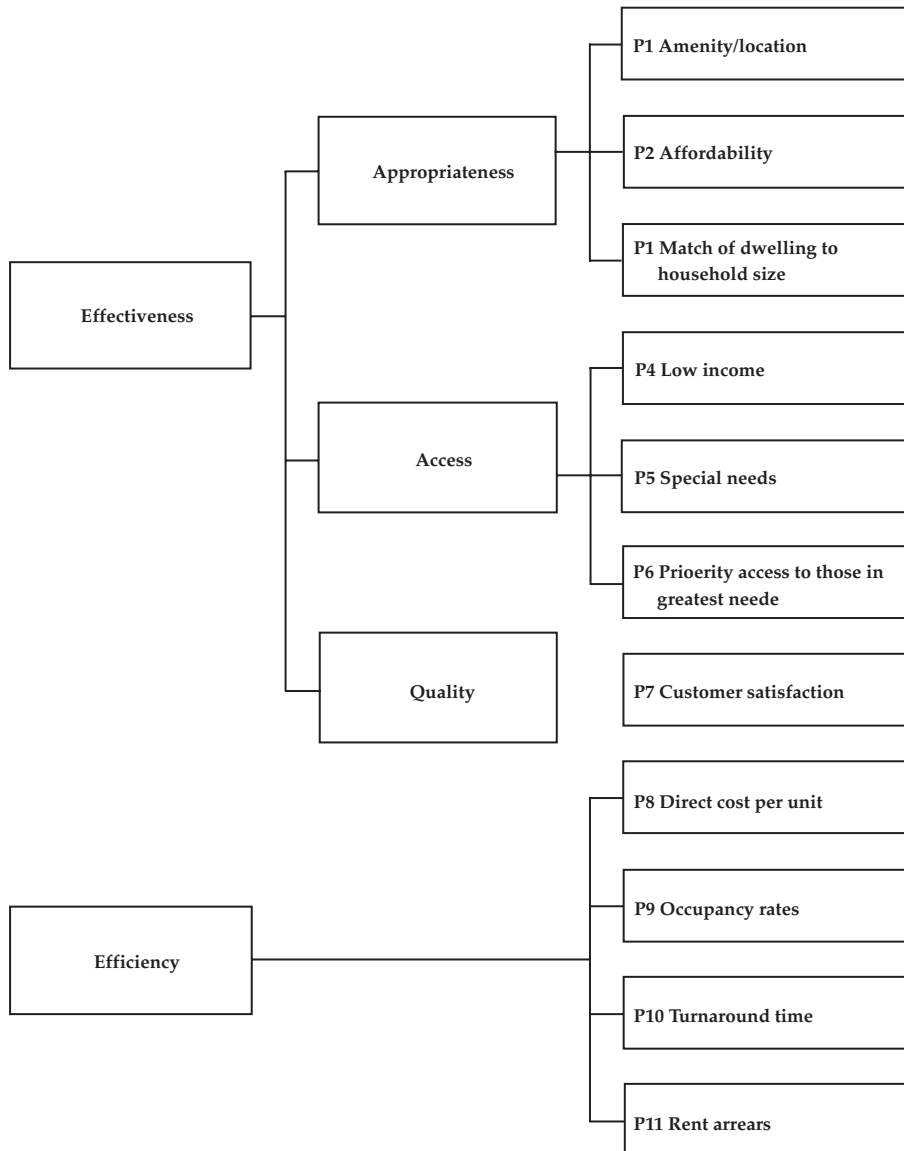
2.14 Figure 2.1 illustrates the CSHA National Performance Information Framework that was developed, and agreed, for three of the CSHA programmes, namely, Public Housing, Community Housing and Aboriginal Rental Housing Programme.²⁵

2.15 However, the data collections for the Community Housing, ARHP and CAP programmes are all being re-examined during the 2003 CSHA. This work is included on the work plans for the National Data Housing Agreement Management Group (NDHAMG) and the National Housing Data Development Committee (NHDDC). Further improvement is required in the quality of data collected in respect of the Community Housing, ARHP and CAP programmes before conclusions about these individual programmes, and comparisons between them, can be made. Therefore, the ANAO's analysis focussed on the National Performance Information Framework for Public Housing, as this was the most developed framework and also the focus of the previous ANAO audit.

²⁵ See page 24, para 1.7 in Chapter 1 for further explanation of these programmes.

Figure 2.1

CSHA National Performance Information Framework



Source: 2004–05 CSHA Public Rental Housing Data Manual, AIHW.

Measuring the objectives of the CSHA

2.16 The starting point for any reporting framework is a clearly specified and defined outcome or objective which provides the basis for the development of performance indicators to measure the extent to which the

outcome or objectives are being met²⁶. Performance monitoring and evaluation is difficult without reference to clearly articulated objectives which communicate what is to be achieved and measured or assessed.

2.17 The ANAO assessed whether the objectives of the CSHA were clearly articulated and linked to the National Performance Information Framework, so that the framework provides the basis to measure the extent to which the outcome or objectives of the CSHA are being met.

2.18 The recitals and guiding principles in the 1999 CSHA included the objectives of the agreement. The guiding principles for the 1999 and 2003 CSHA are in Appendix 2, Part C of the recitals of the CSHA states that:

The aim of this Agreement is ... to provide appropriate, affordable and secure housing assistance for those most in need, for the duration of their need²⁷.

2.19 In addition, Section 3 of the agreement outlined that the bilateral agreements would be the main instrument for articulating housing assistance outcomes and objectives, and that a core set of nationally consistent indicators would be developed and used for benchmarking purposes.

2.20 As part of the development of the new reporting framework, the Commonwealth and States entered into a process to determine which CSHA objectives would be measured at the national level and at the State level through the bilateral reporting process. Those objectives that could be measured and compared across jurisdictions were measured at the national level and formed the basis for the National Performance Information Framework. The remainder of the objectives are measured in the bilateral agreements.

2.21 The objectives measured at the national level were drawn from the section of the recitals and guiding principles of the 1999 CSHA and include:

- Schedule 1, recitals, Section C and guiding principles 1(1)(a)- to provide appropriate, affordable and secure housing for those who most need it, for the duration of their need (this was further defined as periods during which needs cannot be met by the private market);
- Guiding principles, 1(1)(c)-funding should promote efficiency and cost effective management;

²⁶ Australian National Audit Office and Department of Finance and Administration, *Better Practice in Annual Performance Reporting 2004*, ANAO, Canberra, Chapter 2.

²⁷ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), Recitals C.

- Guiding principles 1(1)(e)-providers of assistance should be responsive to the needs of consumers; and
- Guiding principles 1(1)(e) (iii)-provide housing on a non discriminatory basis.

2.22 The key multilateral areas identified for measurement derived from the above objectives were:

- appropriateness;
- access;
- quality; and
- efficiency.

2.23 The ANAO found that the recitals and guiding principles changed from the 1999 to 2003 CSHA. FaCSIA advised the ANAO that despite changes to wording in the 2003 CSHA, the objective of the National Performance Information Framework remains consistent with that developed in 1999.

2.24 However, the ANAO found that there was no specified outcome statement that comprehensively linked all the indicators in the National Performance Information Framework to the CSHA objectives. The ANAO considers that this reduces FaCSIA's ability to make an assessment of the overall achievement of objectives under the CSHA.

2.25 The National Performance Information Framework could be improved by developing a specified outcome statement that draws together, clearly and succinctly, all the aspects of the CSHA that it is intended to measure. The ANAO suggests that FaCSIA pursues clarification of this issue through the appropriate CSHA working groups and in consultation with the States and other stakeholders such as the AIHW.

2.26 The specific effectiveness and efficiency performance indicators are discussed in more detail in the next section.

Measures of effectiveness and efficiency for Public Housing

2.27 This section examines the usefulness of the measures of efficiency and effectiveness set out in the National Performance Information Framework, including whether there are appropriate measures in place to ensure an adequate level of consistency, reliability and comparability of data. In particular, the ANAO sought to determine whether these measures enable the

achievement of desired results from programme objectives and associated strategies to be measured and assessed.

2.28 The ANAO found that the indicators in the National Performance Information Framework contain a good balance of measures that reflect different aspects of the objectives of the CSHA. Each indicator provides some information that clearly links to the achievement of aspects of the CSHA. Reported under one framework, they provide the basis for assessing the extent to which the objectives of the CSHA have been achieved. The individual effectiveness and efficiency indicators are well specified, measurable, achievable, relevant and timed (SMART)²⁸. Table 2.1 contains the criteria for SMART indicators and Table 2.2 the ANAO’s analysis of the national performance indicators against the SMART criteria.

Table 2.1

The SMART test

Aspect	Description
S pecific	The indicator is clear and concise
M easurable	The indicator is quantifiable
A chievable	The indicator is practical and achievable
R elevant	The indicator is relevant to users and stakeholders
T imed	The indicator measures a specific range or time limit

Source: ANAO and Department of Finance and Administration *Better Practice in Annual Performance Reporting*, 2004, ANAO, Canberra.

²⁸ The SMART criteria for assessing performance indicators are discussed in further detail in Australian National Audit Office and Department of Finance and Administration *Better Practice in Annual Performance Reporting*, 2004, ANAO, Canberra, p. 13.

Table 2.2

Efficiency and effectiveness indicators

Indicator	SMART					Comments
	S	M	A	R	T	
P1 Amenity/Location	✓	✓	✓	✓	✓	<p>All the indicators are:</p> <p>specified or clear and concise; people can read the indicator and understand what it is measuring;²⁹</p> <p>measurable; the data for each indicator measures what the indicator is describing, is able to be used to show trends and is based on a data standard; (as defined in the national housing data dictionary);</p> <p>achievable; the data can be collected and measure is reported;</p> <p>relevant; many of the States advised the ANAO that they use these indicators to inform their own policy development; and</p> <p>timed; there is a specified reporting period, (the grant year in which they are delivered).</p>
P2 Affordability	✓	✓	✓	✓	✓	
P3 Match of dwelling to household size	✓	✓	✓	✓	✓	
P4 Low income	✓	✓	✓	✓	✓	
P5 Special needs	✓	✓	✓	✓	✓	
P6 Priority access to those in greatest need	✓	✓	✓	✓	✓	
P7 Customer satisfaction	✓	✓	✓	✓	✓	
P8 Direct Costs per unit	✓	✓	✓	✓	✓	
P9 Occupancy rates	✓	✓	✓	✓	✓	
P10 Turnaround time	✓	✓	✓	✓	✓	
P11 Rent arrears	✓	✓	✓	✓	✓	

Source: ANAO analysis.

Performance benchmarks and targets

2.29 The 1999 and 2003 CSHA indicators in the National Performance Information Framework do not have targets or benchmarks. The ANAO considers that it would be difficult to establish a target for these indicators, as each State delivers services according to local requirements.

2.30 The ANAO notes that the same National Performance Information Framework will be used for the life of both the 1999 CSHA and the 2003 CSHA. This allows for time series data to be collected and for trends of performance overtime to be developed. This can be used to benchmark performance and determine how the results have contributed to the achievement of the CSHA objectives. Targets, benchmarks and/or milestones were established for the performance indicators in the bilateral agreements.

²⁹ The indicators are specified here in an abridged style, the full description of the indicators is clear and concise and can be easily understood.

Bilateral performance reporting

2.31 Bilateral agreements and reporting were introduced for the 1999 CSHA. Section 3 of the 1999 and 2003 CSHA's outline that the bilateral agreements are the main instrument for articulating housing assistance outcomes and objectives, and that a core set of nationally consistent indicators would be used for benchmarking proposes.

