

The Auditor-General
Audit Report No.9 2010–11
Performance Audit

Green Loans Program

Department of the Environment, Water, Heritage and the Arts

Department of Climate Change and Energy Efficiency

Australian National Audit Office

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of Australia 2010

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Canberra ACT
29 September 2010

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of the Environment, Water, Heritage and the Arts and the Department of Climate Change and Energy Efficiency in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure. The report is titled *Green Loans Program*.

Following its presentation and receipt, 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 printed 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 (ANAO). 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 Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

AAO	Assessor Accrediting Organisation
ABSA	Association of Building Sustainability Assessors
ANAO	Australian National Audit Office
AQF	Australian Qualifications Framework
BRN	Booking Reference Number
CPD	Continuing Professional Development
DEWHA	Department of the Environment, Water, Heritage and the Arts. On 14 September 2010, DEWHA became the new Department of Sustainability, Environment, Water, Population and Communities. DEWHA has been referred to in this audit, except in respect of the new department's response to the proposed audit report.
DCCEE	Department of Climate Change and Energy Efficiency
Fieldforce	Fieldforce Services Pty Ltd
FMA Regulations	<i>Financial Management and Accountability Regulations 1997</i>
HSA	Home Sustainability Assessment
PWC	PriceWaterhouseCoopers
RBA	Reserve Bank of Australia
REED	Renewables and Energy Efficiency Division in DEWHA
RFQ	request for quote
RMIT	Royal Melbourne Institute of Technology University
RTO	Registered Training Organisation
SEMM	DEWHA Senior Executive Management Meetings

Summary

Summary

Introduction

1. In the lead-up to the 2007 Federal Election campaign, the Australian Labor Party (Labor) outlined its *Solar, Green Energy and Water Renovation Plan for Australian Households*. The plan was to help make existing homes greener and more energy and water-efficient.¹ Under the plan, eligible householders could apply for a subsidised environmental home assessment to identify cost-effective measures to reduce household energy and water use. In addition, low-interest loans of up to \$10 000 would be available to eligible householders to fund the purchase of items such as solar panels, rainwater tanks and energy-efficient lighting.

2. Following Labor's election to Government in late 2007, the 2008–09 Budget allocated \$300 million to fund the Green Loans program. This funding was for an unspecified number of subsidised home assessments, free Green Renovations packs valued at \$50 to each assessed household and interest rate subsidies for up to 200 000 loans to householders. The program, which was to commence in early 2009, had the following objectives:

- encouraging wide-scale improvement of energy and water efficiency in existing homes;
- providing sound advice to households on the most appropriate actions to reduce the environmental impact of operating their home;
- providing financial assistance to households to gain access to the resources they need to invest in energy and water-efficient technologies; and
- reducing annual greenhouse gas emissions.²

In the subsequent 2009–10 Budget, the Government realised \$125.7 million in budgetary savings by reshaping the Green Loans program to reduce the number of loan interest subsidies funded. The revised program was expected to fund up to 360 000 free home assessments; a \$50 Green Rewards card for

¹ Rudd, K, Albanese, A and Garrett, P, *Federal Labor's Solar, Green Energy and Water Renovations Plan for Australian Households*, joint media release, 29 April 2007.

² Department of the Environment, Water, Heritage and the Arts, *Green Loans Program Guidelines 2009*, p. 2.

each assessed household; and interest rate subsidies for up to 75 000 green loans to implement home assessment recommendations. The program was launched from 1 July 2009 and was scheduled to run until 2012–13 or until available funding was exhausted, whichever came first.

3. The Green Loans program consisted of the following main elements:

- *training, registration and contracting of assessors*—assessors had to complete approved training, be registered by an Assessor Accrediting Organisation (AAO) and enter into a contract with the Australian Government before being able to provide assessor services under the program;
- *homes sustainability assessments*—after an assessment had been booked, assessors physically inspected and collected information on households' major energy and water systems relating to thermal comfort, water heating, lighting, refrigeration, cooking, and entertainment. An assessment report was later provided to householders recommending measures to improve their home's environmental sustainability; and
- *provision of green loans*—eligible householders could apply to a participating financial institution for an interest-free green loan of up to \$10 000 to fund the purchase and installation of eligible items recommended in their assessment report.

4. The implementation of the program by the Department of the Environment, Water, Heritage and the Arts (DEWHA) required the development of new systems, processes and materials, including: an assessor training course; the assessment tool; and an integrated online portal, database and reporting tool. The department also had to develop and enter into agreements with assessors and financial institutions, as well as organisations willing to become Assessor Accrediting Organisations, on terms that each would find sufficiently attractive to participate in the program.

5. The program's development coincided with a significant expansion of the department's responsibilities. Following the change of government in 2007, DEWHA had responsibility for 107 new policy initiatives, including 10 new renewable and energy efficiency programs.³ DEWHA advised that a particular

³ Department of the Environment, Water, Heritage and the Arts, *Annual Report 2007-08*, pp.12.

challenge was that the amount of additional funding for departmental implementation across-the-board was not proportional with the expansion of responsibilities. DEWHA was assigned further responsibilities in February 2009 with the introduction of the \$4 billion Energy Efficient Homes package—a part of the Australian Government’s economic stimulus plan. A key component of the Energy Efficient Homes package was the \$2.45 billion Home Insulation Program, which was initially managed by the same branch that was responsible for the Green Loans program.

6. From late January 2010, the program attracted increased media attention and questions were raised about the effectiveness of the program’s administration, the ability of assessors to gain work under the program and the quality of assessments. In response to these concerns and other implementation issues, the then Minister for the Environment, Heritage and the Arts announced, on 19 February 2010, a number of changes intended to boost the effectiveness and sustainability of the program. These changes, which would apply until the end of 2010, included⁴:

- an additional 600 000 household sustainability assessments—bringing the total to 960 000 assessments over the life of the program;
- introducing a cap of 5000 assessors contracted under the program;
- introducing a cap on the number of assessments that could be booked each week; and the number each assessor could conduct in a day, and in a week;⁵ and
- discontinuing the loans component of the program.

7. On 26 February 2010, the former Prime Minister announced that DEWHA’s energy efficiency and renewable energy programs, including the Green Loans program, would be transferred to the newly-established Department of Climate Change and Energy Efficiency (DCCEE). This transfer took effect on 8 March 2010.

8. On 10 March 2010, the new Minister for Climate Change, Energy Efficiency and Water advised the Parliament that the Green Loans program

⁴ Garrett, P (Minister for the Environment, Water, Heritage and the Arts), media release, *Significant Changes To Commonwealth Environmental Programs*, 19 February 2010.

⁵ The changes to booking arrangements included: allowing only individual assessors to make bookings; instituting a daily and weekly cap per assessor of three and five bookings respectively; and creating a weekly cap of 15 000 assessment bookings for the program.

had a number of design flaws, and that aspects of the program had not been administered to the standard that the Government and the community expected.⁶ The Minister also noted that:

- around 4000 of the 7500 assessors had been contracted under the program, but with the program capped to 5000 assessors, some assessors would not receive contracts to work under the program;
- over 210 000 of the program's 360 000 assessments (58 per cent) had been completed in the first eight months of the program;
- only 84 000 assessments (40 per cent of completed assessments) had been sent to households and there was a backlog of around 100 000 assessment reports yet to be sent out to households;
- the delay in dispatching assessment reports was a contributing factor to the low uptake of green loans—only 1705 loans had been approved by participating financial institutions at that time;
- Green Rewards cards had not been distributed to households; and
- delays in paying assessors were mostly due to incorrectly rendered invoices (with around 50 per cent of invoices incorrect or incomplete when first submitted).

The Minister indicated that DCCEE would need to allocate significant additional resources to address these issues, and to implement an expanded and fast-tracked compliance regime to ensure quality assessments were being undertaken.

9. To develop and implement the Green Loans program, DEWHA and DCCEE entered into contracts with suppliers totalling in excess of \$17 million. In addition, the staff assigned to manage the program increased four-fold (from 11 at its start to 43.5 positions for 2010–11). As at July 2010, the Green Loans program's original complement of 360 000 assessments had been completed—a little over a year into what was originally a four-year program—and householders had taken-up approximately 7300 interest-free green loans before this component of the program was discontinued.

10. On 8 July 2010, the Minister announced that the Green Loans program would be phased out and the assessment component of the program would be

⁶ Senate Hansard, Wednesday, 10 March 2010, pp. 1517–1522.

carried over to a new Green Start program.⁷ The new program is to be delivered through two grant funding rounds, with assessors registered by the Association of Building Sustainability Assessors able to apply for funding to undertake home energy assessments under round one. Applications for round one of the program closed on 20 August 2010, and the assessment process is expected to be completed in mid- to late October 2010.

Program reviews

11. In response to concerns being raised by newly-assigned program managers, in September 2009 DEWHA commissioned the first of a number of reviews covering aspects of the administration of the Green Loans program. Collectively, the reviews found significant and extensive administrative failings in relation to the program's design and implementation. These included: a widespread lack of compliance with the principles, guidelines and regulations relating to program procurement; insufficient controls over the demand-driven aspects of the program (namely assessors and assessments); weak budgetary control; inadequate program support systems; and poor record keeping. The main reasons cited for these shortcomings included: a lack of governance and supervision; insufficient resources with necessary skills; inadequate communications within and outside the Green Loans team; and a focus on delivering to timeframes in preference to following established processes.

12. DEWHA established the Energy Efficiency Taskforce in November 2009 in response to a review into program management and reporting in the division managing a number of its demand-driven programs, including the Green Loans program. At the time, significant implementation issues materialised concurrently within these programs that required a centralised and coordinated management response, which the Taskforce provided.

13. In July 2010, the reports of three of the reviews were released publicly.⁸ In response, both DEWHA and DCCEE issued statements indicating that departmental-wide changes were being made to improve corporate and

⁷ Wong, P (Minister for Climate Change, Energy Efficiency and Water), *Green Loans Transition to Green Start*, media release, 8 July 2010.

⁸ *Internal Audit of Procurement Practices in the Green Loans Program* (the Protiviti Review); *Review of the Green Loans Program* (Resolution Consulting); and *Independent Inquiry—Green Loans Program: Review of procurement and contractual arrangements* (Faulkner Inquiry).

program governance, enhance internal control mechanisms and systems, and strengthen accountability frameworks.

14. On 10 March 2010, the Senate agreed to the Senate Standing Committee on Environment, Communications and the Arts undertaking a wide-ranging inquiry into the Green Loans program. This inquiry was due to report by 6 August 2010 but this has been delayed due to the 2010 Federal election.

Audit objective and scope

15. On 3 February 2010, Senator Christine Milne wrote to the Auditor-General raising concerns about DEWHA's administration of the Green Loans program and requesting a performance audit of the program. Issues raised included: uncapped assessor numbers; problems with the delivery of the program; the quality of assessor training and assessments provided to households; the lack of an audit facility within the program; and equitable access to work under the program.

16. In light of Senator Milne's request and other concerns in relation to the administration of the program, the Auditor-General agreed on 25 February 2010 to conduct a performance audit of the program. The objective of the audit was to examine key aspects of the establishment and administration of the Green Loans program by DEWHA and the program's transition to DCCEE. Particular emphasis was given to the program's three main elements:

- training, registration and contracting of assessors;
- scheduling, conduct, and reporting of home sustainability assessments, and the associated payments to assessors; and
- provision of green loans to householders, and the associated payments to participating financial institutions.

The audit also examined the extent to which steps had been taken by DEWHA and DCCEE to assess whether the Green Loans program was achieving its objectives.

Overall conclusion

17. Following the 2007 Federal election, DEWHA was responsible for implementing a large number of new initiatives to meet the Government's extensive environmental agenda, one of which was the Green Loans program. This new program was designed to help make existing homes greener and

more energy and water-efficient. The funding allocated to the Green Loans program (originally \$300 million but later reduced to \$174.4 million) was significantly less than some of DEWHA's other environmental initiatives, but the program's impact on stakeholders, particularly assessors, was extensive. The program stimulated a small sustainability assessment industry and created work for thousands of assessors. Hundreds of thousands of households had their energy and water consumption assessed to identify opportunities for making savings. The assessment reports informed householders how to change their behaviour (for example, by lowering hot water system thermostat settings), and householders could apply for an interest-free loan to fund the purchase of capital items to improve their home's environmental sustainability.

18. Within the first month of the program's launch on 1 July 2009, DEWHA had some 430 assessors contracted to undertake assessments under the program, with more assessors receiving training and being progressively registered by the Association of Building Sustainability Assessors (ABSA), the program's sole Assessor Accrediting Organisation. The number of contracted assessors and, consequently, the demand for assessments, quickly grew to levels significantly beyond what DEWHA had anticipated. From late 2009, and particularly in early 2010, most assessors experienced extensive delays in making bookings through the contact centre and householders were required to wait months, instead of the promised 10 working days, to receive their assessment report. By early February 2010, adverse media articles on the administration of the program began to appear regularly in relation to these delays, the quality of assessor training and assessments, and the non-delivery of the promised Green Rewards card.

19. Program changes announced on 19 February 2010 effectively capped the number of assessors and the demand for assessments, but also left thousands of assessors, who had each invested their time and around \$3000 on training, insurance and registration, with unfulfilled work expectations. The backlog of assessment reports to be distributed continued to grow to over 100 000, which denied many householders the opportunity to apply for an interest-free green loan.

20. Since taking over responsibility for the administration of the program, DCCEE has procured audit and compliance services for the program (April 2010), cleared the backlog of assessment reports (May 2010), and arranged for householders to claim their \$50 Green Rewards (from July 2010 onwards). DCCEE has yet to determine a methodology for measuring the

performance of the Green Loans program against its objectives. Nevertheless, about half of the 1746 respondents to a survey of householders conducted by the ANAO in April 2010 indicated that their assessor's advice and the assessment report (where received) had helped them to reduce their household's energy and water consumption.

21. The Government also announced in July 2010 that any of the 600 000 additional assessments not used within the soon-to-be-terminated Green Loans program would be reallocated to the new Green Start program. In addition, assessors registered with ABSA would be eligible to apply for funding to conduct home energy assessments under the Green Start program.

Administrative deficiencies and their consequences

22. The primary cause for the administration problems encountered by the program was, to a very large extent, an absence of effective governance by DEWHA during the program's design and early implementation. DEWHA had no previous experience in designing and delivering a program with features similar to the Green Loans program. As a multi-faceted 'greenfields' program with a fixed budget and variable (and untested) demand, the Green Loans program required greater oversight than the department's business-as-usual activities. However, this did not occur.

23. From the start of the program, DEWHA assigned day-to-day program management responsibility to sub-executive level officers who had little program delivery experience. As such, program management was devolved to too low a level within DEWHA without sufficient active engagement by executive management. A steering committee was established in November 2008 to oversee the program in response to departmental concerns about the appropriateness of the procurement practices being applied. However, other departmental energy efficiency programs, and particularly the Home Insulation Program, dominated the attention of the steering committee's executive members from late January 2009 onwards. The committee became inactive at the time the Green Loans program was launched, and was not replaced.

24. The program's visibility to DEWHA's senior executives was poor. This was not aided by quarterly status reports providing a false sense of assurance that the program was being managed within an agreed planning framework. In addition, the former Minister received incomplete, inaccurate and untimely briefings on program design features and implementation progress, challenges

and risks. Suffice it to say here, the former Minister was not well served by his department in this respect during the period from July 2008 to late 2009 due to the poor quality briefings he received.

25. While recognising that there were other environmental initiatives competing for management's attention within the division responsible for the program, DEWHA clearly had responsibility for ensuring that an appropriate implementation strategy, planning framework and reliable reporting arrangements were in place and used to guide program implementation and delivery. Key program management plans, including in relation to risk management, procurement, IT and communications, were never finalised and endorsed by executive management. Subsequently, DEWHA encountered difficulties in all these areas. In addition, in the first 18 months of the program there was no accurate costing of the program or monitoring of its budget. An examination of the program's budget in early 2010 led to the realisation that the program had exceeded its 2009–10 program budget and would require an additional \$100 million to fully fund the Government's policy commitments over the program's life.

26. Although legal risks were adequately considered, DEWHA did not sufficiently identify and manage other key risks to effective program implementation in a timely manner. These risks included: the quality of assessor training posed by the absence of an accredited training course; the lack of policy or administrative measures to control assessment demand; and staff in the Green Loans team collectively not possessing sufficient skills and experience in key areas of program management.

27. The program's implementation and delivery were heavily dependent on DEWHA's ability to effectively outsource the many products and services it was going to need to provide the assessments and loan facility to householders. Procurement activity in the Green Loans program over a period of approximately 18 months was poorly managed and involved extensive non-compliance with government and departmental procurement requirements (including multiple breaches of the Financial Management Regulations related to the approval of spending proposals and contracts, and the Commonwealth Procurement Guidelines).

28. The generally disorganised approach to procurement resulted in the contractors with responsibility for delivering key program components and support systems being engaged late in the process, and with little likelihood of meeting the July 2009 launch of the program. These included: the Green

Rewards card; assessment report distributor; assessment tools (including the assessment report template); self-assessment tool; e-Gateway (the integrated online portal, database and reporting tool); and audit and compliance services. The late, partial or non-delivery of these program components and support systems adversely impacted the implementation of the program, the quality of the products and services delivered, and the departments' visibility of stakeholders' compliance with program requirements.

29. Responses to the ANAO's surveys of contracted assessors and householders identified poor assessment conduct practices (including assessors not using approved tools to record assessment data and insufficient time being given to assessments). Respondents to the assessors' survey also expressed a general lack of confidence in the accuracy of the assessment tool. The ANAO's examination of assessment reports found that some contained anomalous results, and incomplete cost and savings information. Improvements to the assessment tool have been made over time. However, many assessments were conducted before these improvements were implemented.