2.32 The ANAO found that for both the 1999 and 2003 CSHA each of the bilateral agreements between the Commonwealth and the States include performance information frameworks that linked to the objectives of the CSHA and provided outcomes, outputs and associated performance indicators with targets and/or milestones.³⁰

2.33 Each State's bilateral agreement is different, and there is no overall framework for the bilateral performance reports. Each State is assessed against its individual performance. The ANAO considers that this makes for a detailed and complex reporting framework at the bilateral level. However, as each State has different demands and approaches, this is appropriate and the Australian Government is still able to determine the extent to which State performance is meeting the requirements and objectives of the CSHA.

2.34 The ANAO considers that the National Performance Information Framework combined with the bilateral reporting requirements is sound and provides a basis for the Commonwealth to monitor and/or assess if the objectives of the CSHA are being met. It has the potential to contribute to an improved understanding of housing assistance delivered through the Public Housing programme and provide information necessary to support decision-making.

³⁰ Section 3(1) of both the 1999 and 2003 CSAs required the bilateral agreements between the Commonwealth and States to contain an integrated outcomes measurement framework, which identified objectives and outcomes.

Measuring need

Findings of the previous ANAO audit

The previous ANAO audit report concluded that significant work had been undertaken, at the Commonwealth and State level, in examining housing needs, concepts and data. This improved understanding of housing needs, and other factors associated with needs and needs measurement, such as the linkage to targets and the management of housing programmes by States over time. It also improved the ability of the Commonwealth and the States to prioritise housing needs and better target housing assistance to people most in need.³¹

The ANAO made the following recommendation:

Recommendation No.3 of the previous ANAO audit

The ANAO recommended that FaCS, in partnership with the States, refine needs identification methodologies to support further targeting of housing assistance to those most in need and enable the relative effectiveness of different housing strategies to be measured and/or assessed.³²

FaCS' response: Agree.

Findings of the follow-up audit

2.35 The development of indicators for the targeting of housing to those most in need, included in the National Performance Information Framework, provides a basis for estimating the level of need for housing assistance. These indicators could be used within the CSHA for planning and performance management.³³ The three indicators that measure the extent to which housing assistance under the CSHA is targeting to those most in need are:

- low income;³⁴
- special need;³⁵ and

³¹ Australian National Audit Office op.cit., p. 76–77 para 4.19.

³² *ibid.*, p. 77, para 4.21.

³³ These have only been developed for the Public Housing, Community Housing and ARHP programmes. The performance indicators used for CAP do not include specific measures for those most in need.

³⁴ Low income is measured by the following performance indicators:

- the number of new low-income households as a proportion of all new households;
- the number of new low-income households plus new special needs (not low income) households as a proportion of all new households; and
- the number of all rebated households plus special needs households paying market rent as a proportion of all households (new and existing).

³⁵ CSHA special needs households are those low income households:

- that satisfy the Indigenous household definition (for Public and Community Housing only); or
- that have a household member with a disability; or
- where the principal tenant is aged 24 years or under; or

- greatest need.³⁶

2.36 The national performance indicators provide a distinction between those groups of individuals whose status means they have increased difficulties in accessing housing in the private market, and those whose environmental needs means they need additional assistance in accessing appropriate housing.³⁷ This distinguishes the different groups to whom housing assistance is targeted and avoids duplication of measurement.

2.37 The CSHA programmes are administered by the State Governments, and each jurisdiction identifies and targets to groups of the population for whom housing programmes are most in need. The national performance indicators provide for housing strategies to be measured at the broad national level.³⁸ The bilateral agreements also include outcomes, outputs and performance indicators that measure the States individual strategies to target the specific needs of their jurisdictions.

2.38 The ANAO considers that Recommendation No.3 from the previous ANAO audit has been fully implemented. The development of nationally consistent and comparable effectiveness indicators that measure the targeting of housing assistance under the CSHA to those most in need has enabled the relative effectiveness of different housing strategies to be measured and/or assessed. The indicators provide the flexibility for the States to adapt the targeting to meet local needs, while at the same time providing a national basis for measuring the extent to which targeting housing assistance contributes to the achievement of CSHA objectives.

-
- where the principal tenant is aged 75 years or more.

³⁶ The CSHA priority access to those in greatest need national standard defines greatest need as low income households that at the time of allocation were subject to one or more of the following circumstances:

- they were homeless; or
- their life or safety was at risk in their accommodation; or
- their health condition was aggravated by their housing; or
- their housing was inappropriate to their needs; or
- they had very high rental housing costs.

³⁷ AIHW and HMA *Measuring Housing Assistance National Data Standards developed under the 1999 CSHA*, October 2004 p.22.

³⁸ This is only for Public Housing, Community Housing and ARHP programmes, at the time of this report indicators to measure the targeting of need in the CAP programme had not been developed.

Financial Reporting Framework

Finding of the previous ANAO audit

In the previous ANAO audit report the ANAO found that there were problems with the quality and timeliness of the financial reports provided by State Housing Authorities (SHAs) under the national framework in place for the 1996 CSHA. These problems were primarily due to the level of disaggregation of the accounts into reporting segments, which did not always reflect the SHAs own reporting structures. As a result, the usefulness of this financial information for comparative analysis of SHA performance and for benchmarking was diminished.³⁹

The previous ANAO audit concluded that the lack of consistency and comparability of the financial information contained in the financial reports provided by the SHA diminished the usefulness of that information. However, the ANAO advised that any changes to the reporting framework would need to ensure that the Commonwealth's financial responsibilities under the CSHA were not compromised and that it could determine whether CSHA funding was being used efficiently and effectively to achieve desired results.

The ANAO made the following recommendation:

Recommendation No.2 of the previous ANAO audit

The ANAO recommended that, to provide the requisite assurance to management, the Government and the Parliament on the use of CSHA funds, FaCS ensure that processes to improve the consistency and comparability of financial information provided in State financial returns are developed and implemented before SHAs are required to provide the first financial returns under the 1999 CSHA.⁴⁰

FaCS' response: Agreed

Findings of the follow-up audit

2.39 The effective use of financial information is a critical component of a robust performance management framework.

2.40 In 1999, FaCSIA engaged a consultant to review the financial reporting framework for the 1999 CSHA. The consultant's report⁴¹ recommended adopting a consolidated financial framework that more closely aligned to the States' internal operating environments, while still providing the information the Commonwealth required for reporting and accountability purposes.

2.41 In August 2000, Housing Ministers Advisory Committee (HMAC) endorsed the recommended financial reporting framework. The first financial returns for the 1999 CSHA agreement were then submitted using the new framework. The framework has continued to be used throughout the 1999 and 2003 CSHAs.

³⁹ Australian National Audit Office, op.cit., p.19 para 34.

⁴⁰ *ibid.*, p. 68 para 3.36.

⁴¹ Allen Consulting Group Pty Ltd *Commonwealth State Housing Agreement: the design of a new financial reporting framework*. FaCS, Canberra, 1999.

2.42 Since its adoption, the financial reporting framework has been continually refined and updated, to ensure that it meets the Australian Accounting Standards and provides the relevant information needed to meet accountability requirements from both the States and the Commonwealth.

2.43 The adoption and ongoing use and refinement of a consolidated financial reporting framework have improved the consistency and comparability of CSHA financial information. In addition, the reporting burden on the States was reduced as the consolidated financial reports are more closely aligned with their own internal reporting structures and requirements.

Usefulness of the financial information in the States financial returns

2.44 The ANAO also assessed whether the financial reporting framework contained the information required by FaCSIA to ensure the States meet their accountability responsibilities under the CSHA and provided the basis for FaCSIA to undertake financial analysis to determine if CSHA funding was being used efficiently and effectively.

2.45 The States financial responsibilities are outlined by Section 4 of the 1999 and 2003 CSHAs, which include clauses for State Funding Contributions,⁴² Allowable Uses of Assets and Available Funds⁴³ and State Reporting Requirements.⁴⁴

2.46 The ANAO found that the financial reporting framework contains the information required for FaCSIA to determine the level of State funding contribution. The Statement of Financial Performance and the Statement on Cash Flows includes a breakdown of the level of State funding for the reporting year. FaCSIA could use this information to determine if the States have met their accountability requirements.⁴⁵ In addition, the Statement on

⁴² Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA) clauses 4(15) to 4(17).

⁴³ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA) clauses 4(18) to 4(26).

⁴⁴ As discussed in Chapter 2, the States are required within six months of the end of each grant year to provide the Commonwealth with:

- independently audited financial reports of housing operations under this Agreement and agree these will use nationally consistent financial reporting frameworks and accounting practices;
- advise the Commonwealth of the total proceeds from the sale of housing, land and other assets acquired under Previous Housing Arrangements and under the CSHA; and
- report their actual financial contributions under the CSHA both in cash and accrual terms.

⁴⁵ At the time of this audit, FaCSIA advised the ANAO that the only analysis and review of the States financial returns that FaCSIA had undertaken was that included in the Housing Assistance Act Annual Report. This is discussed further in Chapter 3 of this report, p.66 para's 3.46 -3.48.

Cash Flows requires the States to report on the relevant information that FaCSIA requires to determine that they have met their accountability requirements outlined under the Allowable Uses of Assets and Available Funds clauses of the CSHA.

2.47 The ANAO considers that the information contained in the financial reports produced by the States provides FaCSIA with the information it requires to ensure the States meet their accountability responsibilities under the CSHA.

2.48 As well as reviewing and recommending a new financial reporting framework for the 1999 CSHA, FaCSIA required the consultant to develop tools that would enable FaCSIA to undertake financial analysis to determine if CSHA funding was being used efficiently and effectively.

2.49 The consultant recommended a number of financial performance indicators based on the information included in the consolidated financial reporting framework, which FaCSIA could use to undertake high-level desktop reviews of the financial position of the SHAs ⁴⁶.The results of these reviews could highlight emerging trends or areas of concern.

2.50 The ANAO reviewed the 2003–04 financial reporting framework and found that the Statement on Cash Flows, Financial Position Statement, and the Financial Performance Statement contain all the information fields that would be required to measure the financial performance indicators developed by the consultant in 1999.⁴⁷ The ANAO considers that the financial reports received from the States provide FaCSIA with the financial information that it requires for undertaking high-level financial analysis to assess if CSHA funding is being used efficiently and effectively.

⁴⁶ FaCSIA advised the ANAO that the department had not undertaken any analysis of the States' financial returns using the tools that had been developed by the consultant in 1999.

⁴⁷ Appendix 6 of the consultant's report contained a breakdown of the individual line items required for each statement. The ANAO analysed the 2003–04 CSHA financial reporting framework to determine if all line items in the consultant's report were included the financial reporting framework.

2.51 The ANAO found that FaCSIA has improved the processes for the consistency and comparability of financial information provided in State financial returns. A consolidated financial reporting framework was developed and implemented for the first returns under the 1999 CSHA. This had resulted in Recommendation No.2 from the previous ANAO audit being fully implemented. The information contained in the financial reporting framework provides FaCSIA with the basis to ensure that the States meet their accountability responsibilities under the CSHA. In addition, the information in the financial reporting framework provides a sound basis for FaCSIA to undertake high-level financial analysis to assess if CSHA funding is being used efficiently and effectively.

3. Ongoing Oversight of Commonwealth Funding

This chapter examines FaCSIA's progress in undertaking a comprehensive risk assessment in accordance with Recommendation No.4 of the previous ANAO audit. FaCSIA's implementation of the key findings from the previous ANAO audit relating to the overall management of the CSHA is also assessed.

Introduction

3.1 In its 1999–2000 audit, the ANAO sought to determine the extent to which FaCS systematically identified and analysed risks associated with the efficient and effective use of Commonwealth funds for housing assistance and potential risks to policy options. In this follow-up audit the ANAO examined whether FaCSIA had undertaken a comprehensive risk assessment of the CSHA in accordance with Recommendation No.4 from the previous ANAO audit.

3.2 The ANAO also examined whether FaCSIA had addressed other findings of the previous audit to assist the effective administration and oversight of Commonwealth funding under the 1999 and 2003 CSHAs. Specifically, the ANAO considered whether FaCSIA:

- manages its relationships with stakeholders to ensure effective communication;
- coordinates with other relevant government programmes and related areas when developing policy and delivering housing assistance; and
- provides funds as outlined in the CSHA and effectively monitors this expenditure and broader performance including:
 - making payments to the States;
 - CEO certification of the use of funds;
 - provision by the States of independently audited financial reports and the subsequent analysis of these financial reports; and
 - States reporting against bilateral agreements.

3.3 Each section of this Chapter will first identify a key finding from the previous ANAO audit and then assess FaCSIA's progress in addressing the finding.

Risk management

Findings of the previous ANAO audit

In the previous ANAO audit, the ANAO found that FaCS' assessment of the risks to the effective planning and implementation of the 1996 CSHA was not adequate. While FaCS had identified specific risks as part of policy advice to Government, it had not undertaken a formal and systematic approach to the management of risks to the 1996 CSHA.⁴⁸

The ANAO made the following recommendation:

Recommendation No.4 of the previous ANAO audit

The ANAO recommended that FaCS, in consultation with key stakeholders, undertake a comprehensive risk assessment as part of the policy development and strategic planning for the overall management of the CSHA and develop a management plan which addresses the key risks.⁴⁹

FaCS' response: Agree.

Findings of the follow-up audit

3.4 FaCSIA undertook a risk assessment of the CSHA in 2001 with the assistance of a risk management consultant. The risk assessment identified risks to the 1999 CSHA as well as issues of relevance to the renegotiation of the 2003 CSHA. The risk assessment was based on the review of documents, discussions with nominated stakeholders and the outcomes of a risk assessment workshop.

3.5 The ANAO found that this risk assessment was comprehensive, given that it considered the environmental context of the CSHA and provided coverage to both policy and operational level risks to the effective implementation and operation of the CSHA. Risks were assessed according to their impact and their probability. A rating matrix was used to produce an overall rating. Risks that were rated 'significant' or above were each assigned a list of management actions.

Consultation with the States on risk assessment

3.6 One non-government stakeholder, and one State Government stakeholder were consulted as part of the 2001 risk assessment. A number of

⁴⁸ Australian National Audit Office op.cit., p. 85, para 5.15.

⁴⁹ ibid., p. 85, para 5.16.

State Government officers interviewed by the ANAO advised that their State had not been involved at any stage in discussions with FaCSIA about risk management but would welcome the opportunity to be included in such a discussion around risks to the objectives of the CSHA being achieved.

FaCSIA’s implementation of the risk management plan

3.7 The ANAO assessed FaCSIA’s progress in implementing the management actions identified in the risk assessment. The ANAO found that the risk assessment had informed the development of the 2003 CSHA and that the majority of management actions identified in the risk assessment had been implemented. Table 3.1 includes an example of a risk that was identified in the risk assessment and how some of the management actions suggested have been implemented.

Table 3.1

Example of the implementation of management actions that address one risk identified in the 2001 CSHA risk assessment

Risk 6 FaCS’ 2001 CSHA risk assessment	FaCSIA’s Implementation of management actions
<p>The operation of the CSHA results in a significant decline in the number of housing units.⁵⁰</p>	<p>One of the management actions identified in the 2001 risk assessment suggested encouraging the States to enter into joint ventures with the private sector.</p> <p>The risk was addressed in the 2003 CSHA with the inclusion of an additional performance requirement for the States to attract investment from outside the Social Housing system. (Schedule 1, <i>Commonwealth State Housing Agreement 2003</i>).</p> <p>The achievement of this objective is monitored by FaCSIA through the States’ bilateral reports. Under performance in this respect can attract the application of financial sanctions,⁵¹ which is also a new measure included in the 2003 agreement.</p>

Source: ANAO analysis of FaCSIA documents and advice.

3.8 Other management actions identified in the risk assessment have mainly been implemented through: the work undertaken to improve performance information and data collection as part of the National Housing Data Agreement,⁵² the additional requirement in the 2003 CSHA that

⁵⁰ *Department of Family and Community Services Risk Assessment and Risk Management Plan Commonwealth State Housing Agreement 1999–2003*, Risk 6, pp. 22–24.

⁵¹ Underperformance in the area of attracting outside resources can be subject to a penalty of up to 1.33 per cent of the States total funding for the financial year. Timing of CSHA Performance Reporting for 2004–05, PRWG Agenda Paper 16 June 2005, Attachment A, p. 2.

⁵² The National Housing Data Agreement is further discussed in Chapter 2, para 2.3.

Indigenous housing plans must be linked as far as possible to the bilateral agreements,⁵³ and research undertaken by the Australian Housing Urban Research Institute (AHURI) on housing need.

3.9 The ANAO concluded that FaCSIA has substantially implemented Recommendation No.4 from the previous ANAO audit, given that it undertook a comprehensive risk assessment of the CSHA, and implemented the majority of suggested management actions arising from that risk assessment. However, only one non-government stakeholder and one State Government stakeholder were consulted as part of the risk assessment. The ANAO suggests that FaCSIA undertake a comprehensive risk assessment prior to the negotiation of each new CSHA to inform the negotiation process and that it consider broadening its consultation during the risk assessment process to encompass the full range of key stakeholders, including all State Governments.

Communication with stakeholders

Findings of the previous ANAO audit

In the previous ANAO audit, the ANAO found that government stakeholders were satisfied with FaCS' approach to consultation and communication and that FaCS had fostered good will among the States.⁵⁴ However, the ANAO found that the CEOs' forum, which was the main mechanism for consultation between the Commonwealth and State Governments, did not convene regularly and there was also no clear articulation of the forum's roles and responsibilities.⁵⁵

The previous ANAO audit also found that FaCS discussed housing matters with key non-government stakeholders during critical periods.⁵⁶ However, there was scope for FaCS to better manage the on-going information provided on housing assistance to community organisations to make it more relevant, sufficient and timely to meet their needs.⁵⁷

Findings of the follow-up audit

3.10 Since the previous ANAO audit, a more formal approach has been adopted for communication between government stakeholders through the establishment of the Housing Ministers' Advisory Committee (HMAC) (formerly the Housing CEOs' Forum) and the Housing Ministers' Conference

⁵³ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), p.16, Clause 6(3).

⁵⁴ Australian National Audit Office, op.cit., p. 89 para 5.32.

⁵⁵ *ibid.*, p. 89, para 5.33.

⁵⁶ *ibid.*, p. 91, para 5.40.

⁵⁷ *ibid.*, p. 91, para 5.41.

(HMC).⁵⁸ The objective, frequency of meetings and membership for both forums are explained in Table 3.2, and the reporting structure for HMAc's subsidiary groups is illustrated in Figure 3.1. A description of the role and membership of subsidiary groups that support HMAc for Public and Community Housing is also included in Appendix 3.

Table 3.2

Role of the Housing Minister's Conference and Housing Ministers Advisory Committee

Forum	Objectives	Frequency of Meetings	Membership
HMC	To: facilitate consultation between governments and promote national consistency in policy and service development where appropriate; undertake joint policy development through effective use of resources; and take joint action in the resolution of issues which arise between governments.	Annual, extraordinary meetings can occur at the discretion of Housing Ministers.	Commonwealth, State and Territory Ministers responsible for housing issues. The Minister for Housing N Z and representatives of the AIHW ^A and AHURI ^B also have observer standing. ^C
HMAc	To: promote a consultative and cooperative approach to housing policy development and implementation; provide effective support to HMC and facilitate implementation of its decisions; consider matters referred by HMC or any individual Minister; and consider housing issues referred by HMAc sub-committees or working groups.	Every 6 months, with Executive Committee ^D holding teleconferences before each HMC and HMAc as well as at the discretion of the Chair.	Heads of State and Territory agencies with primary responsibility for housing issues and Deputy Secretary, FaCSIA. NZ Chief Executive of Housing and representative of AIHW and AHURI have observer standing.

Notes:

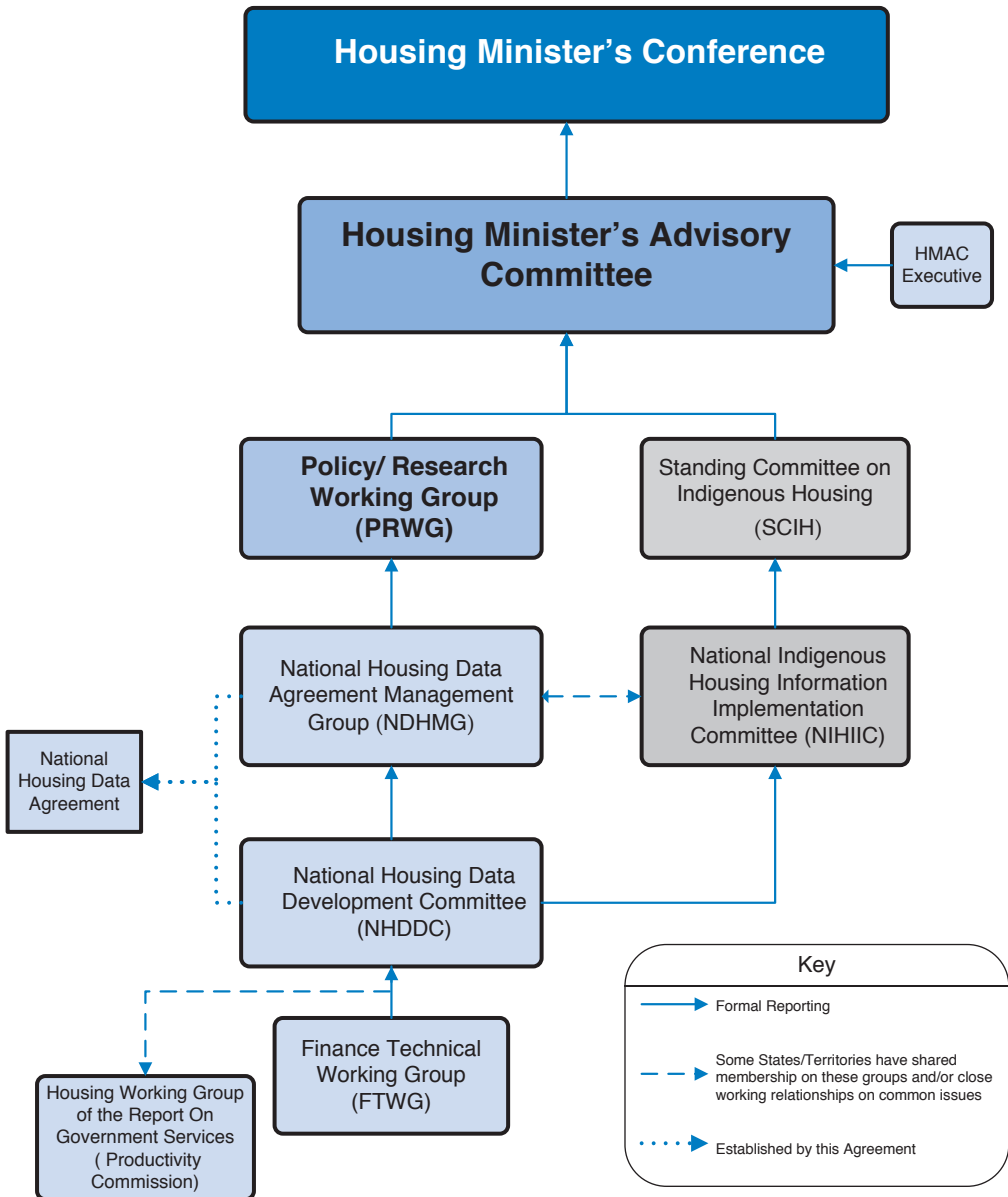
- AIHW is responsible for managing the data for the CSHA.
- AHURI is the primary provider of research for the CSHA, AHURI is further discussed from paragraph 4.35.
- The ANAO understands 'observer standing' means that the member can observe the meeting and may be invited to speak but can not participate in the decision making process.
- The Executive Committee of HMAc is made up of the Commonwealth, the Chair and one other State Government representative.