30. Given the considerable volume of transactions for assessments, loans and payments that would be undertaken under the program, appropriate IT support systems were critical to the effective management of the program. However, e-Gateway was procured too late to allow for its smooth introduction from the launch of the program. Consequently, DEWHA had to hastily establish temporary support systems (many of which are now permanent), which required greater manual processing, introduced greater room for error and came at considerable cost. The unanticipated demand for assessments overwhelmed the temporary support systems in late 2009 and early 2010 leading to the delays experienced by assessors and householders. Alternative workarounds put in place to reduce pressure on the contact centre, did not have the desired impact and created booking backlogs and significant data integrity issues, some of which are yet to be fully resolved. Further, prepayment checks of assessor invoices have either not been completed or sufficiently documented to demonstrate that only valid invoices have been paid. DCCEE is currently undertaking data cleansing and payment reconciliation projects to identify and correct data errors, and has advised that paid invoices that do not meet program requirements will be referred to its compliance area for possible recovery action.

31. Communicating effectively with the program's many stakeholders, such as ABSA, participating financial institutions, and the many thousands of

assessors and householders expected to become involved in the program, was an important part of managing the program. The absence of an endorsed communications strategy often resulted in key messages not being clearly communicated and relationships with many stakeholders not being supported by open dialogue. Stakeholder communication was also not afforded sufficient priority, which contributed to increased stakeholder dissatisfaction with the program and its management by DEWHA. Potential assessors were not given a clear understanding of the amount of work available under the program relative to the possible number of assessors. DCCEE has reasonably observed that assessors had some responsibility for their own due diligence in making a decision to be involved in the program. As well, assessors, financial institutions and householders were not advised of the extent of likely delays to the delivery of support systems and assessment reports.

32. From September 2009 onwards, DEWHA commissioned a number of reviews related to the Green Loans program that collectively found significant and extensive administrative failings within the program (as summarised in paragraph 11). The ANAO observed all interviews and reviewed the documentation for one of these reviews (the Faulkner Inquiry) and generally agrees with its findings. As well, the audit supports the findings of the other reviews commissioned by the department.

Program improvements

33. From November 2009, DEWHA began improving the governance of the Green Loans program. The department established the Energy Efficiency Taskforce, which consolidated program delivery effort and expertise, and improved the visibility of the performance of DEWHA's demand-driven programs, including the Green Loans program, for departmental executive management. The quality and timeliness of Ministerial briefings also improved appreciably after the Taskforce was established. One of the Taskforce's initial priorities was to accurately cost and monitor the program's budget. The subsequent elevation of the program's budgetary issues within government led to the revision of the program's parameters announced by the then Minister on 19 February 2010, and given effect through the 2010–11 Budget.

34. In addition to the ongoing management of the program, much of the Green Loans management effort since late 2009 has been directed towards managing the numerous administrative issues that adversely impacted the effective implementation of the program. Most of these issues can be sourced to actions and decisions taken in the program's design and implementation in

2008–09. DEWHA and DCCEE have devoted additional resources to improve the administration of the Green Loans program. However, both departments' capacity to address the legacy issues has been inhibited by their entrenched nature, and the loss of corporate memory through staff turnover and the generally poor standard of past recordkeeping.

35. The audit has not made any recommendations to the departments as DEWHA and DCCEE announced changes to improve corporate and program governance, enhance internal control mechanisms and systems, and strengthen accountability frameworks. Better engagement of centrally-maintained subject matter expertise, such as risk management, procurement, ICT, compliance and communications, by program areas is also being encouraged to provide greater support for program managers.

36. The audit is a timely reminder of the challenges in program implementation and the importance of executive management engagement. In 2006, the ANAO and the Department of the Prime Minister and Cabinet jointly produced a Better Practice Guide *Implementation of Programme and Policy Initiatives* that stated in the foreword:

Too often the challenges involved in turning a policy idea into effective outcomes, and the skills and effort required to do so, are not fully appreciated. Too often the results fall short of expectations. Yet we know that defects in implementation rob the community of the full benefits of a new policy and waste community resources.

The Guide sets out a useful framework to assist agencies in managing program implementation, and reflects the collective experience and wisdom of senior managers and executives in the Australian Public Service.

Summary of formal comment on the proposed report

Department of Sustainability, Environment, Water, Population and Communities

37. The Department of Sustainability, Environment, Water, Population and Communities (previously the Department of the Environment, Water, Heritage and the Arts) accepts this report as a comprehensive and fair assessment of the Green Loans Program as it relates to this Department. Areas for improvement in program management have been clearly articulated and are being implemented.

38. The Department appreciates that the ANAO acknowledged both the difficulties faced in managing the program, as well as the measures the Department took to rectify management of the Program when these issues were identified, specifically the success of the Energy Efficiency Taskforce that the Department established in November 2009.

Department of Climate Change and Energy Efficiency

39. The Department welcomes the ANAO audit report as a useful contribution to understanding the issues that confronted the design and delivery of the Green Loans Program.

40. The ANAO report contains findings which cover a number of key areas in relation to the implementation and operation of the Green Loans Program. The Department has addressed these findings at the departmental and program delivery level. The Department has actively sought to address findings highlighted in previous reviews of the Green Loans Program and has made significant progress against stated improvements including:

- improved processing of assessor invoices with payments actioned under standard timeframes (30 business days from receipt of a correctly rendered invoice) since May 2010;
- resolution of almost 20 000 enquiries and complaints since February 2010;
- new delivery mechanisms in place for dispatch of assessment reports with delivery within 10 days of receipt by the Department;
- significantly reduced average wait times (under two minutes) for both assessment bookings and enquiries since March 2010;
- delivery of Green Rewards to eligible householders;
- improved handling of complaints, including improved processes for formal audit and investigation of the behaviour, performance and business practices of home sustainability assessors and assessor organisations by an independent auditor;
- improved web-based reporting of changes to the Program, including weekly updates on payment processing times for invoices submitted by assessors;
- establishment of a dedicated Association of Building Sustainability Assessors (ABSA) client relationship manager to provide a consistent

point of communication and contact between the Department and ABSA, ensuring that there is greater transparency of information and rapid resolution of any issues that arise.

There remain a number of legacy issues that the department is working actively to address.

Audit Findings and Conclusions

1. Background and Context

This chapter provides the context for the Green Loans program, including its objectives, main components and administrative arrangements. The audit's objective, scope and methodology are also outlined.

Introduction

1.1 In the lead-up to the 2007 Federal Election campaign, the Australian Labor Party (Labor) outlined its *Solar, Green Energy and Water Renovations Plan for Australian Households*. The plan was to help make existing homes greener and more energy and water-efficient.⁹ Under the plan, eligible householders could apply for a subsidised environmental home assessment to identify cost-effective measures to reduce household energy and water use. In addition, low-interest loans of up to \$10 000 would be available to eligible householders to fund the purchase of items such as solar panels, rainwater tanks and energy-efficient lighting.

1.2 Following Labor's election to Government in late 2007, the 2008–09 Budget allocated \$300 million to fund the Green Loans program. This funding was for an unspecified number of subsidised home assessments, free Green Renovations packs valued at \$50 to each assessed household and interest rate subsidies for up to 200 000 loans to householders. The program, which was to commence in early 2009, had the following objectives:

- encouraging wide-scale improvement of energy and water efficiency in existing homes;
- providing sound advice to households on the most appropriate actions to reduce the environmental impact of operating their home;
- providing financial assistance to households to gain access to the resources they need to invest in energy and water-efficient technologies; and
- reducing annual greenhouse gas emissions.¹⁰

⁹ Rudd, K, Albanese, A and Garrett, P, *Federal Labor's Solar, Green Energy and Water Renovations Plan for Australian Households*, joint media release, 29 April 2007.

¹⁰ Department of the Environment, Water, Heritage and the Arts, *Green Loans Program Guidelines 2009*, p. 2.

In the subsequent 2009–10 Budget, the Government realised \$125.7 million in budgetary savings by reshaping the Green Loans program to reduce the number of loan interest subsidies funded. The revised program was expected to fund up to 360 000 free home assessments; a \$50 Green Rewards card for each assessed household; and interest rate subsidies for up to 75 000 green loans to implement home assessment recommendations. The program was launched from 1 July 2009 and was scheduled to run until 2012–13 or until available funding was exhausted, whichever came first.¹¹

Overview of the Green Loans program

1.3 The Green Loans program consisted of the following main elements:

- training, registration and contracting of assessors;
- homes sustainability assessments; and
- provision of green loans.¹²

Training, registration and contracting of assessors

1.4 To be eligible to conduct home sustainability assessments, potential assessors were required to complete an approved training course and be registered by an Assessor Accrediting Organisation. Among other things, registration involved the completion of a police check and obtaining appropriate insurance. Assessors registered with the program's sole Assessor Accrediting Organisation, the Association of Building Sustainability Assessors (ABSA)¹³, were eligible to apply for a contract with the Australian Government to undertake home sustainability assessments under the program.

Home Sustainability Assessments

1.5 Eligible households interested in obtaining a home sustainability assessment were required to either book an assessment through an assessor of

¹¹ Program guidelines published in April 2009 indicated that the home assessments would be available until 31 December 2012 and loans until 31 March 2013, or until available funding was exhausted.

¹² On 19 February 2010, the then Minister announced changes to the Green Loans program, which included discontinuing the loans component.

¹³ ABSA is a not-for-profit, peak body association that represents building and design professionals who specialise in assessing the environmental impact of buildings in Australia. From 2008, ABSA was engaged by DEWHA as an accrediting body under the Nationwide House Energy Rating Scheme.

their choice, or through the program's contact centre.¹⁴ The home assessment involves a physical inspection of major energy and water systems relating to thermal comfort, water heating, lighting, refrigeration, cooking, and entertainment. Information about these systems is collected during the on-site assessment and an assessment report is later provided to householders recommending measures to improve their home's environmental sustainability. Assessors were paid according to a schedule of fees for conducting the assessment.¹⁵

Provision of green loans

1.6 After receiving an assessment report, eligible householders could apply to a participating financial institution for a green loan to fund the purchase and installation of eligible items recommended in the assessment report. The loans of up to \$10 000 were interest-free for the first four years. Participating financial institutions signed a deed of agreement with the Australian Government to provide loan products. They were also paid an interest subsidy and administration fee for each loan provided.

1.7 Figure 1.1 illustrates the process for assessing and providing green loans to households.

Administrative arrangements

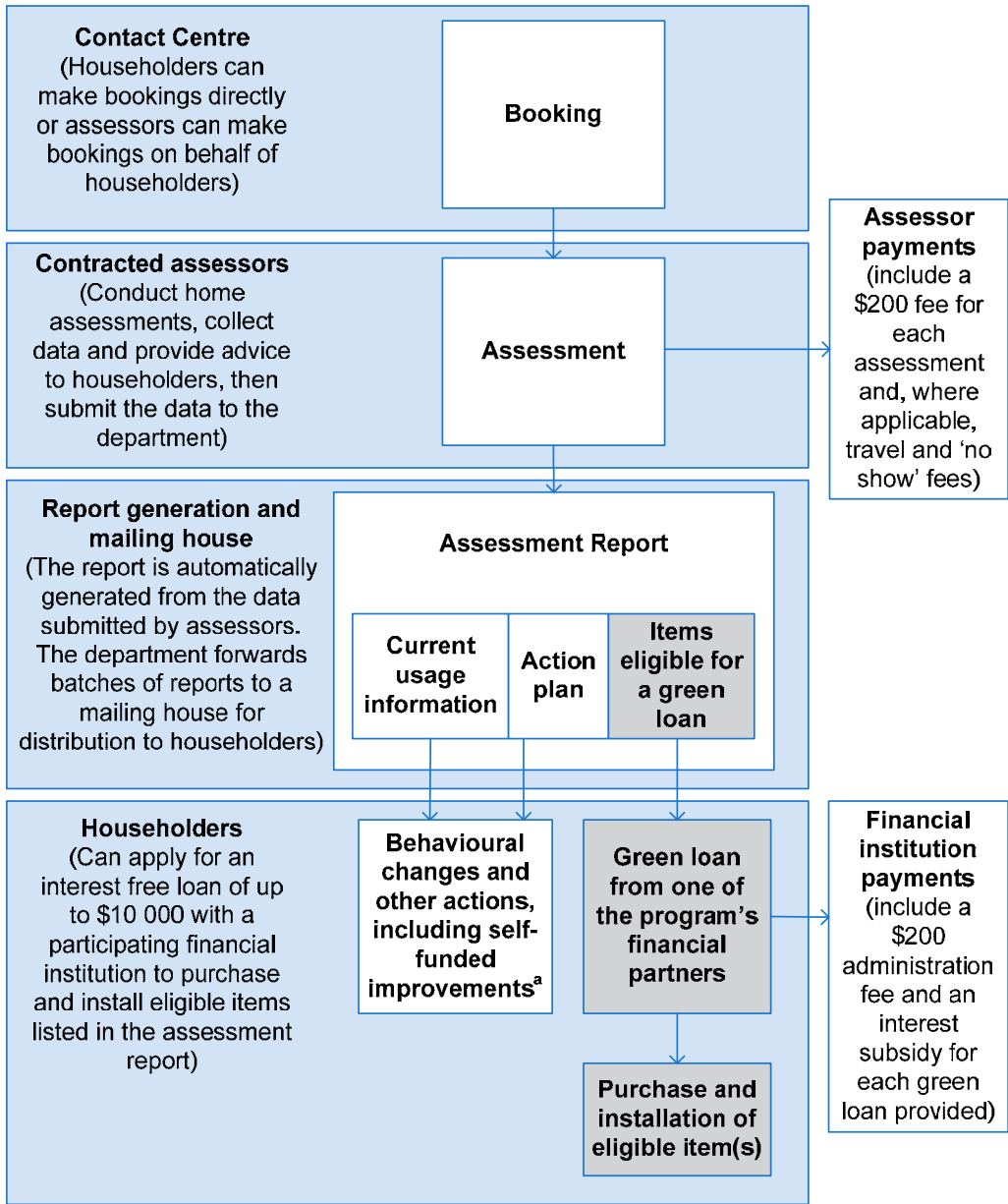
1.8 The implementation of the program by the Department of the Environment, Water, Heritage and the Arts (DEWHA) required the development of new systems, processes and materials, including: an assessor training course; the assessment tool; and an integrated online portal, database and reporting tool. The department also had to develop and enter into agreements with assessors and financial institutions, as well as organisations willing to become Assessor Accrediting Organisations, on terms that each would find sufficiently attractive to participate in the program.

¹⁴ To be eligible for a home assessment, the applicant must be an Australian citizen or a permanent resident of Australia, be aged 18 or over and have a taxable income no greater than \$250 000 per annum. The applicant must be either an owner of the home, a trustee of the home or listed on the current lease of the home.

¹⁵ Assessors were to be paid \$150 per assessment, plus a \$50 fee where householders did not complete a 'self-assessment'. Travel fees of up to \$50 could also be paid in some circumstances.

Figure 1.1

Process for assessing and providing green loans to households



Source: ANAO analysis.

Note: a—Householders that received an assessment prior to 11 May 2010 are eligible to claim a \$50 Green Rewards reimbursement for certain eligible water and energy saving actions.

1.9 The program's development coincided with a significant expansion of the department's responsibilities. Following the change of government in 2007, DEWHA had responsibility for 107 new policy initiatives, including 10 new renewable and energy efficiency programs.¹⁶ DEWHA advised that a particular challenge was that the amount of additional funding for departmental implementation across-the-board was not proportional with the expansion of responsibilities. DEWHA was assigned further responsibilities in February 2009 with the introduction of the \$4 billion Energy Efficient Homes package—a part of the Australian Government's economic stimulus plan. A key component of the Energy Efficient Homes package was the \$2.45 billion Home Insulation Program, which was initially managed by the same branch that was responsible for the Green Loans program.

Major changes to the program

1.10 From late January 2010, the program attracted increased media attention and questions were raised about the effectiveness of the program's administration, the ability of assessors to gain work under the program and the quality of assessments. In response to these concerns and other implementation issues, the then Minister for the Environment, Heritage and the Arts announced, on 19 February 2010, a number of changes intended to boost the effectiveness and sustainability of the program. These changes, which would apply until the end of 2010, included¹⁷:

- an additional 600 000 household sustainability assessments—bringing the total to 960 000 assessments over the life of the program;
- introducing a cap of 5000 assessors contracted under the program;
- introducing a cap on the number of assessments that could be booked each week; and the number each assessor could conduct in a day and in a week;¹⁸ and
- discontinuing the loans component of the program.

¹⁶ Department of the Environment, Water, Heritage and the Arts, *Annual Report 2007-08*, pp.12.

¹⁷ Garrett, P (Minister for the Environment, Water, Heritage and the Arts), media release, *Significant Changes To Commonwealth Environmental Programs*, 19 February 2010.

¹⁸ The changes to booking arrangements included: allowing only individual assessors to make bookings; instituting a daily and weekly cap per assessor of three and five bookings respectively; and creating a weekly cap of 15 000 assessment bookings for the program.

1.11 On 26 February 2010, the former Prime Minister announced that DEWHA's energy efficiency and renewable energy programs, including the Green Loans program, would be transferred to the newly-established Department of Climate Change and Energy Efficiency (DCCEE). This transfer took effect on 8 March 2010.

Ministerial statement to Parliament

1.12 On 10 March 2010, the new Minister for Climate Change, Energy Efficiency and Water advised the Parliament that the Green Loans program had a number of design flaws, and that aspects of the program had not been administered to the standard that the Government and the community expected.¹⁹ The Minister also noted that:

- around 4000 of the 7500 assessors had been contracted under the program, but with the program capped to 5000 assessors, some assessors would not receive contracts to work under the program²⁰;
- over 210 000 of the program's 360 000 assessments (58 per cent) had been completed in the first eight months of the program;
- only 84 000 assessments (40 per cent of completed assessments) had been sent to households and there was a backlog of around 100 000 assessment reports yet to be sent out to households;
- the delay in dispatching assessment reports was a contributing factor to the low uptake of green loans—only 1705 loans had been approved by participating financial institutions at that time;
- Green Rewards cards had not been distributed to households; and
- delays in paying assessors were mostly due to incorrectly rendered invoices (with around 50 per cent of invoices incorrect or incomplete when first submitted).

The Minister indicated that DCCEE would need to allocate significant additional resources to address these issues, and to implement an expanded

¹⁹ Senate Hansard, Wednesday, 10 March 2010, pp. 1517-1522.