Source: ANAO analysis of HMC and HMAc Guidelines 2001, and Information Procedures for HMC & HMAc February 2003.

⁵⁸ On 10 February 2000, Housing CEOs agreed in principle to pursue more organised arrangements for the Housing CEOs' Forum, supported by a secretariat. Housing Ministers also agreed to adopt a more formal meeting structure and secretariat service at the HMC on 13 October 2000.

Figure 3.1

Reporting structure for the HMC, HMAc and their subsidiary groups



Source: ANAO, based FaCSIA documents and advice.

3.11 Both HMC and HMAC are supported by a single secretariat. The secretariat is responsible for coordinating the preparation of agenda papers and other conference documents, recording the discussion, resolutions, decisions and actions arising from meetings of HMC and HMAC, drafting responses for the Chair's signature and following up actions arising from each meeting.⁵⁹

3.12 The ANAO considers that the current governance structure for housing committees provides for clearer roles and responsibilities than previous arrangements and is a basis for effective communication between all jurisdictions. The adoption of a formal meeting structure has addressed the issues identified in the previous ANAO audit, and provides regular forums to discuss and progress housing policy.

Consultation and communication with non-government stakeholders

3.13 FaCSIA has mechanisms for communicating and consulting with non-government stakeholders both during critical periods and on an ongoing basis.

3.14 FaCSIA provides funding to, and has ongoing relationships with, a range of peak bodies which are able to provide input and feedback to FaCSIA on housing policy and issues.⁶⁰ Representatives from non-government organisations also attend working groups that meet regularly each year, including the NHDAMG and the NHDDC.

3.15 As part of the lead up to the negotiation of the 2003 CSHA, the AHURI⁶¹ conducted national consultations with key non-government stakeholders to obtain their views on the broad direction and content of the next CSHA. Consultative papers are also forwarded periodically to the community sector for comment and to invite participation in data development activities.

3.16 FaCSIA advised the ANAO that the Australian Government has also held meetings with peak industry bodies such as the Real Estate Institute of Australia and the Housing Industry Association when these bodies desire to provide policy input.

⁵⁹ The role and responsibilities of the secretariat is explained in more detail in both the Information and Procedures for the HMC and HMAC, February 2003 and the HMC and HMAC Guidelines, 2001.

⁶⁰ These include: Australian Council of Social Services (ACOSS); the Community Housing Federation of Australia (CHFA); and the Australian Federation of Homelessness Organisations (AFHO).

⁶¹ AHURI is the primary provider of research for the CSHA. AHURI is further discussed from paragraph 4.35.

3.17 FaCSIA informed the ANAO that the purpose of these relationships is to facilitate input from the housing and broader social services sector into Australian Government policy development and programme delivery. The ANAO considers that these mechanisms provide the potential for FaCSIA to effectively manage ongoing communication and relationships with non-government stakeholders.

Coordination across other government programmes

Findings of the previous ANAO audit

In the previous ANAO audit, the ANAO found that close linkages existed between the CSHA housing assistance programmes and other government programmes and support services, at the Commonwealth and State level. However, the ANAO noted that the degree of integration necessary to ensure the best possible outcomes had not been achieved in all circumstances. For example, the interaction between housing and employment was not well understood.⁶²

The ANAO also noted that performance indicators and measures related to coordination and integration of housing assistance with other related areas and programmes had not been considered.⁶³

Findings of the follow-up audit

3.18 Close linkages remain between the CSHA housing assistance programmes and other government programmes and related areas, at both the Commonwealth and State level.

3.19 At the Commonwealth level, the Housing Support Branch in FaCSIA is represented on working groups which aim to develop a better understanding of the links between housing and broader social issues.⁶⁴ In addition, recent internal restructure within FaCSIA has meant that the Housing Support Branch, the Disability and Carers Branch and the National Disability Operations Branch are each now within the same Group in the Department. This means the Supported Accommodation Assistance Programme; Commonwealth State Territory Disability Agreement, the Commonwealth State Housing Agreement and Rent Assistance are all administered in the one Group. FaCSIA informed the ANAO that this will provide more opportunities for sharing information and collaborative work between the three branches administering these related Commonwealth State agreements.

⁶² Australian National Audit Office, *op. cit.*, p. 87 para 5.23.

⁶³ *ibid.*

⁶⁴ Examples of these groups include: the Accommodation and Care for People with Complex Needs Working Group and the Australian Health Ministers' Advisory Council's Mental Health Working Group's Housing and Homelessness Taskforce.

3.20 At the State level, the 2003 CSHA multilateral agreement requires all bilateral agreements to include: 'linkages with Commonwealth and State programmes outside this Agreement which impact on housing outcomes'.⁶⁵

3.21 The ANAO analysed the 2003 bilateral agreements and found that there were strategies and performance indicators included in each of the bilateral agreements to address and measure key linkages with programmes and areas which impact on housing outcomes. Table 3.3 provides some examples of strategies and indicators included in the bilateral agreements that measure coordination and integration of housing assistance with other related areas.

⁶⁵ Clause 6(1)(c)(vii), of Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA) p. 13.

Table 3.3

Strategies and indicators in 2003 bilateral agreements which link housing assistance with other related areas⁶⁶

Related area	2003 bilateral agreement strategies and performance measures
Disability	<p>All of the States bilateral agreements have strategies to improve access to housing for people with disabilities. For example:</p> <ul style="list-style-type: none"> • developing a memorandum of understanding between the State Housing Authority and State Disability Services Commission to create additional units of supported accommodation; • aiming to assist with renovating housing stock to ensure it is appropriate to meet the needs of people with disability; and • developing an agreement with its State disability office to develop links and share data about common clients.
Aged Care	<p>Five States' bilateral agreements have strategies and performance measures for aged people. For example:</p> <ul style="list-style-type: none"> • aiming to provide renovation and modifications to assist elderly homeowners remain in their homes; • working with established care providers to deliver Commonwealth support packages to older social housing clients; and • measuring its progress on implementing policies and outcomes for older people.
Indigenous	<p>All bilateral agreements include strategies and/or performance measures for improving Indigenous people's access to housing. Examples include:</p> <ul style="list-style-type: none"> • improving access to all mainstream housing programmes by Indigenous households; • expanding housing opportunities for Indigenous people; • reporting on the quality and amenity of Aboriginal housing dwellings each year; and • including the proportion of Aboriginal housing properties in a maintained standard.
Homelessness	<p>Improving coordination between homelessness and housing is incorporated into all bilateral agreements. Some strategies include:</p> <ul style="list-style-type: none"> • improving coordination between SAAP and housing programmes; • working toward a coordinated response to homelessness focussing on long term client outcomes; and • reporting on initiatives undertaken by State Government agencies through cross government response to homelessness.

⁶⁶ The bilateral agreements reflect the expected performance of each individual State. As each State has different demands and approaches, the performance measures developed in the Bilateral Agreements will reflect local concerns and areas of focus. Consequently, some States may not have specific indicators for related areas as they are focussing on different areas of performance and service delivery.

Related area	2003 bilateral agreement strategies and performance measures
Youth	<p>Six States bilateral agreements have strategies and milestones to target youth. Examples include:</p> <ul style="list-style-type: none"> • developing a strategy which aims to implement and develop specialised policies for youth; and • trialling a youth housing model for homeless youth.
Employment	<p>All the States have strategies, performance measures, or milestones that address minimising workforce disincentives or support access to employment. Examples include:</p> <ul style="list-style-type: none"> • working with other jurisdictions to review transfer policies to ensure policies do not prevent clients from taking up employment; • increasing the number of social housing tenants accessing the department's employment incentives scheme; and • reporting on an annual basis on initiatives implemented to provide training and employment opportunities for social housing customers.

Source: ANAO analysis of the 2003 CSHA bilateral agreements.

3.22 The ANAO considers that the introduction of strategies and performance measures for linking housing with related programmes and areas assists FaCSIA and the States to understand the broader social outcomes associated with the delivery of housing assistance under the CSHA.

Management of payments to the States

Findings of the previous ANAO audit

The previous ANAO audit concluded that the cash management practices implemented by FaCS complied with the requirements of the 1996 CSHA. In particular, there were appropriate mechanisms to ensure that payments to the States were accurate and timely.

However, as required under the 1996 CSHA, payments were made to the States monthly in advance. As States were not required to provide monthly cash expenditure forecasts to the Commonwealth, FaCS had no way of understanding State spending patterns, including whether State matching occurred throughout the year or whether States were accumulating surplus cash at a cost to the Commonwealth.⁶⁷ The ANAO concluded that FaCS should review the appropriateness of the monthly pro-rata payment approach prescribed in the 1996 Agreement. The ANAO noted that the 1999 CSHA prescribes that Commonwealth payments are to be made fortnightly in advance.⁶⁸

⁶⁷ Australian National Audit Office, op. cit., p. 71. para 3.46.

⁶⁸ ibid., p. 71. para 3.49.

Findings of the follow-up audit

3.23 The ANAO found that FaCSIA's cash management practices continue to be appropriate to ensure that payments to the States are accurate and timely. In addition, both the 1999 and 2003 CSHA include clauses requiring that Commonwealth financial assistance under the CSHA, for each grant year, be paid in equal instalments, fortnightly in advance.⁶⁹ The increase in the frequency of payments reduces the risk that FaCSIA could release CSHA funds earlier than necessary to meet the immediate funding needs of the States. The ANAO considers that this should reduce the risk of the States accumulating cash at a cost to the Commonwealth.

Certification on the use of funds

Findings of the previous ANAO audit

The previous ANAO audit found that FaCS had appropriate measures in place to ensure that CEOs provided the necessary certification required under the CSHA in a timely manner. However, in line with its previous recommendation, the ANAO suggested that FaCS give priority to amending sub-clause 5(35) in the next agreement, to require certification by the responsible CEO on the use of assets within six months of the end of the financial year instead of 12 months. The ANAO has noted that the relevant clause in the 1999 CSHA has been amended to require certification on the use of assets by the responsible CEO within six months of the end of the financial year⁷⁰.

Findings of the follow-up audit

3.24 As acknowledged in the previous ANAO audit, the 1999 CSHA was amended to require certification on the use of assets by the responsible CEO within six months of the end of the financial year and this remained the same for the 2003 CSHA. The 1999 and 2003 CSHAs also require that the States submit independently audited financial statements and a report demonstrating the progress achieved against respective Bilateral Agreements (bilateral report), within six months of the end of the financial year.⁷¹

3.25 The 1999 and 2003 CSHA's each include clauses that provide the Commonwealth with the option to withhold a proportion financial assistance

⁶⁹ Housing Assistance (Form of Agreement) Determination 1999 (1999 CSHA), p. 13 Clause 4(23); Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), p. 11, Clause 4(27).

⁷⁰ ANAO, *op. cit.*, p. 58. para 3.6.

⁷¹ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), p. 12, Clause 4(33)(a) and Clause 4 (34).

if the States do not comply with these reporting requirements⁷². The 2003 CSHA included further clauses stipulating that the failure to meet reporting requirements could result in a reduction to a States annual funding of an amount up to five per cent.⁷³

3.26 Table 3.4 illustrates the number of States that provided CEO certification, independently audited financial statements and bilateral reports as required within six months of the end of the grant year in each of the years 2000–01 to 2004–05.

Table 3.4

Number of States that provided CEO certification, independently audited financial returns and bilateral performance reports within 6 months of the end of the grant year

Year ^A	Number of States that provided certification, independently audited financial reports and bilateral reports within six months of the end of the grant year	Number of States that provided certification, independently audited financial reports and bilateral reports later than six months after the end of the grant year
2000–01	3	5
2001–02	4	4
2002–03	4	4
2003–04	8	0
2004–05	8 ^B	0

Notes: A 1999–2000 is not included in this table as it was the first reporting period under the new financial reporting framework first established under the 1999 CSHA

B Two States submitted their independently audited financial statements and bilateral reports by the 31 December 2005, but not their CEO certifications.

Source: ANAO analysis of the States' CEO certifications, independently audited financial statements and bilateral reports provided to FaCSIA.

3.27 The ANAO found that despite the late submission by the half the States of the CEO certifications, independently audited financial statements and bilateral reports throughout the 1999 CSHA, the Commonwealth did not exercise its option to apply financial sanctions and withhold any portion of any State's funding.

⁷² Housing Assistance (Form of Agreement) Determination 1999 (1999 CSHA) and Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), Clause 8(4).

⁷³ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA) Clause 8(7).

3.28 However, for the 2003 CSHA, the Commonwealth introduced measures to encourage States to complete and submit their CEO certification, independently audited statements and bilateral reports within six months of the end of the financial year (31 December). The measures include:

- if the CEO certification, independently audited financial statements and bilateral report⁷⁴ is received on time—by 31 December (or next working day), then that jurisdiction is guaranteed that no part of a maximum sanction of five per cent of the State’s previous grant year’s base funding⁷⁵ will be applied;
- if the CEO certification, independently audited financial statements and bilateral report is not received by 31 December (or next working day), then a one per cent penalty will be recommended by FaCSIA to its Minister; and
- if the CEO certification, independently audited financial statements and bilateral report is not received by 31 January, then the full five per cent penalty will be recommended.

3.29 Since the commencement of the 2003 CSHA, all States have submitted their CEO certification, independently audited financial statements and bilateral reports within six months of the end of the financial year. To date, no sanctions have been imposed on States for late submission of CSHA reporting requirements.

⁷⁴ The bilateral report must include all financial reporting and certification requirements outlined in sub clauses 4(33) to 4(35) of the multilateral agreement.

⁷⁵ Clause 8(7) to 8(11) of the Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA) states that where reporting requirements have not been met, funding to that State in the Grant Year in which a report was due will be reduced by up to five per cent of the previous grant year’s base funding allocation. For grant years one to four, this reduction will occur in the final six months of the relevant grant year in which the reports were due. For the fifth grant year this reduction will occur in the final three months of that grant year.

State reports against bilateral agreements

Findings of the previous ANAO audit

Under the 1996 CSHA, the States were required to use a standard format report against benchmarks and targets set out in strategic plans. The ANAO found that strategic plans developed by States under the 1996 CSHA demonstrated a move towards a more performance driven regime, consistent with the outcome focus of the 1996 CSHA.⁷⁶

However, State strategies in the bilateral strategic plans were not well articulated in the 1996 CSHA strategic plans, thus inhibiting the assessment of the effectiveness of the strategies. The ANAO considered improvements in this area would be necessary so FaCS could better integrate information.⁷⁷

FaCS informed the ANAO during the previous ANAO audit, that as part of the negotiation of the 1999 CSHA, the strategic planning arrangements were being reviewed. In addition to the multilateral agreement, there was to be bilateral agreements with the States.⁷⁸

Findings of the follow-up audit

3.30 As foreshadowed in FaCS' response to the previous ANAO audit, the States' strategic plans have been replaced by bilateral agreements between each State and the Commonwealth. Clause 4(35) of the 2003 CSHA multilateral agreement requires each State to provide a report to the Commonwealth within six months of the end of each grant year, which includes information demonstrating the State's progress in respect to its bilateral agreement (bilateral reports).⁷⁹

3.31 As discussed above, the deadline for States to provide their final bilateral reports to FaCSIA without financial sanction is 31 December of the following grant year. In addition, the 1999 and 2003 CSHAs each stipulate that States can also have financial sanctions applied if they fail to demonstrate achievement against performance indicators and targets in their bilateral agreements.

3.32 Throughout the 1999 CSHA, the Australian Government did not apply any financial sanctions on States for failing to demonstrate achievement against performance indicators and targets in their bilateral reports. However, at the commencement of the 2003 CSHA, FaCSIA advised the States of its intention to apply financial sanctions of up to 4 per cent if they failed to

⁷⁶ Australian National Audit Office, *op. cit.*, p. 78, para 4.28.

⁷⁷ *ibid.*, p. 80, para 4.34.

⁷⁸ *ibid.*, p. 79, para 4.32.

⁷⁹ In addition to the requirement that the report demonstrate the State's progress in respect to its bilateral agreement, the report also must contain the core set of nationally consistent indicators endorsed under the National Housing Data Agreement and demonstrate progress toward the performance objectives.

adequately demonstrate achievement against performance indicators and targets in their bilateral reports.

3.33 In assessing the States' bilateral performance, the Australian Government can apply sanctions of 1.33 per cent for under performance in each of the following three areas:

- reducing workforce disincentives;
- attracting outside resources; and
- reporting against all other agreed objectives/outcomes⁸⁰.

3.34 States have the option of submitting draft bilateral reports to FaCSIA in the October before the final reports are due. FaCSIA provides feedback in early December to States who choose to submit draft bilateral reports in October. The purposes of this initial feedback are two-fold. First, it aims to assist States to address performance issues in their bilateral reports. Secondly, early feedback can be provided to assist the States in the current grant year to meet the requirements of their bilateral agreements.

3.35 The final decision as to whether or not sanctions should be applied under the CSHA by the Australian Government is at the discretion of the Minister for Families, Community Services and Indigenous Affairs, in consultation with the Minister for Finance and Administration. Table 3.5 provides an indicative timeline for the bilateral reporting process.

⁸⁰ The States can be subject to financial sanctions of up to five per cent under clauses 8(7)-8(11) 2003 CSHA, for not meeting the reporting requirements stipulated in the agreement. In consultation and agreement with the states, the Commonwealth has provided more specific guidance on the way sanctions will be applied.

Table 3.5**Indicative timeframe for bilateral reporting process for the 2004–05 grant year**

Date	Action
1 October 2005	States provide draft bilateral reports to FaCSIA.
5 December 2005	States who provided draft bilateral reports to FaCSIA by 1 October 2005 receive feedback on draft reports.
31 December 2005 ^A	Deadline for States to provide final bilateral reports to FaCSIA.
28 February 2006	FaCSIA provides bilateral reports to Finance for comment.
12 May 2006	Deadline for sanctions to be applied.

Note: A 31 December is the only deadline stipulated in the 2003 CSHA, all other dates are indicative only.

Source: ANAO analysis based on FaCSIA documentation and advice.

3.36 During the audit the ANAO interviewed officers from each State and Territory Government responsible for the administration of their State/Territory's involvement in the CSHA. In these discussions, a number of these officers raised an issue relating to the operation of the sanction regime. This issue was the timing of advice as to whether or not the Australian Government would be applying sanctions as a result of the previous grant year's financial report.

3.37 The first grant year of the 2003 CSHA was the 2003–04 financial year. Each State complied with the requirement to submit their bilateral report on the 2003–04 grant year to FaCSIA by 31 December 2004. However, States received no indication⁸¹ as to whether or not the Australian Government would be applying sanctions until early May 2005, albeit that no sanctions were applied in the end in respect of the 2003–04 bilateral reports.

3.38 Any sanction stipulated in the 2003 CSHA for not meeting the reporting requirements in any given grant year must be applied before the end of the next grant year. Accordingly, the concern raised with the ANAO by a number of State Government officers was that if the Australian Government had decided to impose sanctions on any State in regard of its 2003–04 bilateral report, the State involved would not have known this until the imposition of the sanction was imminent.

⁸¹ Other than feedback FaCSIA provides on draft reports which the States receive in early December discussed paragraph 3.34.

3.39 In relation to whether FaCSIA could provide more timely advice to State Governments on this issue, FaCSIA advised the ANAO as follows:

The agreed timing for submission of bilateral reports (31 December of each year) takes into account the availability of data for inclusion by the States and Territories and the processes for adequate assessment by the department [FaCSIA] and formal advice to and from the Minister [for Families, Community Services and Indigenous Affairs and the Minister Assisting the Prime Minister for Indigenous Affairs]. Should States and Territories be in a position to provide their reports earlier than the agreed date, FaCSIA would be in a position to bring forward the timeframe for advice to States and Territories.

Auditing of States' financial reports

Finding of the previous ANAO audit

In the previous ANAO audit, the ANAO noted that the issue of who should audit the financial reports was not specified in the CSHA. The 1996 CSHA only stipulated that the reports should be audited. During the previous ANAO audit, the ANAO advised FaCS that the CSHA should expressly identify that an independent auditor should audit the reports. This would provide assurance to the Commonwealth on the robustness of the auditing process and may also help to overcome some of the anomalies that were detected by the ANAO during its analysis. The ANAO noted at the time that the 1999 CSHA was to require States to provide financial reports to the Commonwealth that had been independently audited.⁸²

Findings of the follow-up audit

3.40 The introduction in the 1999 CSHA of the requirement for the States to provide the Commonwealth with independently audited financial reports has been effective. The ANAO found that at the end of each grant year since 1999, each of the States had provided FaCSIA with an independent audit report with their financial reports.

3.41 Clause 4(33)(a) of the 2003 CSHA sets out the current requirement that within six months of the end of each grant year States will:

provide to the Commonwealth independently audited financial reports of housing operations under this Agreement and agree these will use nationally consistent financial reporting frameworks and accounting practices

⁸² Australian National Audit Office op.cit., p. 67 para 3.30.

3.42 The ANAO considers that the independent audited reports FaCSIA receives with States' financial reports satisfy the requirements of the 2003 CSHA.⁸³

3.43 In November 2004, the Finance Technical Working Group⁸⁴ (FTWG) included a discussion on the role of the audit in the preparation of the financial reports. The minutes from the November 2004 meeting indicate that different States undertake different types of audits of the financial reports. To address this inconsistency, FaCSIA developed proposed auditing guidelines for auditing the 2004–05 financial reporting framework. The intention was to provide for greater consistency between States in the way that the financial reports are audited, which FaCSIA considered would provide the Commonwealth with a greater level of assurance.

3.44 FaCSIA informed the ANAO that it is pursuing this matter with the States through the FTWG with the objective of being able to improve the level of assurance that can be drawn from the audit opinions not only with regard to the financial reports themselves, but also with regard to a common approach to the audit process.

⁸³ There were no qualified audit opinions for any of the financial returns provided for any year during the 1999 CSHA and to date there have been no qualified audit opinions issued for financial reports provided under the 2003 CSHA. At the time of this audit, the States have only provided financial returns for the 2003–04 and 2004–05 financial reporting years.

⁸⁴ The Finance Technical Working group operates under the auspices of the National Housing Data Agreement Management Group. Their role is to work on data development for financial requirements and issues under the CSHA. Membership includes representatives from the Commonwealth and the States.