²⁰ The Minister announced that further contracts with assessors would not be entered into until she considered the findings of the Faulkner Inquiry (see Table 1.1). On 8 July 2010, the Minister announced that the current suspension of additional assessor contractors would continue.

and fast-tracked compliance regime to ensure quality assessments were being undertaken.²¹

1.13 To develop and implement the Green Loans program, DEWHA and DCCEE entered into contracts with suppliers totalling in excess of \$17 million. In addition, the staff assigned to manage the program increased four-fold (from 11 at its start to 43.5 positions for 2010–11). As at July 2010, the Green Loans program’s original complement of 360 000 assessments had been completed—a little over a year into what was originally a four-year program—and householders had taken-up approximately 7300 interest-free green loans before this component of the program was discontinued.

The new Green Start program

1.14 On 8 July 2010, the Minister announced that the Green Loans program would be phased out and the assessment component of the program would be carried over to a new Green Start program.²² The new program is to be delivered through two grant funding rounds, with assessors registered by ABSA able to apply for funding to undertake home energy assessments under round one. Applications for round one of the program closed on 20 August 2010, and the assessment process is expected to be completed in mid- to late October 2010.

Program reviews

1.15 In response to concerns being raised by newly-assigned program managers, in September 2009 DEWHA commissioned the first of a number of reviews covering aspects of the administration of the Green Loans program. These are outlined in Table 1.1. Collectively, the reviews found significant and extensive administrative failings in relation to the program’s design and implementation. These included: a widespread lack of compliance with the principles, guidelines and regulations relating to program procurement; insufficient controls over the demand-driven aspects of the program (namely assessors and assessments); weak budgetary control; inadequate program support systems; and poor record keeping. The main reasons cited for these

²¹ The Minister subsequently announced the introduction of an audit program for Green Loans (23 April 2010) and the delivery of the \$50 Green Rewards scheme in 2010–11 on a reimbursement basis for eligible assessed households (19 May 2010).

²² Wong, P (Minister for Climate Change, Energy Efficiency and Water), *Green Loans Transition to Green Start*, media release, 8 July 2010.

shortcomings included: a lack of governance and supervision; insufficient resources with necessary skills; inadequate communications within and outside the Green Loans team; and a focus on delivering to timeframes in preference to following established processes.

Table 1.1

Reviews related to the Green Loans program

Date concluded	Review	Coverage
October 2009	<i>Improving Reporting in the Renewables and Energy Efficiency Division</i> (by Ernst & Young)	Review of the underlying causes behind errors in reporting to the former Minister's Office in relation to programs in the Renewables and Energy Efficiency Division.
December 2009	<i>(Draft) Internal Audit Review of Procurement Practices in the Green Loans Program</i> (by Protiviti) ^a	Review to provide assurance of governance, effectiveness, efficiency and controls over key risks relating to program procurement.
February 2010	<i>Review of Complaints against Assessors in relation to the quality of Home Sustainability Assessments under the Green Loans Program</i>	Review of complaints data received by DEWHA relating to assessor activity under the Green Loans program.
March 2010	<i>Review of the Green Loans Program</i> (by Resolution Consulting) ^a	Review undertaken to identify the problems associated with the implementation and design of the program and to recommend possible solutions.
June 2010	<i>Independent Inquiry—Green Loans Program: Review of procurement processes and contractual arrangements</i> (by Patricia Faulkner) ^a	Review of the probity of contractual arrangements and procurement processes and decisions in the program.
Currently in draft	<i>Review of Compliance Activities-Household Sustainability Assessment Scheme Assessor Accrediting Organisations</i>	Review of ABSA's compliance with the protocol for Assessor Accrediting Organisations.

Source: Department of the Environment, Water, Heritage and the Arts and Department of Climate Change and Energy Efficiency data.

Note: a—On 8 July 2010, these reviews were publicly released.

1.16 DEWHA established the Energy Efficiency Taskforce in November 2009 in response to a review into program management and reporting in the division managing a number of its demand-driven programs, including the Green Loans program. At the time, significant implementation issues materialised concurrently within these programs that required a centralised and coordinated management response, which the Taskforce provided.

1.17 In July 2010, the reports of three of the reviews were released publicly. In response, both DEWHA and DCCEE issued statements indicating that departmental-wide changes were being made to improve corporate and program governance, enhance internal control mechanisms and systems, and strengthen accountability frameworks.

1.18 On 10 March 2010, the Senate agreed to the Senate Standing Committee on Environment, Communications and the Arts undertaking a wide-ranging inquiry into the Green Loans program. This inquiry was due to report by 6 August 2010 but this has been delayed due to the 2010 Federal election.

Audit objective and scope

1.19 On 3 February 2010, Senator Christine Milne wrote to the Auditor-General raising concerns about DEWHA's administration of the Green Loans program and requesting a performance audit of the program. Issues raised included: uncapped assessor numbers; problems with the delivery of the program; the quality of assessor training and assessments provided to households; the lack of an audit facility within the program; and equitable access to work under the program.

1.20 In light of Senator Milne's request and other concerns in relation to the administration of the program, the Auditor-General agreed on 25 February 2010 to conduct a performance audit of the program. The objective of the audit was to examine key aspects of the establishment and administration of the Green Loans program by DEWHA and the program's transition to DCCEE. Particular emphasis was given to the program's three main elements:

- training, registration and contracting of assessors;
- scheduling, conduct, and reporting of home sustainability assessments, and the associated payments to assessors; and
- provision of green loans to householders, and the associated payments to participating financial institutions.

The audit also examined the extent to which steps had been taken by DEWHA and DCCEE to assess whether the Green Loans program was achieving its objectives.

1.21 The audit did not examine:

- the processes employed by ABSA, training providers, assessors, or financial institutions to register assessors, deliver training, conduct assessments and provide loans, respectively;
- the administration of the \$50 Green Rewards scheme, to be delivered after 1 July 2010; or
- the delivery of the Green Start program.

1.22 In undertaking the audit the ANAO:

- examined departmental records, program guidelines and procedures as well as key contracts, funding deeds and protocols entered into by DEWHA and other parties to administer the program;
- interviewed relevant DEWHA and DCCEE staff and key stakeholders. Submissions were also provided by these stakeholders;
- observed interviews with DEWHA staff undertaken as part of the Faulkner Inquiry, and obtained copies of departmental documentation provided to the Inquiry;
- undertook two surveys of all assessors contracted under the program and a sample of assessed households²³; and
- analysed a sample of 400 assessment reports and all payments to financial institutions.

1.23 The formal proposed report was issued to DEWHA (now the Department of Sustainability, Environment, Water, Population and Communities) and DCCEE in August 2010. Extracts of the proposed report were also issued to ABSA, RMIT University and Fieldforce. Consistent with the requirements of the *Auditor-General Act 1997*, all parties were given a period of 28 days to provide comments on the proposed report or the extracts thereof. Formal comments were received from both departments, ABSA and RMIT University and have been incorporated into the relevant areas of the report.

1.24 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of approximately \$685 000.

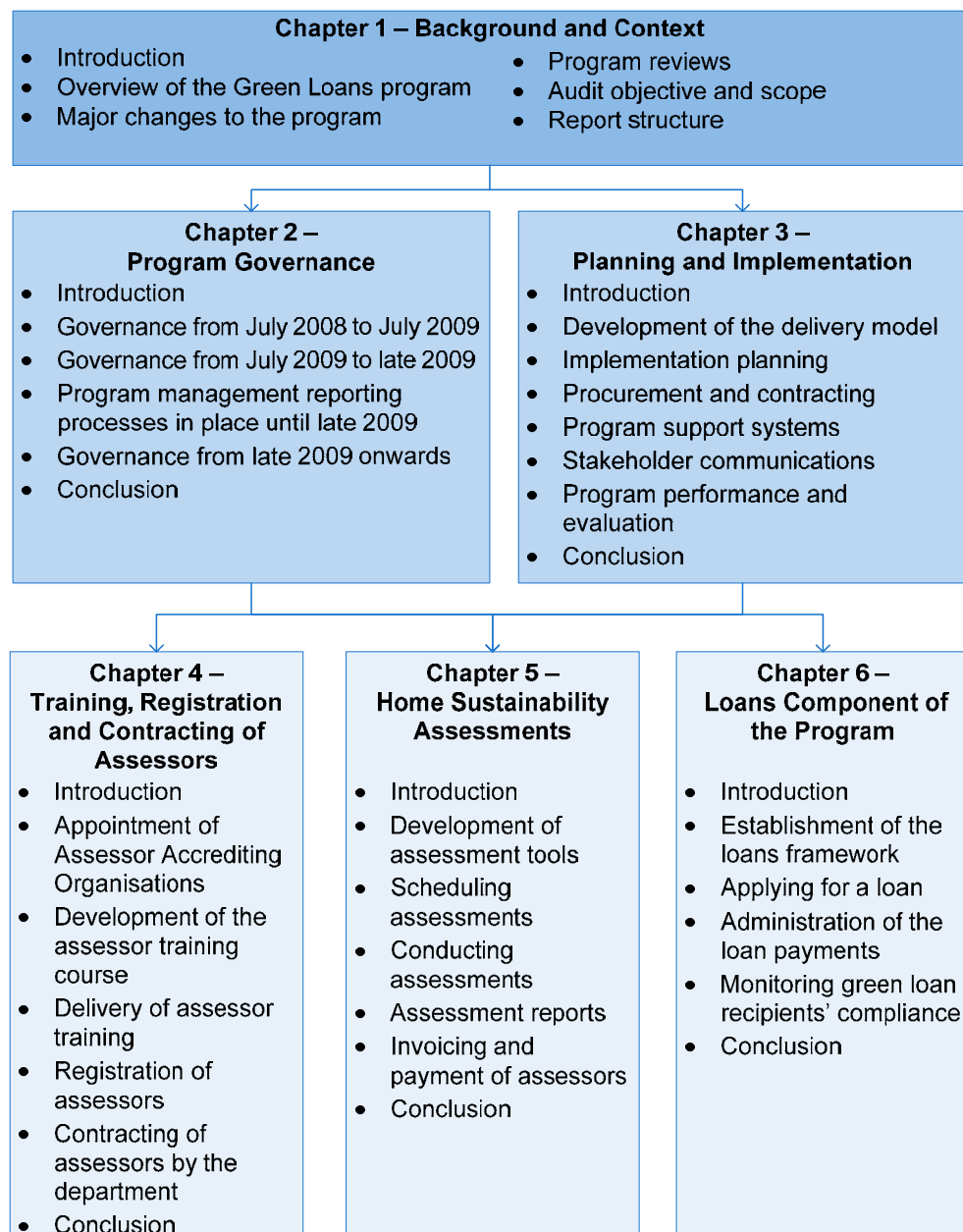
²³ Details of how the surveys were conducted are provided in Appendix 5.

Report structure

1.25 The report structure is outlined in Figure 1.2.

Figure 1.2

Structure of the report



Source: ANAO.

2. Program Governance

This chapter examines the governance arrangements in place for the Green Loans program.

Introduction

2.1 Governance arrangements refer to the processes by which an organisation or program area is directed, controlled, and held to account. The ANAO examined the governance arrangements in place to oversight and support the Green Loans program across discrete time periods, which reflected changes in program management or governance structures.

2.2 The funding allocated to the Green Loans program (originally \$300 million but later reduced to \$174.4 million) was significantly less than some of DEWHA's other environmental initiatives, but the program's impact on stakeholders, particularly assessors, was extensive. The program stimulated a small sustainability assessment industry and created work for thousands of assessors. Hundreds of thousands of households had their energy and water consumption assessed to identify opportunities for making savings. The assessment reports informed householders how to change their behaviour (for example, by lowering hot water system thermostat settings, and using the microwave oven instead of a convection oven or cook-top), and householders could apply for an interest-free loan to fund the purchase of capital items to improve their home's environmental sustainability. DEWHA had no previous experience in designing and delivering a program with these or similar features.

Governance from July 2008 to July 2009

2.3 From the start of the program in July 2008, DEWHA assigned day-to-day management responsibility for the Green Loans program to a sub-executive level officer who, although a subject matter expert, had little program delivery experience. As a multi-faceted 'greenfields' program, which increased the inherent risks to its successful delivery, its management was devolved to too low a level within DEWHA without sufficient active engagement by executive management.

2.4 As a result of the new Government's extensive environmental agenda, senior executives responsible for the program had a number of other policy development and program delivery responsibilities. The executives advised

the ANAO that they had little time to devote to overseeing the design and early implementation of the Green Loans program. This situation was exacerbated by DEWHA's subsequent decision to allocate responsibility for delivering the Home Insulation Program from late January 2009 to the same Branch that had responsibility for the Green Loans program. It was not until June 2009 that the Green Loans program was moved to another Branch within the Renewables and Energy Efficiency Division (REED). The responsible Branch manager advised the ANAO that, during the period February to June 2009, the Home Insulation Program dominated his management time and he could only consider the Green Loans program 'after-hours'.

2.5 The ANAO acknowledges the competing work pressures in REED during the planning and early implementation of the Green Loans program. However, DEWHA executive management clearly had responsibility for ensuring that an appropriate implementation strategy, planning framework and reliable reporting arrangements were in place to: guide the Green Loans team, and particularly its manager, on the resources, timeframe and delivery approach; and enable executive management to monitor the progress of program implementation.

Green Loans steering committee

2.6 In November 2008, DEWHA executive management had concerns about the appropriateness of procurement practices being applied within the Green Loans program, including the extensive use of sole suppliers.²⁴ As a consequence, the department decided to establish a Green Loans steering committee to play a governance role and reinforce the requirement to abide by established departmental procurement processes. Its terms of reference were to:

- review major decision points and process;
- determine the direction of the program;
- streamline and coordinate key decision-making processes; and
- provide advice on operational processes.

²⁴ In October 2008, at the request of DEWHA's Financial Management Branch, the Green Loans team drafted a list of past and intended future procurements for the program, which identified that most had been, or were intended to be, sourced directly with particular providers or by quotes from a narrow range of identified providers.

The steering committee was chaired by the First Assistant Secretary of REED, and its membership included the Green Loans manager, the Branch manager, the Chief Information Officer, the Chief Financial Officer and a senior director from REED's Public Affairs area. After its first meeting in late November 2008, the steering committee met fortnightly for the rest of 2008, then approximately monthly, until May 2009 when it met for the last time. At times, papers were circulated to, and comments and approvals sought from, the steering committee out-of-session, until at least July 2009.

2.7 From late January 2009 onwards, other departmental energy efficiency programs, and particularly the Home Insulation Program, dominated the attention of the steering committee's executive members. The extent to which the steering committee was involved in all key program decisions and met its charter is unclear because of the poor standard of documentation of meeting agendas, papers and minutes recording discussions. The reason(s) for the steering committee becoming inactive is also unclear. In any event, the Faulkner Inquiry identified that, unbeknown to DEWHA executive management, non-compliance with departmental procurement practices in the Green Loans program continued in early 2009 and became particularly prevalent during the period April to June 2009.

Governance from July 2009 to late 2009

2.8 In July 2009, the new Branch manager appointed another sub-executive level officer to manage the Green Loans program after the departure of the previous manager. The program had just been launched and at this time:

- DEWHA executive management had concerns about how the program was being run;
- key program elements and support systems were unfinished; and
- staff turnover had recently occurred at assistant manager level.

Given the concerns about the program's administration and its underprepared status at the time of the program's launch, it was unrealistic to expect that the new manager (who was filling the position on higher duties), with only two weeks experience working in the Green Loans program, would be able to get the program 'back on the rails'. Executive management should have recognised that more senior level management support was required, and that more staff with appropriate specialist skills were necessary, to tackle the increasingly serious administrative issues facing the program.

2.9 As well as managing the implementation of the program, the new manager reviewed past management action, decision-making and procurement activity and found some anomalous practices that warranted further investigation. As a result, in September 2009 the Branch manager approved the first in what became a series of reviews into the Green Loans program, and its procurement practices in particular, namely:

- *Internal Audit Review of the Procurement Practices in the Green Loans Program* by Protiviti (draft dated December 2009);
- *Review of the Green Loans Program—Final Report* by Resolution Consulting (dated March 2010); and
- *Independent Inquiry—Green Loans Program: Review of procurement processes and contractual arrangements* by Patricia Faulkner (dated June 2010).²⁵

2.10 During the period July 2009 to late 2009, problems associated with the implementation of the program (including pressure on the contact centre due to an unexpected increase in demand for assessments) became evident, most of which can be sourced to actions and decisions taken in the program's design and early implementation during 2008–09. Nevertheless, some management decisions made after July 2009 also did not accord with departmental procurement policies, and agreements were entered into without obtaining legal advice. The management of the Green Loans program was not assisted by the rapid turnover of Branch managers in the period from September to December 2009, when at least four Assistant Secretaries in succession had executive responsibility for the program.

Program management reporting processes in place until late 2009

Financial management

2.11 DEWHA's management of the Green Loans program budget from July 2008 to late 2009 was deficient. As would be expected for a program under development where parameters and fee structures had not been settled, various assumptions were used in estimating the initial administered funding budget of \$282.4 million, including in respect of:

²⁵ The findings of these reviews are summarised in paragraph 1.15.

- uptake rates for assessments and loans over the program's life;
- assessment and loan fees, and the average size of the loans (which impacted on the subsidy the Australian Government would pay to financial institutions); and
- the cost of training environmental assessors over the program's life.

However, the budget did not provide for the Green Renovations pack to be sent to all householders who participated in the program, which was an election commitment and part of the Green Loans policy.

2.12 As the program's parameters and fee structures began to be settled between the 2008–09 and 2009–10 Budgets, at no time did DEWHA revisit the program's administered funding budget. During this period, on the basis of departmental advice, the then Minister made a number of program design decisions that impacted on the program's budget, including:

- not paying for the training of environmental assessors;
- removing the \$50 co-payment from householders accessing assessments;
- using a different method to calculate the loan subsidy than was used in the 2008–09 Budget costings;
- a loan administration fee of \$150 for each unsecured personal loan or \$50 for each secured redraw facility; and
- the replacement of the Green Renovations Pack with a \$50 Green Rewards card for each householder that participated in the program.