Analysis of States' financial reports

Findings of the previous ANAO audit

At the time of the fieldwork for the previous ANAO audit FaCS had advised the ANAO that the department had not undertaken a detailed analysis of the State financial returns submitted for the first year of the 1996 CSHA as they did not have access to the necessary skills required for such an analysis. However given that these returns were the first to be submitted under the national framework FaCS had established processes to verify the information provided in State returns and assess the reasonableness and accuracy of that information.⁸⁵

Subsequently FaCS put in place arrangements to ensure that financial returns were appropriately analysed. For these arrangements to be effective they need to be continued in the long term and any results derived from the analysis should be used on an ongoing basis.⁸⁶

Findings of the follow-up audit

3.45 During fieldwork for the follow-up audit, FaCSIA advised the ANAO that the analysis of the financial information provided by the States was included in the Housing Assistance Act Annual Report (HAA Annual Report) and consolidated information from the financial returns had been reported in the HAA Annual Report since 1999–2000.

3.46 The ANAO reviewed the financial information contained the 2003–04 HAA Annual report and found that FaCSIA reports the total operating surplus of the CSHA, the level of expenditure, overall net assets and the decrease of rental income.⁸⁷ The report also provides an analysis of the expenses reported in the States financial returns. This includes trend information against a selection of financial results since 2001–02 and reasons for differences in results between States and highlights those States that are above or below the national average.

3.47 However, the analysis included in the HAA Annual Report does not demonstrate if any of the results were above or below expectations and/or indicate any potential areas for concern. For example, FaCSIA reports that, on average, operating expenses have increased but there is no commentary if this increase in expenditure was above or below expectations or if there is a potential impact on the overall efficiency of housing delivery under the CSHA.

⁸⁵ Australian National Audit Office, op. cit., p. 62, para 3.17.

⁸⁶ *ibid.*, p. 62, para 3.18.

⁸⁷ Department of Family and Community Services, *Housing Assistance Act 1996 Annual Report 2003–04*, October 2005, Canberra, p. 9.

3.48 The ANAO considers that there is scope for improvement in the arrangements for analysing the States' financial returns. While some analysis of the States' financial returns was included in the 2003–04 HAA Annual Report, this could be improved by FaCSIA indicating if results were above or below expectations and identifying any areas of potential concern. The results of this analysis could also be used to inform risk management and future decision making.

4. Reporting and Evaluation

This chapter examines FaCSIA's reporting and evaluation regime for the CSHA, including whether it provides stakeholders with key performance information and, therefore, contributes towards continuous improvement of service delivery as well as transparency and accountability.

Introduction

4.1 Good performance reporting involves the use of accurate, consistent and complementary information which presents a balanced and coherent snapshot of achievements within a strategic context. This involves explaining how well areas performed during the relevant period in meeting objectives, not just stating what happened. For performance reports to assist performance monitoring and accountability they should be accurate, reliable and timely. An effective reporting regime allows all stakeholders access to important performance information and, therefore, contributes towards continuous improvement of service delivery as well as transparency and accountability.⁸⁸

4.2 Performance information on housing assistance is reported publicly through a number of annual reports, including the following:

- the Housing Assistance Act Annual Report (HAA Annual Report) prepared by FaCSIA;
- the Report on Government Services which is coordinated by the Productivity Commission;
- the FaCSIA's Annual Report; and
- relevant State Housing Authority Annual Reports.

4.3 The HAA Annual report is produced to fulfil a requirement of the *Housing Assistance Act 1996* (the Act). Under both the 2003 CSHA⁸⁹ and 1999 CSHA⁹⁰ the Commonwealth is to report to the Commonwealth Parliament on the performance against agreed outcomes and targets of housing assistance provided under the Agreements.

⁸⁸ Australian National Audit Office and Department of Finance and Administration, *Better Practice in Annual Performance Reporting*, 2004, ANAO, Canberra, Chapter 5.

⁸⁹ Roles and Responsibilities Clause 2(5)(b), of Housing Assistance (Form of Agreement) Determination (2003 CSHA)p. 5.

⁹⁰ Roles and Responsibilities Clause 2(5)(b), of 1999 CSHA, p. 6.

4.4 The Act does not prescribe a specified date for the tabling of the HAA Annual Report. However, section 14 of the Act requires that:

as soon as practicable after the end of each assistance year, the[Commonwealth] Minister must cause to be laid before each House of Parliament an annual report on the operation of inter-governmental housing agreements...

4.5 The ANAO assessed whether FaCSIA's reporting and evaluation regime for the CSHA provided stakeholders with key performance information and allowed for the effective monitoring and review of the CSHA. Specifically, the ANAO assessed whether:

- the HAA Annual Report and FaCSIA's Annual Report provided adequate information to make them appropriate instruments of accountability;
- FaCSIA ensures that the CSHA is evaluated in accordance with the terms specified in the 1999 and 2003 CSHA's; and
- FaCSIA evaluates the relevance of housing research to ensure it can continue to inform housing policy.

Timeliness in reporting

Findings of the previous ANAO audit

In the previous ANAO audit report the ANAO concluded that the effectiveness of performance reporting in assisting performance monitoring and accountability was significantly reduced because of inconsistent definitions across performance reports and a lack of timeliness in reporting. As a result, there had only been limited use made of the information by FaCS.⁹¹

Findings of the follow-up audit

4.6 The ANAO found that the issue of inconsistent definitions across performance reports has been addressed by the use of the same reporting framework and data for the HAA Annual Report, the annual Report on Government Services, FaCS Annual Report and the bilateral agreement reports. However, there continued to be considerable delays in the preparation of annual reports required for the purposes of the Act. Table 4.1 outlines the dates that each annual report has been tabled since the 1999–2000 reporting year.

⁹¹ Australian National Audit Office, op. cit., p. 56, para 2.69.

Table 4.1**Tabling dates for the HAA Annual Reports**

Year ⁹²	Tabled in the House of Representatives	Tabled in the Senate
1999–2000	12 February 2002	11 February 2002
2000–01	26 March 2003	26 March 2003
2001–02	16 September 2003	16 September 2003
2002–03	17 November 2004	16 November 2004
2003–04	11 October 2005	11 October 2005

Source: ANAO analysis of the Votes and Procedures of the House of Representatives and the Journals of the Senate.

4.7 During the 1999 CSHA, delays in reporting were partly due to the late submission by States of their bilateral performance report plans and financial reports. The introduction of financial sanctions linked to the timeliness of reporting has rectified the problem of late submission of reports by the States. This resulted in the 2003–04 HAA Annual Report being tabled in October 2005.

4.8 FaCSIA advised the ANAO that it will endeavour to have the HAA Annual Report tabled by June of the year following the end of the grant reporting year. For example, the 2004–05 HAA Annual Report should be tabled by June 2006.

4.9 The ANAO supports FaCSIA's aim to table the HAA Annual Report by June of the year following the reporting year but considers that there would be benefit in the report being tabled earlier if possible. By tabling the report before the end of the next reporting period, FaCSIA would be providing timely performance reporting to Parliament and other stakeholders.

⁹² The Act stipulates that the HAA Annual Reports only need to be tabled as soon as practicable after the end of each assistance year. In comparison, an Australian Government agencies Annual Report is required to be tabled in the Parliament by the 31 October, after the end of the reporting year.

Analysis of performance

Findings of the previous ANAO audit

The previous ANAO audit report concluded that there were problems with the quality and reliability of performance and financial information provided by the States which limited the usefulness of that information for measuring and/or assessing performance against required results. Consequently, this information requires considerable improvement before it can contribute more meaningfully to analysis as to whether CSHA programme objectives have been met efficiently and effectively.⁹³

Findings of the follow-up audit

4.10 As discussed in Chapter 2, the problems identified in the previous ANAO audit with the quality and reliability of performance and financial information has been largely dealt with by FaCSIA. The ANAO considers that the performance management framework of the 1999 and 2003 CSHA provides a sound basis for the effective monitoring and analysis of performance for external accountability.

4.11 Good performance reporting focuses on the results achieved and explains how this has contributed to the achievement of objectives or outcomes. The information contained in an Annual Report should enable stakeholders to understand if value for money has been achieved and how the results have contributed to the achievement of policies and objectives.⁹⁴

4.12 The ANAO reviewed the information presented in the HAA Annual Report and FaCSIA Annual Report to determine whether FaCSIA had reported performance against agreed outcomes and provided an appropriate level of accountability to management, the Parliament and other stakeholders, that the objectives of the CSHA are being achieved. Specifically, the ANAO assessed how FaCSIA had used the data reported in the national data collections developed under the NHDA to analyse and present performance in the HAA Annual Report⁹⁵ and FaCSIA's Annual Report.

⁹³ Australian National Audit Office, op.cit., p. 14, para 14.

⁹⁴ Australian National Audit Office and Department of Finance and Administration, *Better Practice in Annual Performance Reporting*, 2004, ANAO, Canberra, p. 38.

⁹⁵ Section 2 of the 2003 CSHA outlines the Roles and Responsibilities of the CSHA signatories. Clause 2(5)(b) requires the Commonwealth to report to the Commonwealth Parliament on the performance against agreed outcomes and targets of housing assistance provided under the CSHA.

Housing Assistance Act Annual Report

4.13 The ANAO found that the HAA Annual Report provided: detailed financial and non-financial performance information on the actual results achieved; the quality and reliance the reader can place on the data; and some trend information and some discussion on the variation in the results achieved between the States.⁹⁶ However, there was limited analysis reported that demonstrated if the results had contributed to the achievement of CSHA objectives.

4.14 Throughout the 1999 CSHA very little analysis was included in the HAA Annual Report on how the objectives of the CSHA agreement were being met. For example, reports on performance in the HAA Annual Report during the 1999 CSHA generally contained a comment similar to the following:

..the data showed that the agreed outcomes and levels of performance are largely being achieved by the jurisdiction both for each indicator and overall.⁹⁷

4.15 This does not provide an assessment on how the overall objectives were being achieved, nor if performance had improved or decreased.

4.16 At the time of this audit, only one HAA Annual Report had been published under the 2003 CSHA, that being the 2003–04 report. The report was an improvement on the reports published under the 1999 CSHA and includes some assessment on the extent to which the objectives of the CSHA are being achieved.

4.17 For example, Chapter 2 includes a summary of performance achieved under the National Performance Information Framework. Performance is reported against four key performance areas that measure the extent to which the objectives of the CSHA are being achieved. Figures 4.1 to 4.3 include extracts from Chapter 3 of the 2003–04 HAA Annual Report. The ANAO comments indicate both good practice and areas for improvement.

⁹⁶ The appendices of the HAA Annual Reports include key statistics and data tables of information collected and published by the AIHW as part of the NHDA.

⁹⁷ *Housing Assistance Act 1996 Annual Report 2001–02*, Family and Community Services, 2004, p. 14.

Figure 4.1

ANAO analysis of the 2003–04 report against national performance indicators in the 2003–04 HAA Annual Report

2003–04 national performance indicators

There have been significant improvements in data quality and usefulness in the 2003–04 collection. There is now national consistency in data definitions for all of the performance indicators. The completion of a second version of the national housing data dictionary assisted with this and continued the improvement in consistency. All of the national performance indicators used since 2002–03 are based on national standards.

Prior to the 1999 CSHA, Housing Assistance Act annual reports included a proviso that due to data quality and comparability issues any comparative analysis would not be very reliable. Although data quality and consistency continues to improve, analysis is still constrained by the lack of a time series, although there are now at least three years for all public housing indicators and for State Owned and Managed Indigenous Housing. Further improvements in data from the community housing sector are required before any broad general conclusions can be made.

Key performance indicators that measure the extent to which the objectives of the CSHA are being achieved are:

- ▶ affordability;
- ▶ targeting;
- ▶ customer feedback; and
- ▶ financial transparency.

The performance for public housing over the last five years is reported below.

These four Key Performance Indicators (KPIs) do not align with the National Performance Information Framework. The four KPIs in the National Performance Information Framework are:

- appropriateness;
- access;
- quality; and
- efficiency.

There is no explanation for why the framework has changed or is being reported against differently.

This paragraph is useful as it advises the reader of the reliability they can place on the data and the results to be reported.

This is a sound approach advises the reader how the objectives of the CSHA are measured and how they will be reported.

Source: ANAO analysis of the 2003–04 HAA Annual Report, p. 18.

Figure 4.2

ANAO analysis of the 2003–04 report against national performance indicators in the 2003–04 HAA Annual Report

This paragraph discusses the results over the last five years. This is a good point of reference to indicate the level of performance achieved.

Targeting

The indicators for 'low income,' 'special needs' and 'priority access for those in greatest need' give some indication as to the success of jurisdictions in targeting assistance in accordance with the objectives of the CSHA. The data show that nationally 95 per cent of public housing tenants on subsidised rent met the low income or the special needs criteria and that there has been little change in the national average over the last 5 years. At a jurisdiction level there have been some fluctuations year to year largely due to changes in counting methodology. These results suggest that assistance in the form of public housing is being directed towards those people in greatest need.

The 'priority access for those in greatest need' indicator shows how quickly those people in greatest need are receiving assistance. The national average for the proportion of allocations in less than 3 months to those in greatest need moved from 32 per cent to 58 per cent in the first 2 years of the 1999 CSHA and has remained much the same since. The proportion in most jurisdictions has improved over the last 4 years, which suggests that policy changes have increased priority access to CSHA public housing for those in greatest need.

This paragraph provides the reader with an indication of how the results relate to the achievement of the CSHA objectives and the impact of CSHA policy.

Source: ANAO analysis of the 2003–04 HAA Annual Report, p. 19.

Figure 4.3

ANAO analysis of the report against the financial transparency KPI from the 2003–04 HAA Annual Report

Financial Transparency

Under the 1999 CSHA a new financial reporting framework was introduced which provides greater transparency with regard to the use of CSHA funds. Greater reliability in CSHA financial data was achieved by the loss of detailed information by program. Compliance was achieved through an acceptable sacrifice of detail. Overall it can be said that greater transparency has been achieved. The financial framework continues to be refined to respond to changes in accountancy standards and practices.

The 'direct costs per dwelling' indicator is now based on nationally consistent data. The indicator shows that the average costs for the provision of public housing have risen from \$3,918 in 2000–01 to \$4,695 in 2003–04, an increase of 20 per cent. Half of this increase can be attributed to CPI during this period. As indicated in Chapter 2, a number of components that make up 'direct costs' are the result of government policy outside of the control of the housing authority.

This section discusses the processes required to collect accurate and reliable financial information. It is not a discussion on performance. As examined above, financial transparency is not a KPI of the National Performance Information Framework. The ANAO considers that it would be more beneficial to readers if this section was reported against as it appears in the National Performance Information Framework, that is if it was a discussion about the efficiency of housing assistance delivered under the CSHA. This would more closely align with CSHA objectives and provide the reader with an indication of the extent to which the CSHA efficiency objectives have been met.

Source: ANAO analysis of the 2003–04 HAA Annual Report, p. 20.

4.18 The States bilateral reports in Chapter 4 of the 2003–04 HAA Annual Report also include analysis of how the States have performed against the key themes (objectives) identified in their bilateral agreements. The reports for each State include numerous examples of the results achieved and how this has contributed towards the achievement of CSHA objectives.⁹⁸

4.19 For example, one of the main objectives of the 2003 CSHA is to encourage private sector involvement in social housing. Victoria reported that it has contributed to the achievement of this objective by developing and implementing a Social Housing Innovations project which has attracted over \$35 million in partnering contributions to deliver in excess of 800 units. The HAA Annual report states that this has resulted in 200 more units being delivered than could have been achieved using traditional non-joint venture delivery methods.⁹⁹

4.20 However, the ANAO considers that there is further scope for improvement in the analysis and presentation of information contained in the HAA Annual report. In reviewing the 2003–04 HAA Annual Report, the ANAO found:

- there was no commentary or analysis on whether housing assistance was being delivered efficiently (as depicted and discussed in Figure 4.3);
- each of the indicators in the National Performance Reporting Framework were reported against. However, this only included a discussion about what the indicator was measuring; any problems with the data and the actual result. The actual results were also available in tables in the appendices of the report. There was no comparative analysis to indicate if the resulted achieved were an improvement or decrease from the previous years;¹⁰⁰ and

⁹⁸ Department of Family and Community Services, *Housing Assistance Act 1996 Annual Report*, FaCS, Canberra, 2004, Chapter 4.

⁹⁹ *ibid.*, p. 30, Chapter 4.

¹⁰⁰ Department of Family and Community Services, *op.cit.*, Chapter 3, reports against the individual performance indicators.

- where trend information had been provided in the HAA Annual Report it was not supported by any analysis to demonstrate if progress was being made in achieving CSHA outcomes.¹⁰¹

4.21 In addition, there was no overall analysis that compared the performance of the CSHA from year to year and to indicate if housing assistance was being delivered efficiently and effectively. During fieldwork, some State and non-government stakeholders also advised the ANAO that they could not determine from the information contained in the HAA Annual Report, the extent to which the objectives of the CSHA were being achieved.

4.22 The ANAO considers that FaCSIA could improve the level of accountability and transparency of reporting on CSHA performance in the HAA Annual Report with more analysis of how the results of the national performance indicators are contributing towards the achievement of CSHA objectives. Readers of the HAA Annual Report would benefit from an analysis of whether the results of non-financial and financial performance information indicate if expectations are being met or whether trends over time suggest that housing assistance being delivered under the CSHA is effective and efficient. This analysis could include highlighting areas of strengths and weaknesses and commentary on any actions for improvement.

¹⁰¹ Chapter 2 includes trend information of the Operating Costs per dwelling per State from 2001–02 to 2003–04, Employee costs per dwelling, 2001–02 to 2003–04, Supplies and service costs per dwelling by State for 2001–02 to 2003–04, and Housing maintenance costs per dwelling by State for 2001–02 to 2003–04.

Recommendation No.1

4.23 To improve the level of accountability for, and transparency of reporting on, Commonwealth State Housing Agreement performance against the agreed outcomes of the Commonwealth State Housing Agreement in the Housing Assistance Act (HAA) Annual Report, and to assist readers of the report to better understand the results reported, the Australian National Audit Office recommends that the Department of Families, Community Services and Indigenous Affairs include in future HAA Annual Reports:

- (a) commentary to indicate whether trends in the financial and non-financial national performance indicators demonstrate progress made in achieving CSHA objectives; and
- (b) an assessment of the comparative performance of the CSHA from year to year.

FaCSIA response: Agreed. FaCSIA agrees with the recommendation in the report as it confirms the overall direction of work being done by FaCSIA to continuously improve the level of reporting and analysis in the Housing Assistance Act Annual Report. This ongoing work is taking place as improved performance information becomes available through the national housing data collections and the State and Territory Bilateral reports.

FaCS Annual Report 2004–2005

4.24 The previous ANAO audit report did not include a specific discussion on the analysis of performance contained in the FaCS Annual Report.

4.25 The *FaCS Annual Report 2004–2005* contains a chapter on Output Group 2.1, Housing Support. This chapter provides the results of the national performance indicators for the CSHA as outlined in the FaCS' Portfolio Budget Statements (PBS).

4.26 The indicators in the PBS include estimates for performance of all indicators.¹⁰² The *FaCS Annual Report 2004–2005* includes the results against all of the indicators from the National Performance Information Framework. However, there is no analysis of how this relates to FaCSIA's outcomes and

¹⁰² FaCS *Portfolio Budget Statements 2004–05*, p.181.

outputs, nor if the Australian Government is receiving value for money from the grants it provides to the States through the CSHA.¹⁰³

4.27 Overall, the *FaCS Annual Report 2004–2005* does not provide effective reporting on the overall achievements of the CSHA. This could be improved by including commentary on whether the results of the performance indicators have met expectations and how the CSHA has contributed to the achievement of the outputs and outcomes.

Evaluation of the CSHA

Findings of the previous ANAO audit

Evaluation of the CSHA is a requirement under Section 5 of the *Housing Assistance Act 1996*. FaCS advised the ANAO during the previous ANAO audit that, due to the 'interim' nature of the process, no evaluation was undertaken for the 1996 CSHA. FaCS informed the ANAO that it recognised the importance of evaluation, and that it would seek to implement arrangements to evaluate the operation of the 1999 CSHA.¹⁰⁴

ANAO concluded that the level of evaluation for the 1996 CSHA was not sufficient to provide information that would form a key component for assessing the success of the agreement.¹⁰⁵

Findings of the follow-up audit

1999 CSHA evaluation

4.28 The project brief for the 1999 CSHA evaluation was agreed by Housing Ministers Advisory Committee (HMAC) on 3 October 2002. The project brief required the preparation of the CSHA evaluation to include: a compilation of work already undertaken by the Policy and Research Working Group (PRWG); an analysis of relevant multilateral CSHA performance indicator data; a review of Housing Assistance Act Annual Reports; advice from the Standing Committee on Indigenous Housing and National Housing Data Agreement Management Group (NHDAMG); and analysis of any other relevant existing research material. The scheduled completion date for the final report was 31 December 2002.¹⁰⁶

¹⁰³ The *FaCS Annual Report 2004–2005* does provide commentary on key achievement and work that is required. However, these only describe the activities related assessing and monitoring the delivery of housing assistance in the first year of the CSHA.

¹⁰⁴ Australian National Audit Office op.cit., p. 95, para 5.61.

¹⁰⁵ *ibid.*, p. 96, para 5.61.

¹⁰⁶ Housing Ministers' Advisory Committee Meeting Minutes 3 October 2002, Attachment A, Project Brief: Evaluation of the 1999–2000 to 2002–2003 Commonwealth- State Housing Agreement.

4.29 The ANAO found that the evaluation was undertaken in accordance with the project brief but was completed late. The final evaluation report was endorsed by HMC in August 2003 for submission to Housing Ministers, one month after the start of the 2003 CSHA.¹⁰⁷

4.30 The ANAO found that the 1999 CSHA was evaluated in accordance with the requirements of the 1999 agreement.¹⁰⁸ However, the ability of the 1999 CSHA evaluation to inform the negotiations for the development of the 2003 CSHA was reduced because the evaluation was finalised after the commencement of the 2003 CSHA.

Plans for evaluating the 2003 CSHA

4.31 Improved arrangements were put in place in the 2003 CSHA aimed at ensuring that the results of an evaluation of the 2003 CSHA will be available in time to inform development of the next CSHA. The 2003 CSHA specifies that an evaluation is to be completed by no later than 30 June 2007, which is one year before the agreement is due to end. It also specifies that the evaluation will consider whether the strategic objectives of the 2003 CSHA have been met, having regard to the performance indicators set out in the National Housing Data Agreement, and activities and indicators specified in the bilateral agreements.¹⁰⁹

4.32 FaCSIA advised the ANAO that the PRWG has discussed the terms of reference for the 2003 CSHA evaluation. The final terms of reference will be considered by Ministers at the Housing Ministers' Conference on 16 June 2006, to allow the 2003 CSHA evaluation to be completed by an external consultant by 31 December 2006. The aim is to enable the results of the evaluation of the 2003 CSHA to inform the negotiations between the Australian and State/Territory Governments for a future housing assistance policy, that is due to commence by 1 January 2007.

¹⁰⁷ HMC noted the completion of the report in an out-of-session submission received December 2003.

¹⁰⁸ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), p. 13, Clause 5(1) states that: 'The operation of this Agreement is to be evaluated in accordance with arrangements to be determined by the Minister and State Minister's.