2.13 As part of the 2009–10 Budget, the Government realised \$125.7 million in budgetary savings by reshaping the Green Loans program to reduce the number of loan interest subsidies funded. The department costed the savings directly, rather than using the program's original budget and deducting a recalculation of the program's known costs for the current year and out-years. The savings calculations were incorrect as they did not:

- correctly identify the assumptions made in the 2008–09 Budget costings;
- reflect the current parameters of the program; and
- take into account the cost of providing the \$50 Green Rewards card to participating householders, which could have had a nominal cost of up to \$18 million.

While costings for the various components of the administered funding budget (assessments, loans, green rewards) were inaccurate, fortuitously for DEWHA, the total savings across the program were reasonable (that is, the incorrect calculations across the components netted to near zero). Using the parameters of the program and assumptions made at the time of the 2009–10 Budget (some of which had yet to be tested)²⁶, the program required, and had been allocated, \$156.6 million in funding for program payments over its intended life.²⁷

2.14 Once the program was launched in July 2009, to ensure that the Green Loans program stayed within budget DEWHA needed to closely monitor: assessment and loan uptake rates, which impacted on the timing of administered funding expenditure; and the average size of the loans and RBA interest rates as these impacted on the size of loan subsidies paid to financial institutions. However, DEWHA did not revisit the program's administered budget until mid-November 2009.

Reporting to DEWHA executive management

2.15 Between December 2007 and late 2009, DEWHA used two formal forums in particular to, among other things, report on the implementation of departmental programs, including the Green Loans program. These were:

- project status reports prepared quarterly using a standard template for DEWHA's Executive Management Group (comprising officers at and above First Assistant Secretary level); and
- Senior Executive Management Meetings (SEMM) (held weekly, involving mainly officers at and above Deputy Secretary level, as well as key representatives from Corporate Services).

2.16 The quarterly project status reports for the Green Loans program were, in part, inaccurate, which provided a false sense of assurance to DEWHA executive management. The reports consistently indicated that project management and risk management plans were in place for the Green Loans program, when this was not the case. They also correctly showed that a number of major milestones began slipping from one quarter to the next early in the implementation of the program.

²⁶ Key among the assumptions was that the average loan would be less than half the \$10 000 available and interest rates would stay at historic lows over the life of the program.

²⁷ Subsequent to the 2009–10 Budget, \$3.4 million was transferred from the Green Loans program to support the budget for the Solar Homes and Communities Program, leaving \$153.3 million in funding for Green Loans program payments.

2.17 These reports rated the Green Loans program as GREEN (according to DEWHA's traffic light system) until March 2009 onwards, when the program was rated AMBER.²⁸ Concerns about REED's management of the budgets for its demand-driven programs (which includes the Green Loans program) began to be raised in SEMM in November 2009.

Reporting to the Minister

2.18 DEWHA's briefings to the former Minister for the Environment, Heritage and the Arts were generally poor from the start of the program in July 2008 to late 2009. At no time throughout 2008–09 did DEWHA provide the Minister with comprehensive status reports on progress of the program. In briefing the Minister on the delivery options for the program in December 2008, the department indicated that the Green Loans program was 'extremely complex' as it involved developing:

- assessor training, accreditation and service delivery systems;
- a loan subsidy model that financial institutions and households would find attractive;
- IT systems including an online booking system, database and assessment tool;
- the logistics of procuring and distributing millions of light bulbs and other products for the Green Renovations packs;
- contractual relationships with multiple assessors and financial institutions; and
- complex audit and administration systems to process and reconcile payments for assessors and loan subsidies for many thousands of individual households.

Nevertheless, the briefs submitted to the Minister throughout 2008–09 focus on narrow aspects of the program, such as state/territory collaboration, the

²⁸ DEWHA rated the status of its projects using a traffic light system where:

- GREEN signified 'The project is on track. No significant risks or issues emerging';
- AMBER signified 'Project Sponsors will need to monitor these projects closely. There are real or potential risks which should be brought to SEMM's attention, but which may not require immediate intervention'; and
- RED signified 'Requires specific and immediate intervention by SEMM/Minister (e.g revisit outcomes and develop a different strategy/approach). There are one or more significant risks or issues which threatens delivery of the outcome of the Project'.

program's title, eligibility criteria, Green Renovations pack, and loan subsidy arrangements. A brief seeking the Minister's approval of the Green Loans Program Guidelines in early April 2009 was the last brief he received in connection with the program until the day before the program was launched on 1 July 2009.

Incomplete, inaccurate and untimely briefings on the program

2.19 On 30 June 2009, DEWHA advised the Minister that the Green Loans program was ready to commence, as scheduled, from 1 July 2009, 'albeit with some constraints on the capacity to handle large levels of inquiry'. This brief was the first advice the Minister received informing him that not all program components and support systems would be in place at the start of the program, including:

- the online public interface, which was expected to be ready 'around September 2009'. A contact centre would be taking bookings until then;
- the combined Green Rewards card and assessment report distributor, which was 'not likely to be available under the end of July 2009'. Distribution of reports until this time would be provided by existing departmental contractors and dedicated Green Loans staff; and
- the program auditor, with auditing services 'targeted to be available from August 2009, subject to the completion of the tender process'.

The brief also indicated that an assessment pilot tested the assessment tool. However, this was misleading as the pilot used only a prototype of the off-line assessment tool to capture data, did not calculate the home's sustainability and did not generate assessment reports.²⁹

2.20 DEWHA briefed the Minister on the progress of the program's implementation in the first two months after its launch.³⁰ These briefs provided some program metrics on the numbers of assessors accredited and contracted and assessments conducted, as well as progress on those program components and support systems yet to be implemented. By early September 2009, the Minister had been informed that:

²⁹ Details of the assessment pilot and the assessment tools are outlined in *Chapter 5—Home Sustainability Assessments*.

³⁰ The department prepared briefs for the Minister two weeks, one month and two months after the program's launch.

- DEWHA was aiming to have the e-Gateway project (the integrated online portal, database and reporting tool) ready by the end of September 2009;
- DEWHA was in negotiations with the preferred tenderer for the combined Green Rewards card and assessment report distributor, and timing for delivery of the card was now early 2010;
- tenders for the program's audit services were being assessed³¹; and
- assessors had not been able to generate reports until mid-August 2009.

2.21 Subsequent Ministerial briefings on the status of the incomplete program components and support systems were generally poor. For example, in early November 2009 a briefing to the Minister inferred that the e-Gateway project was in place when delivery of the project did not actually begin until December 2009. The Minister was not briefed again on the e-Gateway project again until late January 2010 when DEWHA advised that the department had ceased all work on the online booking component of the project.

2.22 The Minister also received incomplete and untimely briefings on other key issues associated with the program's design and delivery. Table 2.1 highlights some important examples. It is evident from these examples that the Minister was not well served by his department when it came to the quality of briefing provided, due to issues with the accuracy and timeliness of the information conveyed.

Governance from late 2009 onwards

2.23 In October 2009, Ernst & Young was engaged to review the integrity of reporting in REED after DEWHA's reporting to the then Minister's Office for four REED programs, including the Green Loans program, contained errors.³² Ernst & Young's report finalised later that month recommended, among other things, that DEWHA establish a taskforce with a strong project management focus to manage the demand-driven programs within the division.

³¹ The Minister's Office later requested an outline of the program's compliance and audit strategy in February 2010, but the brief on the matter prepared by DEWHA failed to mention that the program's auditor had yet to be engaged. This brief was not considered by the Minister prior to the announcement of changes in ministerial responsibilities and was returned to the department unsigned.

³² The reporting error associated with the Green Loans program was a transcription error made in a weekly report showing 57 loans had been approved rather than the actual number of six loans.

Table 2.1**Incomplete and untimely Ministerial briefings on the program**

Issue	Comment
Assessor training course	The Minister was not informed until December 2009 that a national qualification (accredited course) had not been put in place for the program.
Assessment fees	The Minister was not informed until January 2010 that, due to the unavailability of the self-assessment tool, assessors were being paid \$200 for every assessment instead of the intended \$150 when householders used the self-assessment tool.
Loan subsidy	The Minister was not advised by DEWHA that the loan subsidy he approved was not in accordance with the model agreed by the Government.
Loan fees	The Minister was not informed until January 2010 that financial institutions were being paid \$200 per loan instead of \$150 or \$50.
Report delays	The Minister was first informed in late January 2010 of delays in delivering assessment reports to householders when the backlog totalled 62 000 reports.
Program budgeting	The budget for the program was incorrectly costed in the 2008–09 and 2009–10 Budgets. As the program's parameters and fee structures were settled, the budget was not revisited. After the launch of the program, program expenditure against the budget was not monitored for over four months.

Source: ANAO analysis of DEWHA data.

2.24 DEWHA created the Energy Efficiency Taskforce in mid-November 2009, with the Green Loans program one of five programs included in its management responsibilities later that month. The Taskforce consolidated program delivery effort and expertise, and immediately began improving the visibility of program performance for DEWHA's executive management. From mid-November 2009 onwards, the Taskforce oversaw the production of standard weekly program metric reports for the Green Loans program on key output indicators³³ and began to look at budgetary management for the Green Loans program. Weekly metric reports have continued under DCCEE.

2.25 A brief to the Minister in mid-November 2009, noted that:

³³ The program metric reports included: the numbers of accredited and contracted assessors; calls answered by the contact centre; assessments booked and completed; unserved households seeking an assessment; and green loans applied for and issued. Copies of these metric reports were provided to the Minister.

- the demand for assessments had increased rapidly—with over 10 000 booked the previous week (while the budget was based on 88 200 assessments for the entire 2009–10 year);
- the actual average loan size (around \$8500) was over double that assumed in the budget costings; and
- it was too early to estimate the likely demand for green loans for 2009–10.

2.26 The Minister was further advised in December 2009 that the current year's appropriation would come under pressure shortly and that the program's total budget could be reached by the end of August 2010. The brief canvassed a number of options to manage the greater than expected demand, including suspending assessment bookings and limiting loan uptake for the remainder of 2009–10. The Minister agreed to advise the Offices of the then Prime Minister, the Treasurer and the then Minister for Finance and Deregulation of the pressures on the program's 2009–10 appropriation. The Minister asked that DEWHA work with his office to identify the preferred approach to manage the greater-than-expected demand.

2.27 After undertaking more thorough and accurate budget costings of the program in January 2010, DEWHA reported to the Minister that:

- based on expenditure and commitments as at mid-December 2009, the program had exceeded its 2009–10 administered funding budget; and
- the program would be likely to require an additional \$100 million to fully fund the Government's policy commitments over the program's life (with the larger-than-expected loan subsidies being the primary cause).

The Minister commented that he was very concerned that briefing notes on the progress of the program were both inaccurate and came to him late. The Minister advised that he would like to be kept apprised of ongoing budgetary matters.

2.28 The subsequent elevation of the program's budgetary issues within government led to the revision of the program's parameters announced by the Minister on 19 February 2010, and given effect through the 2010–11 Budget. The caps on weekly assessment numbers and the discontinuation of the loans component gave DEWHA (and now DCCEE) greater control and certainty over the budget for the Green Loans program.

2.29 In addition to the ongoing management of the program, much of the Green Loans management effort since late 2009 has been spent on managing the numerous administrative issues that have adversely impacted the effective implementation of the program. These include:

- the overloaded contact centre (including the workarounds and their subsequent resolution);
- the extended delays to dispatching assessment reports;
- delivering the Green Rewards component of the program;
- managing past and current complaints (see Case Study 1);
- the integrity of Green Loans program data;
- the timeliness and validity of payments made under the program;
- legal claims; and
- designing an exit strategy for the program.

The Taskforce and DCCEE executive management received regular and timely updates, as appropriate, in respect of 'critical issues' impacting the effective governance of the program. The quality and timeliness of Ministerial briefings improved appreciably after the Taskforce was established.

2.30 The capacity of DEWHA and DCCEE to address program issues has been inhibited by their entrenched nature, and the loss of corporate memory through staff turnover and DEWHA's generally poor standard of recordkeeping across all operational and management aspects of the program since it began. In many cases, identifying past actions, decisions and their reasons before determining an appropriate course of action has taken the departments considerable time. Nevertheless, when stakeholders and contractors are involved, it is important to gain a reasonable understanding of the past to avoid taking decisions that may make situations worse.

Case Study 1

Complaints management

Before the launch of the program in July 2009, DEWHA gave little consideration to establishing processes for handling complaints from program stakeholders. It was not until complaints began arriving in some numbers between August and September 2009 that DEWHA began developing a complaints handling mechanism. Until November 2009, when complaints handling procedures were finalised, complaints were recorded and handled inconsistently, resulting in incomplete follow-up action.

In November 2009, DEWHA developed a spreadsheet-based Complaints Register for the program and assigned one officer to handle the complaints. However, complaints management did not improve as a result of:

- the under-reporting of complaints that had been classified as 'enquiries';
- staff not referring all complaints received to the complaints officer; and
- DEWHA becoming overwhelmed by the volume of complaints received in late 2009 and early 2010 (which included failing to respond to previous enquiries or complaints).

After conducting an investigation, the office of the Commonwealth Ombudsman advised DEWHA on 8 December 2009 that it proposed making a finding of administrative deficiency against the department in relation to its handling of a complaint about a late report. At the time, DEWHA acknowledged that its published procedures for lodging a complaint were unclear. The program guidelines were subsequently revised to include the program's hotline phone number and an email address where complaints could be lodged. In February 2010, the office of the Commonwealth Ombudsman agreed with DEWHA's proposed strategy for handling the large volume of complaints that the department was then receiving.

Between late January and late March 2010, DEWHA and DCCEE received over 150 complaints per week (including 500 in one week) about the Green Loans program, mostly from householders awaiting their assessment reports.

In February 2010, DEWHA engaged a consultant to analyse recorded complaints made against assessors (134) to determine whether there were any discernable patterns of non-compliance or quality issues associated with their assessments. The consultant found that other householders assessed by assessors who received multiple complaints (15) were generally satisfied with their assessment report or assessor. The consultant concluded that the complaints appeared to relate to the perceived accuracy of the assessment report, rather than the quality and experience of the assessor. The consultant also recommended that DEWHA consider taking compliance action where appropriate and develop other methods to identify assessor non-compliance.

In early March 2010, DEWHA began using a purpose-built system to handle requests and complaints—the same system that had been in use for the Home Insulation Program (HIP) since late 2009. DEWHA, and now DCCEE, have a system to record, track and address complaints from Green Loan program stakeholders. As at 3 May 2010, DCCEE advised that:

- it had a team of 21 officers dedicated to handling HIP and Green Loans enquiries/complaints;
- Green Loan enquiries/complaints had fallen to less than 100 per week (from over 300 per week for much of March 2010); and
- 63 per cent of complaints were now resolved in 20 days or less.^a

Source: ANAO analysis of DEWHA and DCCEE information.

Note: a—The *DEWHA Service Charter 2009-2012* prescribes that the department will respond to complaints within 20 days or inform complainants of progress. DCCEE does not currently have a Service Charter.

2.31 On 8 July 2010, the then Minister for Climate Change, Energy Efficiency and Water publicly released the reports of three of the reviews into the Green Loans Program commissioned in late 2009 and early 2010, which found significant and extensive administrative failings in relation to the program's design and implementation.³⁴ At the same time, DEWHA and DCCEE issued statements outlining the organisational changes they had started to make to improve corporate and program governance, enhance internal control mechanisms and systems, and strengthen accountability frameworks. DCCEE has established a Change Management Taskforce to assist with the development and implementation of the stated organisational changes. The Department of Sustainability, Environment, Water, Population and Communities (the former DEWHA) advised that it has established a Business Improvement Division to oversee the implementation of business improvements and recommendations arising from the various reviews.

Conclusion

2.32 The Green Loans program was characterised by an absence of effective governance by DEWHA during the program's design and early implementation. DEWHA had no previous experience in designing and delivering a program with features similar to the Green Loans program. As a multi-faceted 'greenfields' program with a fixed budget and variable (and untested) demand, the Green Loans program required greater oversight than the department's business-as-usual activities. However, this did not occur.

2.33 From the start of the program, DEWHA assigned day-to-day program management responsibility to sub-executive level staff that had little program delivery experience. As such, program management was devolved to too low a level within DEWHA without sufficient active engagement by executive management. Oversight of the program by a steering committee in operation between November 2008 and July 2009 was not sufficient to prevent or address in a timely manner the numerous issues that adversely impacted on the effective implementation of the program.

2.34 Until the establishment of the Taskforce in late 2009, the program's visibility to DEWHA's senior executives was poor. This was not aided by quarterly status reports providing a false sense of assurance that the program

³⁴ The findings of these reviews are summarised in paragraph 1.15.

was being managed within an agreed planning framework. In addition, the Minister for the Environment, Heritage and the Arts received incomplete, inaccurate and untimely briefings on program design features and implementation progress, challenges and risks. Governance of the Green Loans program and the quality and timeliness of Ministerial briefings improved appreciably under the Taskforce, and DCCEE when it became responsible for the program. However, both department's capacity to address the legacy issues has been inhibited by their entrenched nature, and the loss of corporate memory through staff turnover and the generally poor standard of past recordkeeping.

3. Planning and Implementation

This chapter examines the planning and implementation of the Green Loans program.

Introduction

3.1 Planning provides a 'map' of how an initiative or program will be implemented, addressing matters such as timeframe, phases of implementation, roles and responsibilities and resourcing. Planning and implementation for the Green Loans program commenced in parallel from 1 July 2008 when the program received funding.

3.2 In examining the planning and implementation of the program, the ANAO reviewed:

- the development of the delivery model;
- implementation planning, including the assessment of program risks;
- procurement and contracting arrangements;
- the development of support systems;
- stakeholder communications; and
- program performance and evaluation.

Development of the delivery model

3.3 As part of the 2008–09 Budget, the Government allocated \$300 million over five years (2008–09 to 2012–13) for the Green Loans program to undertake an unspecified number of subsidised home assessments, provide free Green Renovations packs valued at \$50 to each assessed household, and fund interest rate subsidies for up to 200 000 loans to householders. Subsequently in the 2009–10 Budget, the Government revised the program's parameters by reducing the number of loans available to 75 000, resulting in savings of \$125.7 million over five years. Further, the Green Renovations pack was replaced by the promise of a Green Rewards card valued at \$50 for assessed households.³⁵

³⁵ The proposed Green Renovation pack was a collection of generic energy and water saving devices, whereas the Green Rewards card is a \$50 voucher to purchase eligible items.

3.4 In July 2008, DEWHA began negotiating with state/territory Environment Departments to integrate the Green Loans program with similar home sustainability assessment programs in those jurisdictions. However, DEWHA abandoned this approach after several months of effort, citing the following reasons:

- state/territory-based home sustainability assessment schemes were at different stages of development or implementation and had different delivery models; and
- the states/territories would seek to dictate the terms of any agreement with the Australian Government.

As a consequence, a uniform, national approach to delivering the Green Loans program through the states and territories was not possible in the time available.

3.5 DEWHA first put broad delivery options for the program before the then Minister for the Environment, Heritage and the Arts in December 2008, some six months after planning for the program began. These were informed by:

- extensive research commissioned by DEWHA that identified, among other things: drivers and barriers for household renovations across different householder categories; approaches to messaging to reach different audiences; and what should be in assessments reports;
- a detailed legal risk assessment commissioned by DEWHA (but not finalised) that considered potential liability/legal risks within each major component of the Green Loans program, identified possible mitigation strategies and the residual risk ratings; and
- consultations (which were generally not well documented) with most major assessor industry organisations, peak bodies of financial institutions, and state/territory Environment Departments.

3.6 On 18 December 2008, the Minister approved the option recommended by DEWHA to deliver the program via a national scheme whereby the Australian Government would be responsible for developing the:

- delivery standards, including assessment scope and an Assessor Code of Professional Practice;
- assessor qualification and training course;

- protocol for Assessor Accrediting Organisations and the recognition of one or more organisations;
- booking service and associated call centre;
- assessment software tool and associated procedures manual;
- national database for the assessment report and data; and
- payment systems for assessment services.

By this time, DEWHA had already entered into contracts to develop most elements associated with assessor training and accreditation, and had begun to procure assessment software tools. Nevertheless, there was relatively little time to finalise all program elements and support systems needed for a national scheme that was expected to be ready for pilot testing in April 2009 (four months later).

Assessments and loans structure and fees

3.7 The fees struck with assessors and financial institutions for undertaking assessments and administering the loans and the loan subsidies had a large bearing on the number of assessments and loans that could be funded under the program. During the planning phase, decisions were made to refine or vary: the householders' co-payment for assessments; assessment fees; loan subsidies; and loan administration fees. These decisions had implications for the program budget.

Assessments structure and fees

3.8 In December 2008, the Minister agreed with DEWHA's recommendation to provide free home assessments instead of imposing a \$50 co-payment on householders. DEWHA justified its recommendation on the basis of the administrative difficulties in collecting and acquitting the householder's \$50 contribution, and that research indicated that a fee would significantly impede program take-up.

3.9 The potential cost of home assessments varied from \$250 in April 2007, to \$300 in the 2008–09 Budget and a fee of \$150 per assessment was finally settled in March 2009, plus an additional \$50 where the householder did not

complete a 'self assessment'.³⁶ There is no evidence that DEWHA executive management or the Minister were involved in determining the final assessment fee structure for the Green Loans program. DEWHA first informed the Minister of the assessment fee structure for the program in January 2010.

3.10 DEWHA's website published the schedule of fees in March 2009 and advised that the schedule of assessment service charges took into account the level of expertise (minimum qualifications) required by assessors, the complexity of the assessment task, the number of assessment services that could be conducted during a single day (five) and existing market rates for similar services. However, DEWHA has been unable to provide the analysis underpinning the schedule of assessment service charges.

Green loan subsidies and fees

3.11 The green loan subsidies and fees paid to participating financial institutions varied from those approved by the Government and the Minister. In the 2008–09 Budget, the Government approved a capped subsidy of 2.5 per cent interest for an (unspecified) time period and an (unspecified) administration fee. In November 2008, DEWHA recommended that the Minister approve an interest rate subsidy of the RBA cash rate plus five per cent for each green loan without noting that it changed the earlier approved capped subsidy model. The Minister approved DEWHA's recommended model plus an administration fee of \$150 for each unsecured personal loan or \$50 for each secured redraw facility.

3.12 In March 2009, DEWHA's final offer to the participating financial institutions did not include a redraw facility and identified that the administration fee would be \$200 for each green loan. The Minister was advised in January 2010 that the loan structure agreed with participating financial institutions did not accord with the arrangements he had earlier approved.

Implementation planning

3.13 In July 2008, a project plan was drafted that included a work plan for implementing the program. This plan identified, among other things: the

³⁶ The assessment fee was increased by a further \$100 for the two-month period of the Green Loans pilot (in May and June 2009), to recognise the extra effort required to participate in the testing of assessment material and provide quality feedback.

governance structure; roles and accountabilities; risks; stakeholders; and resources; and how these would be managed. However, the plan was not finalised or endorsed by DEWHA executive management. An updated version of the draft project plan was presented to the Green Loans steering committee in late January 2009 (six months later), but the revised plan was also not finalised or approved.³⁷

3.14 Strategies or plans for managing the program's risks, (beyond the draft legal risk assessment prepared by the program's contracted lawyers), resourcing and information technology requirements were not developed before the program's launch in July 2009.³⁸ In September and October 2009, after a change of Branch and program managers, DEWHA engaged consultants to progress the development of a project plan and a program risk assessment and register. The consultants produced a preliminary risk register in October 2009 and a draft project plan in early January 2010. However, these documents have also not been finalised. By this time, the Energy Efficiency Taskforce had oversight of the program and was reviewing the program's status, options for managing the demand for assessments and budget implications.

3.15 In the absence of an endorsed approach for implementing the Green Loans program, the risks to both effective administration and service delivery increased significantly.

Assessment of program risks

3.16 A critical component of planning is identifying key program risks and developing appropriate mitigation strategies. As noted earlier, the department did not develop a risk management plan or a risk register for the Green Loans program.³⁹ However, a legal risk assessment was undertaken for the program. This assessment, drafted in November 2008, adequately considered DEWHA's exposure to legal liability arising from its proposed design and implementation of the Green Loans program. DEWHA provided the Minister with a copy of the draft legal risk assessment in December 2008 with advice that the

³⁷ The steering committee was established in November 2008 and became inactive in July 2009.

³⁸ A communications framework and strategy for dealing with key stakeholders were drafted by the Public Affairs section but were never finalised or implemented.

³⁹ The draft Project Plan dated July 2008 contained a rudimentary 'risk management plan'. However, this two-page document was not comprehensive and did not assess, rate and treat risks in accordance with the Risk Management Standard, AS/NZS 4360:2004.

department was working through the high-level risks identified by the assessment to ensure that they could be sufficiently mitigated.

3.17 Many of the identified legal risks never materialised or were appropriately managed so that they did not adversely impact on the implementation of the program. Two risks identified in the assessment, and rated as high, related to fraudulent claims from assessors and householders misusing their green loans funding. These risks have only recently been addressed through the engagement of an audit and compliance service provider from April 2010.

3.18 Nevertheless, legal risks are only a sub-set of program risks that administering departments need to identify, assess and treat when managing programs. DEWHA did not sufficiently identify some key risks associated with the program. In particular, the quality of assessor training, the demand driven nature of the assessor and assessment components of the program and program resourcing.

Quality framework for assessor training

3.19 DEWHA originally intended that the assessor training course would be accredited, which would then have allowed the department to take advantage of the inherent quality assurance and control features that accreditation provides.⁴⁰ However, once it became apparent that an accredited course would not be ready for the start of the program, DEWHA did not give proper consideration to the controls necessary to ensure the quality of the training material, its delivery and the competencies attained by those who received training. These issues are discussed in detail in Chapter 4.

Managing demand for the program

3.20 Research commissioned by the department noted that there were more than 7.7 million dwellings in Australia.⁴¹ Although DEWHA did not estimate the total population of eligible dwellings under the program, it was considered likely that only a small proportion of these would have been ineligible. The prospective number of eligible householders is an important consideration

⁴⁰ Chapter 4—Training, Registration and Contracting of Assessors discusses the benefits of accredited training.

⁴¹ RMIT University 2008, "Green Loans" Research Final Report for Project A: Researching the Target Audience.

because householder interest in the program can drive the demand for assessors, assessments and, subsequently, green loans.

3.21 With so many prospective Australian households eligible to participate in the Green Loans program, it was important for DEWHA to estimate, and consider mechanisms to control, the number of assessors contracted under the program and the demand for assessments and loans. However, this did not occur. More assessors have been trained and registered than was needed to service the program nationally, while some rural, regional and remote areas of Australia have not been serviced. Excessive assessor numbers contributed to the rapid increase of assessments completed before program caps were announced in February 2010.

Number of assessors

3.22 The design of the program meant that the number of contracted assessors was inherently a key driver of program demand. Assessors were able to make bookings for home assessments, on householders' behalf. Although assessments were free for householders, assessors could receive up to \$200 for each assessment. Consequently, the only 'cost' to householders was their time, whereas assessors had a financial incentive to conduct as many assessments as they could within the limits of the program. Assessors had also spent around \$3000 on training, registration and insurance, and had a vested interest in the promotion of the program.

3.23 Although the number of assessors needed to service the program nationally was discussed publicly and within DEWHA at various times, no target number (or range of numbers) was agreed by the department. Between February 2008 and October 2009, the numbers discussed ranged from as low as 250 to as high as 2200. These assessor numbers equate to an average of between 0.9 and 8.3 assessments per week per assessor in the expected peak years of the program.⁴²

3.24 As late as June 2009, DEWHA was concerned that insufficient assessor numbers would hinder the program's launch. Yet, by this time, 786 assessors had been trained under the assessor training pilot (and 430 had been contracted under the program by the end of July 2009). DEWHA was primarily

⁴² In March 2009, the Government approved the budget for the Green Loans program based on the following distribution of the 360 000 assessments over the life of the program: 16 200 (2008–09); 72 000 (2009–10), 108 000 (2010–11), 108 000 (2011–12); and 55 800 (2012–13).

focused on creating interest in the program and did not give consideration to the possibility of excessive assessor numbers and their expectations for work under the program. The flow-on effect was many more assessments.

3.25 Within the program's original parameters, the only mechanism available to DEWHA to control or influence demand for assessments was the number of assessors contracted to the program. DEWHA had no means of monitoring the number of assessors being trained. It was not until assessors lodged their registration application with ABSA, which could occur weeks after their training, that DEWHA and ABSA had a clear view of the number of assessors that had been trained.

3.26 DEWHA initially contracted all assessors registered by ABSA who sought work under the Green Loans program. It was not until early February 2010 that DEWHA ceased signing new contracts with assessors—at which time the department had contracted less than 4000 assessors. However, the lag between training and registration and the backlog of registrations ABSA had to process, meant that by this time over 9000 assessors had been trained and nearly 7500 had sought registration.

3.27 DEWHA monitored assessment requests and identified areas of Australia (mostly in rural, regional and remote locations) that were not serviced by the program. In the absence of a specific strategy, the department generally considered that national coverage would be achieved as a consequence of the natural take-up of contracts by assessors. While this approach worked to an extent, full coverage has not been achieved. DCCEE has calculated that, as at July 2010, 169 residential postcodes (6.4 per cent) were not serviced by the program.

Demand for assessments

3.28 At the start of the program, the only limits on assessments was a maximum of five per assessor per day and the 360 000 assessments available under the program. Demand for assessments built up steadily from less than 1500 per week in July 2009 to 4000 per week throughout September 2009 and quickly escalated to over 10 000 per week by mid-November 2009. DEWHA advised the Minister, in late November 2009, that if 15 000 assessments were conducted each month, the total number of assessments for the program would be reached between February and May 2011.

3.29 The department noted that possible options to address this increased demand could include seeking additional budget appropriations or bringing forward future budgets. An update to the Minister early in December 2009

noted that, if the current rate of assessment uptake continued, 360 000 assessments would be completed by late June 2010. The options put forward to manage the higher-than-expected demand included suspending assessments and requesting that funds be brought forward from the out-years. The Minister asked that DEWHA work with his office to determine the preferred approach to manage assessment demand.

3.30 After the contact centre re-opened to new bookings in mid-January 2010 following the Christmas shutdown, weekly bookings quickly escalated to over 23 000 by later that month and to over 30 000 by mid-February 2010. On 17 February 2010, the Government approved changes to the Green Loans program, which the Minister announced two days later. These changes included an additional 600 000 assessments for the program for the period to December 2010 and discontinuing the loans component. Caps were also introduced at that time on the number of assessors (5000) and the number of assessments that could be conducted each week in total (15 000) and per assessor (five). The caps effectively managed assessment demand and ensured that assessments would be available until the end of 2010. However, by this time an estimated 7500 people had invested their time and around \$3000 each to become registered assessors and at least 3000 of them have been unable to obtain work under the program.⁴³

Program resourcing

3.31 Having the right number of staff with the appropriate skills and experience is important for the management of any program. The July 2008 draft project plan indicated that DEWHA considered that the risk of retaining and recruiting sufficient numbers of suitably expert and experienced staff could have a high impact on the program. However, this risk was not adequately considered and managed by DEWHA during the early implementation of the program.

3.32 The Green Loans team was collectively staffed by officers without sufficient skills and experience in most key areas of program management, including: project management; procurement/contract management; budgeting/financial management; legal; IT integration and management; and stakeholder management. The Faulkner Inquiry made a similar finding, noting

⁴³ DCCEE has observed that assessors have some responsibility for their own due diligence in making a decision to be involved in the program.

that, for the period covered by the inquiry (May 2008 to January 2010), the Green Loans team:

- were subject matter experts and had generalist skills; and
- lacked the suitable procurement, financial and project management expertise and experience to manage the program.

3.33 As with most agencies, DEWHA has centralised units with specialist expertise (including financial, procurement/contracting, IT and legal) to monitor and provide advice to line areas as they implement programs. However, during 2008–09, the Green Loans team generally did not seek input from DEWHA’s specialised units and, at times, took steps to avoid their involvement or intervention in the program. (These matters are discussed further in paragraphs 3.37 and 3.38).

3.34 DEWHA’s legal area and the department’s Public Affairs section were more proactive in involving themselves in the program. After receiving an initial briefing early in the program, the legal area decided that the potential legal issues were of significant magnitude to warrant the retention of a legal firm to provide ongoing legal advice to the Green Loans team. Nevertheless, on a couple of occasions, the Green Loans team entered into binding agreements without first seeking legal advice.⁴⁴ Much of the ongoing communication with assessors and financial institutions has been instigated by the Public Affairs section.

3.35 As the implementation of the program progressed, there was little evidence of the Green Loans team raising concerns with executive management about the number of officers dedicated to delivering the program. Nevertheless, appropriate executive oversight of the program would have identified significant staff skill gaps and the slow rate of implementation progress. Within three months of the program’s establishment, the program achieved its intended complement of 11 staff. The team consisted of 11 staff from September 2008 until February 2009, and then doubled to 22 staff by June 2009. With the establishment of the Energy Efficiency Taskforce, staff numbers increased markedly in January and February 2010 to 34 staff to

⁴⁴ For example, the acceptance of ABSA’s proposal to become an Assessor Accrediting Organisation and entering into a separate booking arrangement with Fieldforce. These matters are discussed in paragraphs 4.10 and 5.24, respectively.

manage the program.⁴⁵ DCCEE has established 43.5 positions to manage the Green Loans program for 2010–11.

Procurement and contracting

3.36 At the time DEWHA assumed responsibility for the Green Loans program, many of the systems, processes and materials that were going to be needed to implement and manage the program were not available within the department. The program's success was heavily dependent on DEWHA's ability to effectively outsource the following products and services:

- research to assist with designing the program;
- developing the assessor training course and the accreditation/registration processes;
- assessment tools to record and calculate sustainability improvements and generate assessment reports;
- assessment booking, tracking and payment system;
- contact service centre;
- dispatch of assessment reports;
- program promotion and marketing materials; and
- auditing and compliance services.

3.37 In the absence of either a procurement strategy or plan endorsed by DEWHA's executive management, the Green Loans manager had primary carriage and control of the program's procurement agenda throughout its early implementation in 2008–09. The Faulkner Inquiry into Green Loan procurement processes and contracting arrangements between May 2008 and January 2010 found 'a widespread lack of compliance with the principles, guidelines and regulations relating to procurement in the rollout of the Program and hence a lack of probity'. The ANAO observed all interviews and reviewed documentation for the Faulkner Inquiry, and generally agrees with its findings that include, among other things:

⁴⁵ Staffing numbers exclude resources assigned to the contact centre and the division's dedicated enquiries team, which now handles most program complaints.

- *that procurements were poorly planned and recorded*—some were undertaken on an ad-hoc basis rather than based upon well-defined business needs and project objectives, which led to a number of procurement terminations, contract cancellations and project deliverables not being used in the program;
- *poor management of requests for quotation*—including inconsistent treatment of tenderers, unaddressed conflicts of interest, and a lack of documentation to substantiate the selection process;
- *prima facie evidence of ‘contract splitting’*—to avoid the mandated requirements of the Commonwealth Procurement Guidelines⁴⁶, authorisation from executive management or more competitive tendering processes;
- *that the majority (96 per cent) of the procurements examined (84) were procured through direct source (that is, without open competition)*—available documentation failed to provide the rationale for this procurement approach⁴⁷;
- *repeated and systemic breaches (36) of Regulations 9 and 10 of the Financial Management and Accountability Regulations 1997 (FMA Regulations)*—in respect of spending proposals not being approved by the appropriate delegate(s) before procurement commenced; and
- *significant cost escalations and weak budgetary control*—demonstrated by contracts for IT project management, the contract centre and logistics (program marketing materials and assessment report distribution) escalating by factors of 4, 9 and 19, respectively, on the original contract terms.