¹⁰⁹ Housing Assistance (Form of Agreement) Determination 2003 (2003 CSHA), p. 13, Clause 5(1).

Housing research

Finding of the previous ANAO audit

At the time of the previous ANAO audit, the mechanisms used by the Commonwealth and States to undertake housing research were the: Australian Housing Research Fund (AHRF) which focused its research on social and economic problems associated with housing; and the Australian Housing and Urban Research Institute (AHURI) which focused its research on the administration, development and evaluation of housing programmes.¹¹⁰ In addition, there was a separate Commonwealth Housing Reform Fund, established in 1996, whose primary focus was research related to housing reform issues.¹¹¹

The ANAO found that the planning arrangements for each mechanism were effective and ensured that differing stakeholder priorities and concerns were addressed and the overall research projects were managed effectively and included appropriate controls.¹¹²

However, there was no comprehensive approach for evaluating housing research. Therefore, there was not an adequate means for providing assurance to management and the Government that research arrangements represent value for money and contribute to effective policy development for the delivery of housing assistance.¹¹³

Findings of the follow-up audit

4.33 The housing research mechanisms used by the Commonwealth and States have changed since the previous ANAO audit.¹¹⁴ From January 2000, AHURI became the major vehicle for housing research.¹¹⁵

4.34 The structure of AHURI has also changed since the previous ANAO audit. AHURI was reviewed in 1999 at the request of the then Minister for Family and Community Services. The review found that the structure of the organisation resulted in inadequate accountability and that insufficient resources were allocated to the organisation compared to other organisations with similar responsibilities.

4.35 Consequently, a new AHURI was established with improved governance arrangements and increased levels of investment from all

¹¹⁰ Australian National Audit Office op.cit., p. 92, para 5.48.

¹¹¹ *ibid.*, p. 92, para 5.49.

¹¹² *ibid.*, p. 92, para 5.50.

¹¹³ *ibid.*, p. 93, para 5.54.

¹¹⁴ Since the previous ANAO audit, the AHRF was wound up, and the uncommitted funds were given to AHURI. The Housing Reform Fund, has become the National Housing Priorities item, which provides funding to support the development of the community housing sector, including funding two national community housing representative bodies, the National Community Housing Forum and the Community Housing Federation of Australia. There is some capacity for research under this funding. For this report, ANAO analysis focused on AHURI research as this is now the major provider of housing research for FaCSIA and the CSHA.

¹¹⁵ FaCS Annual Report 2000–01, p.110.

parties.¹¹⁶ A funding agreement between the Commonwealth, all State Governments and AHURI commenced on January 2000 and ended December 2003. This was followed by the current funding agreement which expires 30 June 2008.

4.36 The current AHURI funding agreement entitles the Commonwealth and States to evaluate whether AHURI has conducted research in accordance with the criteria of the agreement.¹¹⁷ In April 2005, the Australian Government undertook an internal assessment of the funding arrangements with AHURI. This was to assess the current governance structure of AHURI as well as its capacity to address Australian Government research priorities and FaCSIA's research requirements. It also conducted a survey to determine the usage of AHURI research among FaCSIA officers and considered the results of a blind peer review of a selection of AHURI research.

4.37 In addition to internal assessments, FaCSIA and the States can conduct formal reviews once within a two year period.¹¹⁸ The first formal review of the current funding agreement is due to commence in 2006. FaCSIA informed the ANAO that the terms of reference for the 2006 AHURI review have been developed by the PRWG. The review will focus on the extent to which AHURI has met its obligations under the funding agreement including assessing research arrangements for value for money and policy relevance.

¹¹⁶ Information about the AHURI governance structure, past and current research agendas and published AHURI research is available on the AHURI website:
<<http://www.ahuri.edu.au/general/content/index.cfm?action=showContent&contentId=6>>

¹¹⁷ There are a number of ways that AHURI research is evaluated under the AHURI funding agreement. These include: formal reviews by the Commonwealth and States to determine how well AHURI has performed against the criteria set out in the funding agreement (Item Q, 1); internal assessments by the Commonwealth or States to inform internal decisions (Item Q, 2); and blind peer reviews where research projects present significant or new findings which are likely to inform future housing research, or where research has a budget of over \$100 000 (Clause 1.5 (b)).

¹¹⁸ Item Q paragraph 1, of the Agreement between the Commonwealth and States and the AHURI specifies that: 'Payers are entitled to Review the Activity and performance against the Agreement once within each 2 year period, commencing from 1 January 2004. On that basis it is expected that the Payers will conduct a Review on or around 1 January 2006, followed by a final review on or around June 2007 or July 2007...'

4.38 The current AHURI funding agreement provides a mechanism for evaluating research arrangements to provide assurance to management and government that the research produced represents value for money and is policy relevant. The ANAO considers that this addresses the issue identified in the previous ANAO audit, that is that at the time there was no comprehensive approach to evaluating housing research.



Ian McPhee
Auditor-General

Canberra ACT
14 June 2006

Appendices

Appendix 1: Other types of Commonwealth Funding for Housing Assistance

As well as the CSHA, the Australian Government provides a range of support and assistance for housing. The main forms of this other assistance are:

- Rent Assistance (RA). This is fully funded by the Commonwealth and provides rental assistance to low income households and individuals in the private rental market. Assistance is in the form of a non-taxable income supplement paid to people who receive income support payments or more than minimum family payment in recognition of housing costs in the private market.¹¹⁹ From the mid 1990s total outlays on RA have exceeded those provided on the CSHA. Real expenditure on CSHA assistance declined by approximately 30.9 per cent between 1994–95 and 2003–04, while real expenditure on RA increased by 9.2 per cent over the same period;¹²⁰
- recurrent and capital funding for residential aged care, including funding for high care (nursing homes), low care (hostels) and Community Aged Care Packages;
- specific Aboriginal housing programmes including the Community Housing and Infrastructure Programme (CHIP) and the Home Ownership Programme;
- specific programmes (many of which are jointly conducted with the States and Territories) that are designed to help people move into more independent living arrangements or to provide for their ongoing support needs. Examples of such programmes include the Supported Accommodation Assistance Programme,¹²¹ the Home and Community Care Programme¹²² and the Commonwealth State Territory Disability Agreement;¹²³ and

¹¹⁹ Productivity Commission, *Report on Government Services 2005*, Canberra, Chapter 16: *Housing*,

¹²⁰ *ibid.*

¹²¹ SAAP is a jointly funded Australian Government and State programme that assists people who are homeless or at risk of becoming homeless to achieve the maximum possible degree of self-reliance and independence through a range of support and transitional accommodation services.

¹²² The Home and Community Care Programme is administered by the Department of Health and Ageing and provides community care services to frail aged and younger people with disabilities, and their carers.

¹²³ The Commonwealth State Territory Disability Agreement is administered by FaCSIA and provides the national framework for the delivery, funding and development of specialist disability services for people with disabilities.

- various concessional taxation arrangements such as negative gearing for rental properties, the First Home Owners Scheme and capital gains relief for the family home.

Appendix 2: Guiding Principles of the 1999 CSHA compared to the 2003 CSHA

The table below provides a comparison between the guiding principles in the 1999–2003 and 2003–2008 CSHA.

Guiding Principles	
2003–2008 CSHA	1999–2003 CSHA
1. to maintain a core Social Housing sector to assist people unable to access alternative suitable housing options.	(a) the purpose of funding is to assist those whose needs for appropriate housing cannot be met by the private market. The duration of assistance provided should be based upon those needs.
2. to develop and deliver affordable, appropriate, flexible and diverse housing assistance responses that provide people with choice and are tailored to their needs, local conditions and opportunities.	(b) housing assistance arrangements should be sufficiently flexible to reflect the diversity of situations which currently exist in the States and to assist in micro-economic reform.
3. to provide assistance in a manner that is non-discriminatory and has regard to consumer rights and responsibilities, including consumer participation.	(e)(iii) provide assistance on a non-discriminatory basis; (e)(iv) give reasonable choice, and meet community standards on consumer rights and responsibilities, including consumer participation.
4. to commit to improving housing outcomes for Indigenous people in urban, rural and remote areas, through specific initiatives that strengthen the Indigenous housing sector and the responsiveness and appropriateness of the full range of mainstream housing options.	
5. to ensure housing assistance links effectively with other programmes and provides better support for people with complex needs, and has a role in preventing homelessness.	
6. to promote innovative approaches to leverage additional resources into Social Housing, through community, private sector and other partnerships.	
7. to ensure that housing assistance supports access to employment and promotes social and economic participation.	
8. to establish greater consistency between housing assistance provision and outcomes, and other social and economic objectives of government, such as welfare reform, urban regeneration, and community capacity-building.	(f)(i) the provision of housing assistance should have regard to: the economic, social and environmental objectives of government.
9. to undertake efficient and cost-effective management which provides best value to governments.	(c) funding arrangements should promote efficiency and cost-effective management, including longer term planning and alternative methods of housing provision.

Guiding Principles

<p>10. to adopt a co-operative partnership approach between levels of government towards creating a sustainable and more certain future for housing assistance.</p>	<p>(f)(ii) the provision of housing assistance should have regard to: other agreements made between both levels of government.</p>
<p>11. to promote a national, strategic, integrated and long term vision for affordable housing in Australia through a comprehensive approach by all levels of government.</p>	
	<p>(d) providers of assistance should meet high standards of public accountability and quality, and the costs of assistance should be transparent.</p>
	<p>(e)(i) housing assistance should be responsive to the needs of consumers, as identified in subclause 1(1)(a) and should: (i) provide priority of assistance to those with the highest needs.</p>
	<p>(e)(ii) be designed to minimise work disincentives [this is included in bilateral section of 2003–07 agreement].</p>

Appendix 3: Roles and Responsibilities of HMAC Sub-committees

Group/Committee	Role	Membership
Policy/ Research Working Group (PRWG)	<ul style="list-style-type: none"> • facilitate collaborative housing policy development; • undertake/progress the strategic work-plan of HMAC; • ensure close links between research and housing policy development; and • provide a forum for improving communication and links with areas related to housing to better position housing within a Whole-of-Government perspective. 	<p>Core: Commonwealth Government, State and Territory Housing Authorities,</p> <p>Possible: Chairs of NHDAMG and SCIH</p> <p>Invitation basis: AHURI and AIHW.</p>
National Housing Data Agreement Management Group (NDHMG)	<ul style="list-style-type: none"> • oversee the development, review and implementation of the National Housing Data Agreement and an associated work programme; • make recommendations to HMAC on national housing information priorities, funding implications and other information policy issues; • establish and oversee the National Housing Data Development Committee, its operation and its work programme; and • other housing information management as directed by HMAC. 	<p>Each Signatory to the Agreement provides a representative.</p> <p>(Commonwealth, States, Territories, AIHW and ABS).</p>
National Housing Data Development Committee (NHDDC)	<ul style="list-style-type: none"> • develop and make recommendations to the NHDAMG on data definitions and standards for inclusion in a National Housing Data Dictionary and associated data sets; • maintain a National Housing Data Dictionary as the authoritative source of data concepts, definitions, standards and classifications; and • other data development as directed by the NHDAMG. 	<p>Commonwealth Government;</p> <p>States and Territories Housing Authorities;</p> <p>Australian Bureau of Statistics; and</p> <p>AHURI.</p>
Finance Technical Working Group (FTWG)	<p>Under the auspices of the NHDAMG, work on data development for financial requirements and issues under the CSHA.</p>	<p>Representatives from the Commonwealth, States and Territories.</p>

Source: ANAO analysis of HMC and HMAC Guidelines 2001, and Information Procedures for HMC & HMAC February 2003.

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