3.38 The Faulkner Inquiry identified the pressure to achieve outcomes within tight timeframes as a motivator for the Green Loans team adopting ‘short cuts’ to deliver the program that minimised intervention from outside the program area. However, the Faulkner Inquiry and the ANAO found no evidence of any direction being given to the Green Loans team to adopt such an approach.

⁴⁶ The Commonwealth Procurement Guidelines are mandatory for covered procurements (that is, those over \$80 000).

⁴⁷ The ANAO considers that as the scale and risk profile of the procurement increases, agencies would generally be expected to specifically document reasons for undertaking direct source procurement.

3.39 The generally disorganised approach to procurement resulted in the contractors with responsibility for delivering key program components and support systems being engaged late in the process, and with little likelihood of meeting the July 2009 launch of the program. These components and systems included:

- the Green Rewards card and distribution of assessment reports (procurement began in April 2009, but was terminated in May 2010. Implementation of an alternative approach to deliver the Green Rewards component began in July 2010);
- assessment tools (contracted in June 2009);
- self-assessment tool (contracted in June 2009, but suspended in August 2009);
- e-Gateway (contracted in August 2009); and
- audit and compliance services (contracted in April 2010).

The late, partial or non-delivery of these program components and support systems adversely impacted the implementation of the program, the quality of the products and services delivered, and the visibility of stakeholders' compliance with program requirements. (Appendix 2 summarises quality issues that affected the Green Loans program).

Multiple roles of the Assessor Accrediting Organisation

3.40 DEWHA's direct sourcing of ABSA through various contracts meant that, in addition to its role as the program's Assessor Accrediting Organisation (AAO), it also had responsibility for a number of other functions under the program. These included:

- consulting with industry on DEWHA's behalf;
- scoping existing training options;
- developing training materials for the assessor course;
- delivering instructor and pilot assessor training; and
- representing ABSA assessor members.

Table 3.1 summarises the potential conflicts of interest created by having one organisation fulfil all of these roles. Chapter 4 outlines in detail ABSA's involvement in the training and registration of assessors.

Table 3.1**ABSA's involvement in the program and potential conflicts of interest**

Potential Conflict	Commentary
DEWHA contracted ABSA to channel early industry consultation on the program	On DEWHA's behalf, ABSA consulted with an industry in which it played, or wished to play, a significant part. The department gave ABSA an advantage over, and an opportunity to vet comments from, other sections of the industry. At least twelve assessor organisations expressed an interest in being involved with the program in its early stages.
DEWHA accepted ABSA's recommendation to bypass an existing accredited assessor training course in Victoria and then contracted ABSA directly to develop the Green Loans course materials	After the assessment tool had been delivered, the department (and ABSA) recognised that the Sustainability Victoria training course covered 80 per cent of its requirements. The Sustainability Victoria course (plus a short bridging course) was subsequently accepted as sufficient training for assessors under the Green Loans program.
DEWHA accepted ABSA's recommendation to establish an assessor accreditation process. DEWHA adapted an existing protocol that was used exclusively by ABSA	Although becoming an AAO was open to organisations that could meet the Protocol's requirements, ABSA's experience with the Nationwide House Energy Rating Scheme protocol meant that it was well placed to take on an accrediting role.
After ABSA expressed an interest in December 2008 to register Green Loans assessors, DEWHA did not consider potential conflicts of interest arising from existing and subsequent contracts with ABSA	As at December 2008, DEWHA had eight existing contracts with ABSA totalling over \$500 000, and subsequently entered into another eight totalling over \$375 000. Under one contract, the department paid ABSA to train at least 100 assessors, who would then pay ABSA to become registered assessors. ABSA's submission to the Green Loans Senate Inquiry advised that upon its appointment as the AAO, it recognised a potential conflict of interest and ceased providing training to assessors, except in regions where there was unmet demand.
An inherent tension between ABSA's registration and member advocacy roles	DEWHA accepted ABSA's proposal to become an AAO, which included the additional requirement that assessors must become ABSA members before being registered under the program. At times, the interests of the department were, and continue to be, different to the interests of ABSA members. Such differing views were clearly demonstrated by ABSA imposing a moratorium on registering new assessors. While the department expected ABSA to continue to fulfil its agreement to register assessors, ABSA implemented the moratorium on processing registrations for reasons that included protecting the interests of its existing membership (mostly assessors registered under the Green Loans program).

Source: ANAO analysis of DEWHA data.

3.41 In a situation of its own making, DEWHA:

- chose to engage ABSA exclusively for most of the functions it performed;
- was not bound to accept the advice provided by ABSA; and
- in accepting ABSA's advice, was not restricted in its ability to involve others in the program's design and delivery.

The department's failure to properly consider the potential conflicts of interest that arose when engaging ABSA in these multiple roles had the potential to compromise the implementation of the program.

Program support systems

3.42 Given the considerable volume of transactions for assessments, loans and payments that would be undertaken as part of the Green Loans program, effective information technology (IT) support systems were critical to the effective management of the program. Notwithstanding the clear need for such a system, and the long lead times needed for design, development, and testing before implementation, DEWHA had made little progress by May 2009—less than two months before the launch of the program. Temporary support systems and workarounds had to be established for the program's launch from 1 July 2009.

3.43 Documentation covering the development and delivery of the integrated IT system for the Green Loans program (e-Gateway) was poor. The available documentation does not demonstrate DEWHA's active involvement or management of the e-Gateway system build. While contractors have periodically submitted reports and progress documentation, these are not sufficient for the ANAO (or DCCEE) to gain a detailed understanding of the system's: original design; subsequent design variations; delivery delays; implementation problems; and how these were addressed.

E-gateway development and delivery

History

3.44 In September 2008, DEWHA engaged a contractor to undertake preliminary scoping of the IT systems needed to support the Green Loans program, at a time when business processes and workflows had yet to be

settled.⁴⁸ The extent to which the consultant's report was used as the basis for going forward is not clear.

3.45 Under the oversight of the Green Loans steering committee, DEWHA undertook two request for quote (RFQ) processes for the Green Loans booking service and an IT project manager. The booking services RFQ attracted four proponents and, in February 2009, the department identified the preferred proponent. However, the steering committee terminated the booking service RFQ process in March 2009 in favour of a full open tender process that would incorporate functionality that may be required for the Energy Efficient Homes Package, particularly the Home Insulation Program. On 31 March 2009, all four proponents were informed that the RFQ process had been terminated. At its April 2009 meeting, the steering committee noted that the Energy Efficient Homes package would not require the department to provide booking services.

e-Gateway

3.46 In late March 2009, three months before the program was to be launched, the department contracted an IT project manager to: develop business process documentation; specify requirements for key IT systems (including a booking system, assessment system, a national database and test plans); and assist the department in sourcing those IT solutions. In July 2009, after the program's launch, DEWHA's IT division gave approval for the program to obtain IT support systems (an integrated online portal, database and reporting tool). The project, e-Gateway, was scheduled for completion by the end of September 2009.

3.47 Due to the short timeframe for delivery, e-Gateway was procured as an additional service through DEWHA's existing supplier of managed ICT services. The supplier's proposal to build e-Gateway, received in mid-August 2009 and accepted by the department, identified that delivery would commence before the detailed design of the system had been completed and reviewed—using a series of 'sprints' where self-contained sections of the system are designed, then delivered. The proposal nominated an estimated handover date of 9 October 2009.

⁴⁸ The consultancy considered high-level system components such as external website links for program stakeholders, internal reporting, assessment software, a database, and connectivity to departmental performance management and payment systems.

3.48 e-Gateway was delivered and released portal-by-portal between December 2009 and January 2010. The administrator portal, for use by the department, was released first. The remaining portals for use by program stakeholders were the:

- financial institutions portal—for the program’s financial partners to confirm householder details and manage green loan applications;
- contact centre portal—to enable assessment bookings to be made into e-Gateway rather than the contact centre’s own database (which had been established as a temporary measure)⁴⁹; and
- assessors portal—that allowed assessors to view their calendar of bookings. DEWHA decided not to release the in-built functionality that would have allowed assessors to make and manage their own online bookings, and for the system to self-generate invoices, because of the rapid increase in demand for assessments.

DEWHA engaged separate contractors to undertake user acceptance testing of the e-Gateway portals prior to their release. Though the work was originally anticipated to take two weeks from September 2009, testing continued to March 2010 after the portals’ release, due to changes in systems design and issues raised during testing. The contractors tested the extent to which the system met business requirements, system security and some usability and load testing. Nevertheless, some assessors and financial institutions reported problems with the operation of the portals, including logging-on (both assessors and financial institutions), viewing all assessment bookings (assessors only) and verifying loan applicant information (financial institutions).

3.49 DCCEE has ceased developing the e-Gateway system and does not intend releasing any further portals. Changes and delays to procuring logistics and audit services for the program means that their portals, developed before their engagement, will not be released. The e-Gateway system has cost DEWHA and DCCEE in excess of \$1.3 million in contracted services comprising: the IT developer’s original proposal and three subsequent variations; user acceptance testing; and a portion of the IT project manager’s services.

⁴⁹ In December 2009, DEWHA’s contractors also transferred the booking data that had been recorded in the temporary database into e-Gateway.

Temporary support systems and workarounds

3.50 As key support systems were not ready, DEWHA had to hastily put in place temporary support systems and workarounds. For example, in place of:

- the integrated online booking and program management system, DEWHA contracted a contact centre provider in May 2009 to manage stakeholder inquiries and bookings and develop a database to manage booking data from July 2009;
- the integrated Green Rewards card and report distribution provider, DEWHA used its printer and distributor of Green Loans promotional material to print and distribute assessment reports from September 2009 to March 2010⁵⁰; and
- system-generated assessor invoices, DEWHA had to establish a procedure for assessors to complete a spreadsheet-based invoicing template each month and submit this to the department for approval.

3.51 As a consequence, program management and delivery processes that were intended to be automated, including the application of program business rules and data matching, had to be done manually. Manual processing introduced greater room for error, took much longer and consumed additional departmental effort. These included:

- checking that assessors undertook no more than five assessments per day, and the correctness of travel fees claimed; and
- matching individual bookings to completed assessments to assessment reports (received by the department/sent to the printer/dispatched by the printer) to assessor invoices.

3.52 The unanticipated increase in demand for assessments led to delays for stakeholders when many of the temporary support systems became overwhelmed from late 2009, and particularly in early 2010, including the:

- assessors booking line at the contact centre that, at its busiest, had over 60 operators and full waiting queues each day;
- assessment reports' distributor being unable to keep up with the volume of assessments to mail out to householders; and

⁵⁰ Assessment report printing and distribution continued under a different provider from May 2010.

- semi-automated process for checking assessor invoices against the contact centre's booking system.

DEWHA attempted alternative processes (or workarounds) to relieve the pressure on the contact centre, including for a time entering into a separate booking arrangement with Fieldforce and allowing assessors to make bookings via email. These arrangements (which are discussed in detail in Chapter 5) did not have the desired impact and created booking backlogs and data integrity issues (discussed below), some of which are yet to be fully resolved.

3.53 The cost and duration of some temporary support systems have also been greater than originally envisaged by DEWHA. For example, the temporary contact centre, originally put in place for six months at a cost of \$770 000, is now permanent and has cost approximately \$4.7 million as at June 2010.

Data integrity issues

3.54 Green Loans program data has essentially been maintained in three separate systems:

- all booking and assessment logistics data for the program in the e-Gateway database⁵¹;
- assessment reports, once generated and submitted by assessors, are sent to a dedicated departmental e-mail account; and
- invoicing information is received via spreadsheets and payment data is managed through the department's financial management system (SAP).

3.55 As at July 2010, the e-Gateway database contained tens of thousands of booking records without unique booking reference numbers and/or with duplicate address details. DCCEE advised the ANAO that it has been excluding duplicate records when reporting program statistics, but the accuracy of this approach could not be validated. Current e-Gateway data is not sufficiently accurate to reliably report on program outputs.

3.56 In addition, prepayment checks of assessor invoices have either not been completed or insufficiently documented to demonstrate that only valid

⁵¹ Although information on green loans was intended to be collected in e-Gateway, this has not been the case for most loans.

invoices have been paid. From the launch of the program to December 2009, DEWHA advised that it used a semi-automated process for validating invoices against data held in the booking database. However, the effectiveness of this process could not be evaluated as documentation of its operations has not been retained by the department. The manual processing of assessor invoices employed by DEWHA and DCCEE since December 2009 lacks sufficient rigour to verify that payments have only been made once for assessments that have produced an assessment report and have a valid booking reference number.

3.57 DCCEE is currently undertaking data cleansing and payment reconciliation projects to identify and correct data errors, and has advised that paid invoices that do not meet program requirements will be referred to its compliance area for possible recovery action.

Stakeholder communications

3.58 Communicating effectively with the many thousands of assessors and householders expected to become involved in the program was an important part of managing the program. This also applied to key stakeholders such as ABSA and the participating financial institutions. However, communication with stakeholders of the Green Loans program has not always been effective, which increased stakeholder dissatisfaction with the program.

Communications with ABSA

3.59 In its April 2010 submission to the Green Loans Senate Inquiry, ABSA considered that communications with DEWHA and DCCEE ‘continues to prove challenging’ due to ‘a lack of clear information, continuous departmental staff changes and sudden announcements’.

3.60 Some of the communication challenges between the departments and ABSA stem from the uncertain roles and responsibilities of each under the AAO protocol. While DEWHA was informed by ABSA in November 2009 that the program’s current circumstances meant that it could not fully comply with the protocol, the protocol has yet to be revised. The ANAO also noted that DEWHA did not consult with, or inform, ABSA before or at the time of taking a key operational decision in August 2009 to recognise Sustainability Victoria’s assessor training course (in conjunction with a bridging course) as being sufficient for assessors to be registered by ABSA.

3.61 DCCEE advised that the dynamics of the relationship between DEWHA and ABSA changed significantly in the latter part of 2009 when ABSA

began discussing, and then imposed, a moratorium on registering new assessors to, in part, protect the interests of its current membership. The department has subsequently found it difficult to deal with ABSA in its dual roles as the program's AAO and as an advocate/lobby group for the interests of ABSA members (most of whom are Green Loan assessors). Nevertheless, the lack of an agreed strategy for communicating with ABSA has resulted in simple issues, such as ABSA not being informed in advance of the department varying all assessor contracts in March 2010, causing unnecessary angst.

3.62 DCCEE advised that in recent months it has devoted significant effort to involve and work with ABSA on administrative issues impacting contracted assessors under the program, resulting in an improvement in their relationship.

Communications with assessors, financial institutions and householders

3.63 DEWHA and DCCEE have predominantly used electronic communications channels to inform program stakeholders (assessors, householders and participating financial institutions) of the parameters and operation of the program. These include:

- the departments' website which contained:
 - explanatory information on the program, such as Program Guidelines, declaration forms, proforma marketing materials, major announcements, and answers to frequently asked questions;
 - operational procedures and guidelines, such as the assessor contract, the Assessor Procedures Manual, Assessor Code of Professional Practice and style guide for marketing materials;
- emails to assessors and financial institutions, including e-newsletters at least once a month, spanning all operational aspects of the program.

Program stakeholders seeking further information from DEWHA and DCCEE, or who wished to lodge a complaint, could telephone the contact centre or lodge a query request on the departments' websites. The contact centre used scripts developed and updated over time by DEWHA and DCCEE to answer common queries raised by stakeholders. However, most records of changes to scripts over time when the program was managed by DEWHA have not been retained centrally.

3.64 As was the custom in REED, the Public Affairs section engaged with the Green Loans team to instigate and refine much of the communications with stakeholders on operational matters. Public Affairs developed and released a style guide for marketing material generated by assessors and financial institutions, and processed 186 requests to review assessors' and financial institutions' marketing material. However, the Green Loans team did not take sufficient responsibility for stakeholder communications on strategic matters. Although Public Affairs drafted a communications strategy to assist the team on strategic communications, the strategy was not endorsed by the management of the Green Loans program.

3.65 Overall, stakeholder communications were not afforded sufficient priority in the Green Loans program, and communication with stakeholders has been inadequate at times. Key messages were often not clearly communicated and relationships with many stakeholders were not supported by an open two-way communication process. Although documentation of messages provided to stakeholders is incomplete, the documentation available demonstrates that some messages on:

- program parameters went beyond current Government policy;
- key operational issues have been made without advance notice;
- the implementation timeframes for key program components and support systems have been continually overly optimistic; and
- delays to key program elements have not indicated likely timeframes for their resolution.

Table 3.2 illustrates examples of poor departmental communications with stakeholders.

3.66 Further, DEWHA did, at times, unintentionally, treat assessors and financial institutions inequitably during the operation of the program. For example, DEWHA:

- established a separate assessment booking arrangement with Fieldforce that gave it a market advantage over other assessors for the 10 weeks it was operating (discussed further from paragraph 5.23); and
- contracted some financial institutions in December 2008 to participate in the program after having earlier advised industry organisations that it would not accept applications during that month (discussed further at paragraph 6.22).

Table 3.2**Examples of program messages communicated to stakeholders**

Communication issue	Example
Beyond program policy	<p>Update assessor training at no cost</p> <p>Email advice to an assessor in July 2009 indicating that when an accredited training course is available, assessors will be offered the necessary additional training at no cost. In March 2010, DCCEE publically advised that this is not within current Government policy.</p>
No advance notice	<p>Christmas closedown</p> <p>Email advice to assessors on 24 December 2009 that the contact centre would be taking no new bookings for two weeks from 25 December 2009 to 10 January 2010.</p>
Announced delivery timeframes continually not met	<p>Launch of the program</p> <p>Financial institutions informed in July 2009 that official launch has been delayed 'to ensure business systems are bedded down in the first few weeks of operation'. In early September 2009, financial institutions informed that DEWHA plans 'to do some high profile media for Green Loans over the next couple of months' and DEWHA would 'keep you posted on our marketing plans'.</p> <p>The Green Loans program was never marketed using the mass media.</p> <p>Delivery of e-Gateway elements</p> <ul style="list-style-type: none"> Automated invoicing promised for mid-August 2009, then 'sometime in October 2009', 'still finalising' in early December 2009, and 'not available at this stage' advised in February 2010. Online assessment bookings promised for 'sometime in October 2009' – but never introduced. Financial institution portal 'aiming to have ... available by end of October 2009', but launched in mid-December 2009.
Insufficient communication on the extent of the likely program delays	<p>Dispatching of assessment reports to householders</p> <p>From early February 2010 to mid-May 2010, department acknowledged that the program 'had a huge response from households and assessors' with 'some delays due to assessors ...' and it had 'increased ... efforts to get reports out to householders as soon as possible'.</p> <p>(The departments did not send reports to the distributor for dispatch between early January and late April 2010. However, it took the distributor until March 2010 to clear the backlog of reports sent for distribution).</p> <p>Green Rewards card</p> <p>Letters with household assessment reports issued since August 2009 promised they would receive a \$50 Green Reward card 'shortly'. Between early February and 21 March 2010, contact centre advised householders they would receive the card 'soon'. From 22 March to 19 May 2010, contact centre advised that it had 'no information about the Green Rewards card at this point'. From 20 May 2010, the contact centre outlined the new Green Rewards policy that had been announced by the Minister the day before.</p>

Source: ANAO analysis of DEWHA and DCCEE data.

Program performance and evaluation

3.67 The Green Loans program guidelines published in April 2009 outlined four program objectives:

- encourage wide-scale improvement of energy and water efficiency in existing homes;
- provide sound advice to households on the most appropriate actions to reduce the environmental impact of operating their home;
- provide financial assistance to households to gain access to the recourses they need to invest in energy and water-efficient technologies;⁵² and
- reduce annual greenhouse gas emissions.

3.68 In June 2009, DEWHA contracted a consortium of universities to develop a monitoring and evaluation plan for the program. The final plan, delivered in September 2009, recommended using up to 54 performance indicators to measure three environmental, seven economic and eight social outcomes that the researchers had identified for the program. The report also highlighted considerable measurement challenges including:

- establishing a credible baseline for household activity;
- selecting the most appropriate method of measuring activity; and
- distinguishing activities associated with the Green Loans program from other policy measures and broader drivers.

Current program management is still considering the recommendations of the plan and is yet to begin measuring the performance of the program.

3.69 The householder declaration forms contained provision for the department to obtain householders' utility usage and billing information after the assessment.⁵³ However, whether DCCEE intends to obtain and use this data for program performance measurement is uncertain. In addition, the usefulness of the program's assessment output data to measure program

⁵² In June 2010, a revision to the program guidelines removed the 'financial assistance' objective to reflect the discontinued green loans component of the program.

⁵³ Assessors are supposed to obtain householder utility data during assessments, if householders make this information available.

performance is adversely impacted by the quality issues highlighted in this audit (see Appendices 2 and 4).

3.70 In the absence of better performance information, the ANAO's survey of householders provides some indication of respondents' perceptions of the program's impact on their environmental sustainability. About half of the 1746 respondents indicated that their assessor's advice and the assessment report (where received) had helped them to reduce their household's energy and water consumption.

Conclusion

3.71 The development and implementation of the Green Loans program was not guided by an appropriate implementation strategy, planning framework and reliable governance reporting arrangements. In their absence, the risks to both effective administration and service delivery increased significantly. Options to deliver the program were first provided to the then Minister in December 2008, leaving little time to finalise program development for the planned pilot testing in April 2009.

3.72 Key program management plans, including in relation to risk management, procurement, IT and communications, were never finalised and endorsed by DEWHA executive management. Effective planning and oversight by DEWHA executives would have better positioned the department to avoid the difficulties encountered in all these areas, including:

- the unidentified and untreated key risks that materialised to the detriment of the effective implementation of the program, including: the quality of assessor training posed by the absence of an accredited training course; the lack of policy or administrative measures to control assessment demand; and staff in the Green Loans team collectively not possessing specialist skills and experience in key areas of program management;
- extensive non-compliance with government and departmental procurement requirements (including multiple breaches of the FMA Regulations related to the approval of spending proposals and contracts, and the Commonwealth Procurement Guidelines);
- the late, partial or non-delivery of key program components and support systems that adversely impacted the implementation of the program, the quality of the products and services delivered, and the

departments' visibility of stakeholders' compliance with program requirements;

- the establishment of temporary IT support systems and workarounds that became overwhelmed by the unanticipated demand, created data integrity issues, and did not sufficiently validate (or document the validation of) assessor invoices before payment; and
- communications with program stakeholders that have not always been effective, were not afforded sufficient priority, and increased stakeholder dissatisfaction with the program and its management by DEWHA.

3.73 Management of the numerous administrative issues that have arisen has been a high priority for program management since the establishment of the Taskforce in late 2009. Understandably, DCCEE assigned a lesser priority to the development of a program planning framework for the Green Loans program, which is unlikely to change given the impending termination of the program. DCCEE's measurement of the performance of the Green Loans against its objectives will be made all the more difficult by the numerous quality issues highlighted in this audit.

4. Training, Registration and Contracting of Assessors

This chapter examines the training, registration and contracting of home sustainability assessors under the Green Loans program.

Introduction

4.1 To become a home sustainability assessor under the Green Loans program, a person needed to complete the assessor training course, apply for registration through the program's Assessor Accrediting Organisation and enter into a contract with the Australian Government (through DEWHA).

Framework for Green Loans assessors

4.2 In developing the program, DEWHA determined that, in addition to assessor training, a quality framework was necessary to ensure that assessors had adequate knowledge, skills and professional standards to conduct home sustainability assessments. In July 2008, in a scoping study commissioned by the department, ABSA advised that an assessor accreditation process was needed to compensate for the lack of a national qualification for assessor training. The accreditation framework was intended to establish a level of quality control that would ensure assessors were suitably qualified to undertake home assessments before applying for a contract and work under the program. ABSA was contracted in August 2008 to develop the accreditation and quality assurance scheme.

4.3 The department also determined that a third party should be engaged as an Assessor Accrediting Organisation (AAO). The role of the AAO was to provide support services to assessors, in particular:

- registering suitably qualified and experienced persons, including the requirement for a police check and insurance;
- providing opportunities for ongoing professional development; and
- conducting quality assurance checks on assessment services.

4.4 The role of the AAO was integral to the implementation of the program, particularly in light of the department's decision not to contract training providers (beyond a proposed four-month pilot training period). The

engagement of an AAO, including its role and responsibilities, was set out in a protocol agreement, rather than a fee-for-service contract.⁵⁴

The Protocol for Assessor Accrediting Organisations

4.5 In late 2008, the department adapted the protocol being used under its Nationwide House Energy Rating Scheme.⁵⁵ The Green Loans protocol for AAOs (the protocol) was designed to provide:

- a national framework for the approval and operation of organisations that accredit (register) persons to conduct household sustainability assessments; and
- a level of surety to the Government regarding the manner in which assessment services were conducted.

4.6 The protocol describes the processes and services to be delivered by AAOs and includes details on assessor qualification and accreditation, quality assurance requirements and reporting obligations. The protocol (finalised by the department in December 2008) was written on the premise that a national qualification for assessor training would be recognised under the Australian Qualifications Framework (AQF)⁵⁶ and available for the Green Loans program.⁵⁷ A nationally recognised qualification provides quality controls such as:

- rigorous methods for determining units of competency;
- the requirement that training be delivered by Registered Training Organisations (RTOs)⁵⁸;
- a consistent framework for the recognition of prior learning; and

⁵⁴ AAOs are expected to be self-funded, using fees charged to provide services for assessors.

⁵⁵ The Nationwide House Energy Rating Scheme provides a framework that allows various computer software tools to rate the potential energy efficiency of Australian homes. ABSA is currently the only Assessor Accrediting Organisation engaged for this scheme.

⁵⁶ The AQF is a set of nationally agreed standards to ensure the quality of vocational education and training services throughout Australia.

⁵⁷ The protocol refers to assessor qualification in the form of 'statements of attainment' and the delivery of training by Registered Training Organisations, who can award the qualification based on recognition of prior learning in accordance with the AQF.

⁵⁸ RTOs are providers and assessors of nationally recognised training. Only RTOs can issue nationally recognised qualifications. In order to become registered, training providers must meet the Australian Quality Training Framework 2007 standards.

- statements of attainment being issued to those who successfully complete the accredited course.

4.7 In reviewing the training, registration and contracting of assessors, the ANAO examined the:

- engagement of the program's Assessor Accrediting Organisation;
- development of the assessor training course;
- delivery of assessor training;
- registration of assessors by ABSA; and
- contracting of assessors by DEWHA and DCCEE.

Appointment of Assessor Accrediting Organisations

4.8 In late 2008, DEWHA publicised the draft protocol under the Green Loans program and sought feedback from industry stakeholders. Although the department was aware when the protocol was being finalised that an assessor training qualification would not be available at the start of the program, this was not reflected in the protocol. The protocol was not vetted by the department's legal consultants.

4.9 The finalised protocol was published on the department's website in December 2008 with an open invitation for interested parties to demonstrate they could meet the requirements of an AAO. After expressing interest in becoming an AAO in December 2008, ABSA was the only organisation to pursue the appointment and lodged a formal proposal in February 2009. The proposal:

- explicitly referred to 'registering' rather than 'accrediting' assessors (in the absence of an accredited course);
- outlined a number of additional services beyond the requirements of the protocol⁵⁹; and
- modelled a fee structure to cover the cost of assessing applications and an annual fee for the provision of support services (ABSA membership).

⁵⁹ These included the establishment of a reference group of industry providers, phone support for assessors, information bulletins and 14 industry seminars per annum, which would be funded by ABSA.

ABSA had earlier advised the department that a proposal along these lines would require the protocol to be amended.

4.10 In late February 2009, DEWHA accepted ABSA's proposal (without seeking legal advice), stating that it satisfied the requirements set out in the protocol and only requested that ABSA modify the annual fee structure.⁶⁰ There is no evidence that the department evaluated ABSA's proposal against protocol requirements or assessed the benefits of the additional services proposed. It is also unclear what final position was taken by the department regarding the provision of 'registration' services (rather than accreditation) and whether the protocol would be updated, as ABSA had requested.

ABSA's compliance with the protocol

4.11 From April 2009 onwards, ABSA reported to DEWHA on a weekly basis to update the number of registered assessors. No issues relating to the registration process were raised by the department during this period. In February 2010, the department engaged PriceWaterhouseCoopers (PWC) to review ABSA's compliance with the protocol. Although the review has not been finalised at the time of the audit, key preliminary findings were:

- ABSA has demonstrated adherence to many requirements of the protocol consistent with their accepted AAO application; and
- there are a number of areas where ABSA was not in strict accordance with the protocol.

4.12 The draft review identified that areas of non-compliance were primarily due to factors beyond ABSA's control and noted that differing interpretations of the protocol has compromised its effective implementation. Table 4.1 outlines the main areas of non-compliance, the reasons they occurred and the current status of each issue.

⁶⁰ DEWHA requested that ABSA's annual fee be based on 800 assessors in the first year rather than the 300 assessors proposed.

Table 4.1**ABSA's non-compliance with the protocol for the Assessor Accrediting Organisation**

Non-compliance according to the draft PWC Report	Reason	Current Status
Proof of applicants acquiring the required level of competence (statement of attainment from an accredited course) was not required for accreditation	The course was not accredited	A national qualification has been developed and is awaiting approval by the National Quality Council. The HSA course has not been accredited.
Recognition of prior learning (RPL) was not offered	The course was not accredited	RPL cannot be offered as the HSA course has not been accredited.
Quality assurance was not taking place	Scheme auditor had not been appointed by the department	The department engaged a scheme auditor in April 2010. ^a
Continuous Professional Development (CPD) units were not provided	CPD units had not been supplied by the department	CPD units were scheduled for completion by December 2009, but as of June 2010, they had not been delivered. ^b

Source: Draft PWC Report (February 2010) and ANAO analysis.

Notes: a—The department signed a contract for audit services focusing on assessor conduct and the operations of assessor organisations under the program and the actions of loan recipients.

b—ABSA advised that it is developing some broad CPD units for its members.

4.13 In November 2009, ABSA informed DEWHA of the areas of non-compliance and requested that the protocol be amended to reflect the changed circumstances. However, to date, the protocol has not been revised. The department considers that the inconsistencies between the protocol and ABSA's proposal do not preclude ABSA from undertaking further protocol requirements, particularly in respect of quality assurance activities. In response to the draft review, DCCEE has indicated that the role and responsibilities of the two parties needs to be clarified in relation to a number of the requirements set out in the protocol and proposed working with ABSA to achieve this outcome.

Development of the assessor training course

4.14 DEWHA contracted ABSA in April 2008 (prior to its appointment as the AAO) to conduct a scoping study that included: consulting with industry stakeholders; determining the competencies necessary for a home sustainability assessor; and reviewing existing assessor training courses. In July 2008, ABSA reported to the department that industry feedback had identified:

- the sustainability assessment industry was in a very early stage of development;
- there was widespread support for a national training qualification; and
- any new training material should build on the existing *Course in Home Sustainability Assessment* developed by Sustainability Victoria.⁶¹

4.15 ABSA also reported to the department that the Sustainability Victoria course did not address all of the identified competencies and might not provide assessors with the required skills for the Green Loans program or the proposed Mandatory Disclosure initiative.⁶² ABSA further identified that a new national qualification would take at least 12 months to develop and would not be completed by the program's planned 1 January 2009 launch date.⁶³ The report made two recommendations, which the department accepted:

- in the short term, develop a series of short courses for home sustainability assessors and an accompanying assessor accreditation process; and
- in the medium term, develop an AQF qualification in home sustainability assessment, which would incorporate the short course materials.

ABSA noted that, although the development of a national qualification would not be ready for the launch of the Green Loans program, it would fit the timeframe for the proposed Mandatory Disclosure initiative.

Development of the *Home Sustainability Assessment* course

4.16 In August 2008, DEWHA directly sourced and contracted ABSA (at a cost of \$99 000) to develop an assessor training course for use in the short term. ABSA developed the *Home Sustainability Assessment* (HSA) course, which is a four-day attendance-based course (with no formal examination requirements) covering key areas such as:

⁶¹ The Sustainability Victoria *Course in Home Sustainability Assessment* is an 80-hour state-accredited course, under the Australian Qualifications Framework.

⁶² The Mandatory Disclosure initiative requires the energy efficiency rating of commercial office buildings and residential properties to be disclosed at the point of sale or lease so that potential buyers and tenants can compare the energy efficiency of buildings. The *Building Energy Efficiency Disclosure Act 2010* for the energy performance of large commercial buildings was passed in June 2010.

⁶³ The Green Loans program was later delayed and did not actually start until 1 July 2009.

- water usage, energy efficiency and the thermal performance of buildings; and
- generic information that needs to be entered into an assessment tool to produce a report on a home's sustainability.⁶⁴

4.17 At the time the course was being developed, the department had not identified an assessment tool for the program, which created ambiguity as to what form the home sustainability assessment would take, and the appropriate content and structure of the course material. The course material has not been updated to incorporate the procedures for undertaking an on-site assessment or how to use the assessment tool, which became available in May 2009.⁶⁵

4.18 A draft version of the HSA course was used in an assessor training pilot program from December 2008 to March 2009. The pilot provided the opportunity for selected training providers to trial the materials and to provide feedback to the department and ABSA.⁶⁶ Feedback noted that the course material was underdeveloped and that improvements should be made to the presentation, structure and content of the course materials. In early December 2008, DEWHA raised concerns with ABSA about the quality of the materials and requested that ABSA review the course content, in light of industry feedback. With departmental approval, some providers took the draft materials and further developed them at their own cost. It is unclear to what extent feedback from the assessor training pilot or improvements suggested by training providers were used to improve the course materials. ABSA indicated to the department, in late March 2009, that no substantial changes had been made to the materials and it was awaiting feedback from the pilot training.

4.19 In April 2009, ABSA completed the HSA training course and it was provided to interested training providers.⁶⁷ DEWHA did not formally evaluate the quality of the HSA course prior to its release. The department indicated to industry representatives at the training review workshop in February 2009 and, through internal correspondence in July 2009, that it would engage

⁶⁴ This information includes the energy performance of heating, cooling and lighting systems and electrical appliances.

⁶⁵ ABSA advised that, although the course did not train assessors in the use of the Green Loans assessment tool, ABSA members are provided with technical support for the tool.

⁶⁶ Six organisations (including ABSA) participated in this pilot.

⁶⁷ The final course materials were in a CD format and included a slide presentation, instructor notes and questions for an open book exam. It did not include a course workbook for participants.

third parties to independently review the quality of the training course; however, this did not occur.

4.20 In August 2009, the department approved the use of the Sustainability Victoria course (in conjunction with a six-hour bridging course) as a recognised equivalent to the HSA training course. By that time, it was evident that the content of the HSA course closely aligned with the material already being taught in the Sustainability Victoria course. ABSA has indicated that, although it recommended in July 2008 that the department should not use the Sustainability Victoria course, by early 2009, it could see that the assessment features of the Green Loans program had evolved to the point where the Sustainability Victoria course did address the program's requirements.⁶⁸ The department would have saved time and money, and received the benefits associated with an accredited course, if it had adopted and modified the Sustainability Victoria course for universal application from the start of the program.

Continuing Professional Development

4.21 Between June and September 2009, DEWHA contracted five providers to collectively develop a series of up to 12 continuing professional development (CPD) units, to review the quality of these units and to develop a system platform for the e-learning module.⁶⁹ Although originally scheduled for completion by December 2009, DCCEE advised that as at July 2010, only four of the units had been completed and the remainder are being reviewed by the department as well as the status of contracts and deliverables.

4.22 ABSA advised that, in the absence of Green Loans CPD units, it has been developing its own program of CPD units to enhance its members' skills, beyond the parameters of the Green Loans program.

National qualification for assessors

4.23 In line with ABSA's recommendation for the medium term, DEWHA intended that assessors operating under the Green Loans program would have a national qualification recognised under the AQF. In August 2008, the Minister for the Environment, Heritage and the Arts was advised that the

⁶⁸ ABSA has also indicated that, when it was contracted to write the course materials, the Green Loans assessment tool had not been determined but it was thought to be more similar to a Nationwide House Energy Rating Scheme tool.

⁶⁹ The combined value of the eight contracts was \$253 342.

department intended to develop a national qualification for assessor training. In the same month, the department drafted a contract for ABSA to work on developing a national qualification, but this never progressed. The department was focused on the unaccredited course for use in the short term and, in late 2008, put plans to develop a national qualification on hold. The then Minister was not informed that a national qualification had not been completed until early December 2009.

4.24 In May 2009, the department commissioned the Construction and Property Sector Industry Skills Council (CPSISC) to consult with stakeholders and develop a national qualification for home sustainability assessors by April 2010. CPSISC worked on this project until the department put it on hold in December 2009 because of uncertainty about the future of the assessment component of the program. Work commenced again in June 2010 and the national qualification has been submitted to state and territories and is awaiting endorsement by the National Quality Council. This qualification is expected to become available soon; however, no further assessor training is expected under the Green Loans program.

Delivery of assessor training

4.25 Three types of training were delivered under the Green Loans program:

- instructor sessions, which were delivered by ABSA under contract (November 2008 to July 2009);
- the assessor training pilot, which was delivered by six training providers under contract (December 2008 to March 2009)⁷⁰; and
- standard assessor training, which was provided by at least 52 non-contracted training providers (April to December 2009).

Instructor training

4.26 In August 2008, DEWHA direct sourced and contracted ABSA (at a cost of \$66 000) to develop an instructor training course in parallel with its development of assessor training materials. Although not an RTO, ABSA was contracted to deliver a series of instructor courses between November 2008 and

⁷⁰ ABSA was one of the six training providers.

July 2009 in five major cities.⁷¹ Approximately 100 prospective instructors were trained and participants were not charged for these courses.

4.27 The department did not set prerequisites for instructor course attendees. Potential instructors were not required to attend HSA training or be associated with an RTO. The first instructor course was attended by organisations that were invited by the department and contracted to deliver the assessor training pilot. For subsequent instructor courses, ABSA had discretion to determine the suitability of applicants. ABSA indicated to the department that the majority of attendees were experienced 'industry people' and that efforts were made to partner participants with RTOs, where possible.⁷²

4.28 The instructor sessions provided networking opportunities and generated valuable feedback on the instructor course materials, but they were overshadowed by uncertainty and confusion about important features of the Green Loans program, such as the functionality of the assessment tool and the operation of the booking system. Given the absence of formal prerequisites for instructors, it is difficult to determine how the instructor sessions enhanced the quality of assessor training.

Assessor training pilot

4.29 Separate to the instructor course provided by ABSA, the department organised an assessor training pilot to run from December 2008 to March 2009. The pilot was a forum for trialling the delivery of the HSA course and refining the course materials. The department approached eight industry organisations (including ABSA) to provide quotes for training delivery. Of these, six were contracted to deliver the training pilot.⁷³ The goals of the training pilot were to:

- deliver assessor training courses in at least eight locations across Australia;
- train at least 600 assessors; and

⁷¹ The November 2008 session was considered a pilot course. The courses were delivered under three contracts at a total cost of \$138 710. An additional instructor session was delivered in September 2009, which was not under contract. ABSA advised that trainers at these courses had appropriate training qualifications.

⁷² Partnering non-RTOs with RTOs is a recognised practice under the AQF and involves the establishment of a formal agreement such as a Memorandum of Understanding between parties.

⁷³ Contracts with providers varied from \$5500 to \$33 000 and were based on providers' proposals.

- collect feedback on the draft HSA course materials.

4.30 The department set minimal requirements for the delivery of pilot training. Although the project brief indicated that pilot training should be delivered by RTOs, only two contracted providers were associated with an RTO. Training providers had discretion to set their own fees, class sizes, method of delivery and course duration. While the courses were generally delivered over three to five days, course fees varied from no cost to \$2000 per participant and a variety of assessment techniques were employed. In total, 38 training sessions were conducted during the pilot training period and 786 assessors were trained.

4.31 Quality assurance measures for the pilot were also limited and the department had minimal visibility of the quality of training delivered. A departmental officer attended a day session conducted by four different training providers. The officer was able to gain some assurance on the quality of training delivery; however, the assessor training pilot was also greatly hindered by the underdeveloped course materials.

Standard assessor training

4.32 In April 2009, DEWHA paid ABSA to distribute up to 200 copies of the HSA training materials (in CD format) free of charge to interested parties, including participants of the instructor courses. ABSA advised that it distributed at least 102 copies of the materials and that these copies were likely to have been duplicated and distributed to other prospective trainers. There is no evidence that the department put any limit or control on the distribution of the HSA course materials, although ABSA was directed to list training providers on their website. In September 2009, ABSA unilaterally decided to stop providing course materials to non-RTO associated training providers. This decision was made in anticipation of the course becoming accredited and to address complaints about training provided by non-RTO associated training providers.

4.33 The department did not enter into contracts or establish any arrangements with training organisations to deliver assessor training after the pilot program. Upon receipt of the HSA course materials, and in the absence of any arrangement with the department, training providers had discretion to

determine all aspects of the HSA course delivery.⁷⁴ ABSA's records indicate that at least 52 training providers delivered the HSA course. Of these, only seven were RTOs.

Quality of training

4.34 Ninety-nine per cent of the 1135 respondents to the ANAO's survey of contracted assessors indicated that they attended a training course and 75 per cent attended at least four days of training.⁷⁵ Of those trained in December 2009, 54 per cent attended less than the four days of training prescribed by the course.⁷⁶ Responses revealed a generally high level of satisfaction with the training. The survey results also indicated that a variety of evaluation techniques were used by various providers to determine course completion, including examination, self-assessment and course attendance.

4.35 The department had no control over the quality of HSA course delivery and had almost no visibility of assessor training after the pilot period. Complete records were not kept of the distribution of HSA course materials, the identity of training providers delivering the course or the numbers of assessors trained.

Registration of assessors

4.36 As noted earlier, the registration of assessors was a key component of the assessor framework and was intended to ensure that assessors were suitability qualified, fit and proper persons to enter homes and conduct household sustainability assessments. Essential components of the registration process, as set out in the protocol, included confirmation that the applicant had:

- the required level of qualification and experience, demonstrated by a duly authorised 'statement of attainment';
- agreed to the code of professional practice and a quality assurance system;
- undertaken a police check; and

⁷⁴ This included setting fees, class size, method of delivery, form of evaluation (if any) and course duration.

⁷⁵ Details of the how the surveys were conducted are provided in Appendix 5.

⁷⁶ A moratorium on assessor accreditation was announced in November 2009 with a deadline for completing training by 24 December 2009.

- obtained suitable insurance cover.

4.37 However, as noted earlier, statements of attainment apply only to accredited courses. In the absence of an accredited course, ABSA could only accept certificates of attendance for the unaccredited HSA course. Over 95 per cent of respondents to the ANAO's survey of assessors advised that they had submitted the necessary documentation for registration.⁷⁷

Progress of registration

4.38 DEWHA did not establish a mechanism to monitor or control the number of people seeking to become Green Loans assessors. ABSA only became aware that people had been trained once they applied for registration. Weekly updates of assessor registrations were provided to the department but ABSA was not required to compile information on the number and date of assessors trained. Given that the department had no relationship with training providers and first received an indication of prospective assessor numbers through the ABSA registration updates, there was a significant lag in the department's awareness of the uptake of assessor training and demand for the program.

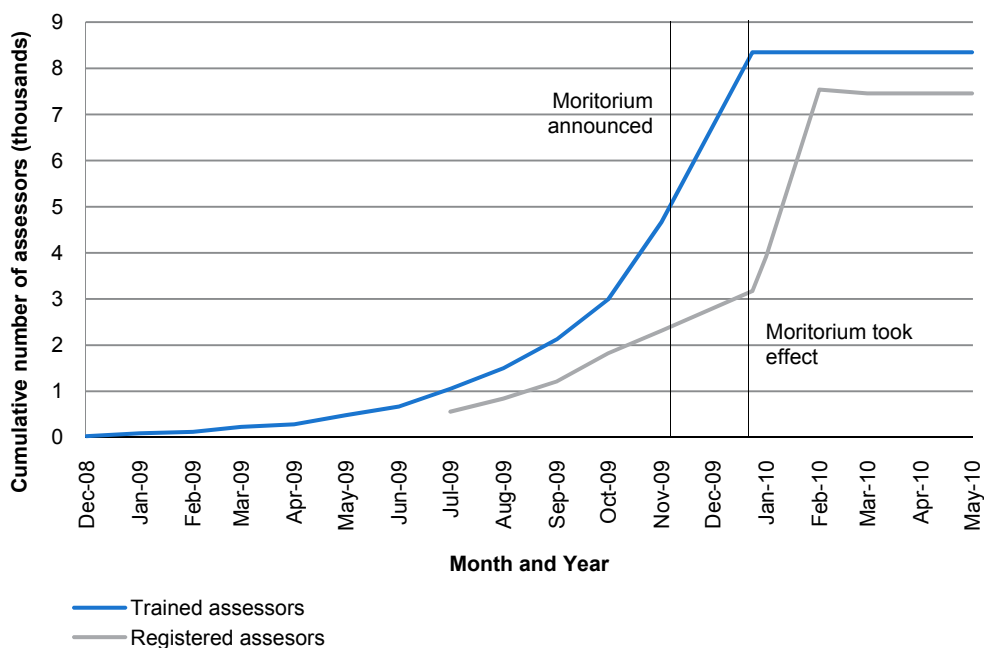
4.39 The uptake of assessor training and registration is illustrated in Figure 4.1, which plots the cumulative number of assessors trained and registered over time. From April 2009 onwards, the number of assessors trained (per month) shows a strong upward trend—less than 400 were trained in July, over 800 in October, and over 3500 in December 2009. It is important to note that the department had no contemporaneous visibility of this data, but rather monitored the number of assessors registered and subsequently contracted.⁷⁸

⁷⁷ Details of the how the surveys were conducted are provided in Appendix 5.

⁷⁸ ABSA advised that it also did not have much visibility of the numbers of assessors being trained and shared what information it had with the department.

Figure 4.1

Cumulative number of assessors trained and registered over time^a



Source: ANAO analysis of ABSA data.

Note: a—The figure is based on monthly data of trained assessors as per training certificates and includes only trained assessors who sought registration. Over 1000 more people are known to have received training who did not apply for registration by the moratorium deadline.

4.40 The analysis shows that ABSA, at the start, registered assessors within 6–7 weeks of them receiving training. However, this increased to nearly 10 weeks for assessors trained in November and December 2009, due to the volume of applications being received.⁷⁹ Overall, 61 per cent of assessors surveyed by the ANAO agreed that ABSA issued registrations within a reasonable period of time, although this dropped to one-third for those registered after November 2009 (when the moratorium on assessor registration was announced).

ABSA's moratorium on assessor registration

4.41 Within two months of the program's launch in July 2009, it became evident to ABSA that there would be more assessors under the Green Loans

⁷⁹ The time taken for trained assessors to lodge applications and the extent to which applications lodged required additional information before processing is not known.

program than the available work could accommodate. In late August 2009, ABSA started corresponding with the department about high assessor numbers and the possibility of placing a moratorium on assessor registration. ABSA considered that this would 'prevent further overloading of ABSA's and DEWHA's systems and protect the work that was available for those already in the system.' In early September, the department briefed the then Minister on the status of the program and indicated that ABSA was in favour of a cap on assessor numbers 'in order to ensure that the assessor business is sustainable.' No recommendations were made to the Minister at that time.

4.42 Throughout September 2009, ABSA and the department discussed the proposed moratorium. Before taking further action, the department sought to gauge the likely number of assessors trained in the coming months. ABSA informed the department in mid-October 2009 that it intended to impose a two-month moratorium on registering new members from 1 December 2009 to 1 February 2010. ABSA noted that they could not support over 2000 assessors in the use of the tool and other services. In late October 2009, the department again briefed the Minister on ABSA's intended moratorium and indicated that:

- it was not in a position to prevent ABSA from taking such action;
- ABSA had registered 1658 assessors as at 27 October 2009 and was continuing to register about 90 new assessors each week;
- the department would likely have a sufficient number of assessors to service the program (2000 to 2200) by the end of December 2009; and
- a moratorium would preserve work for existing assessors, but would probably result in some areas not being covered by the program (as only 52 per cent of Australian postcodes were then being serviced by assessors).

4.43 The brief proposed two options: either endorse the moratorium; or remain neutral to the moratorium and remain open to contracting assessors. The department recommended option one, but the Minister disagreed with this recommendation and, after further discussion with departmental officers, decided to remain neutral to the proposed moratorium.

4.44 ABSA advised the ANAO that it postponed the original moratorium commencement date because of complaints from training providers who had already booked training courses throughout December. On 6 November 2009, ABSA announced that a moratorium on assessor registration would come into effect on 24 December 2009 and anyone who was trained prior to this date (and

applied for registration before 21 January 2010) would be registered and contracted by the department.

4.45 As shown in Figure 4.1, a large number of assessors were trained and subsequently applied for registration between November 2009 and January 2010. ABSA indicated it took until March 2010 to clear the backlog of applications for registration lodged before 21 January 2010. It also advised that, in January 2010, it offered 5000 new applicants the opportunity to withdraw their applications and receive a refund of their membership fee. About 250 assessors (five per cent) took up this offer.

Contracting of assessors by the department

4.46 Under the Green Loans program, assessors could be contracted either as individuals or as specified personnel of assessor organisations.⁸⁰ DEWHA received legal advice when drafting the contracts to ensure that key risks were managed well. The assessor contracts were ready in May 2009 for the assessment pilot.

4.47 While contracts with assessors largely addressed the potential risks associated with their involvement in the Green Loans program, the contracts lacked a clause to stipulate that a booking reference number was required *before* an assessment could be undertaken and invoiced.⁸¹ In May 2010, this clause was formally incorporated by a variation to the terms and conditions of assessor contracts.

Contracting progress

4.48 DEWHA's contracting of assessors kept pace with ABSA's registrations until December 2009 when there was a large increase in the number of people seeking registration. ABSA's announcement of the moratorium on 6 November 2009 included a statement that all assessors registered before the moratorium date would be contracted by the department. The department's e-newsletter to assessors a week later confirmed that it would contract registered assessors in accordance with the moratorium. As at 21 January 2010, ABSA informed DEWHA that in addition to the 5000 assessors already

⁸⁰ The contracts included details on the provision of services, registration, training, advertising, insurance, recordkeeping and confidentiality.

⁸¹ This requirement was set out in 'Instructions of Assessors,' received upon commencement of the contract.

registered under the program, a further 5000 applications were still waiting to be processed.

4.49 The department advised that after clearing the backlog of contracts, it withheld signing new contracts with assessors from early February 2010 pending the resolution of the program's budgetary issues and the determination of potential changes to the program. On 19 February 2010, the Minister for the Environment, Heritage and the Arts announced significant changes to the Green Loans program, including a cap of 5000 contracted assessors under the program. By March 2010, ABSA had registered some 7500 assessors.

4.50 The Minister for Climate Change, Energy Efficiency and Water announced on 10 March 2010 that no further contracts would be issued until after she had considered the findings of two reviews of the Green Loans program.⁸² In July 2010 the suspension on additional assessor contracts was extended. As at August 2010, DCCEE determined there were approximately 4400 contracted assessors.

Ongoing issues

4.51 DCCEE is continuing to work through a number of issues relating to assessor contractual and registration arrangements. DEWHA discovered in January 2010 that it had contracted about 50 assessors both as individuals and as specified personnel of assessor organisations. DCCEE advised in July 2010 that this issue is being addressed and the number of assessors under both contracts has reduced to 34 assessors. The department has also been working in consultation with ABSA to ensure that assessors maintain appropriate insurance cover⁸³ and, for those still contracted to the program, ABSA membership, (which expired on 1 July 2010).

⁸² The PWC review of *Compliance Activities—Household Sustainability Assessments Scheme Assessor Accrediting Organisations* and the Independent Inquiry—*Green Loans Program: Review of Procurement Processes and Contractual Arrangements*. Until assessor organisation contracts were varied on 25 March 2010, DCCEE was obligated to continue to contract additional specified personnel.

⁸³ Contracted assessors are required to have insurance policies to cover public liability to the value of \$10 million per claim and professional indemnity to the value of \$2 million per claim for individual assessors and \$5 million per claim for organisations. Insurance coverage for individuals and assessor organisations is required to extend one year and seven years, respectively, beyond the expiration or termination of their contracts with the department.

Availability of work relative to assessor numbers

4.52 At various times, the number of assessors required to service the program were considered by the department and ABSA (as discussed in Chapter 2). However, at no time did the department or ABSA officially convey that assessor numbers would be limited, until:

- in ABSA's case, the 6 November 2009 announcement of its moratorium on assessor registration; and
- in the department's case, the 19 February 2010 announcement of a cap of 5000 on assessors contracted under the program.

4.53 Although the department did not make decisions or announcements on an assessor cap before February 2010, it did not take sufficient steps to clarify and reinforce the parameters of the program in the face of contradictory messages being marketed to potential assessors. The first messages most prospective assessors obtained on the Green Loans 'opportunity' came from training organisations that had a vested interest in training prospective assessors for a fee, which usually ranged between \$1200 and \$2000 each. The training materials do not contain information on the potential availability of work relative to the possible number of assessors. Under the AAO protocol, ABSA was also not required to communicate messages on the potential availability of work before applicants paid their insurance fees (about \$900 to \$1220), registration fees (\$440) and membership fees (\$220). In total, assessors typically invested between approximately \$2760 and \$3880 prior to being contracted under the program. The ANAO's survey of assessors indicated that nearly half of respondents had intended to work full-time under the program.

4.54 The contract with assessors under the Green Loans program stipulates that the Government does not guarantee work under the program. However, many assessors signed up expecting to work full-time, when the department knew, or should have known, that this would not be possible for most assessors. From September 2009 onwards, the department periodically published figures of the number of assessments booked and completed in e-newsletters. Assessors were also reminded from January 2010 onwards that the Government does not guarantee a specific level of work under the program. DCCEE has reasonably observed that assessors have some responsibility for their own due diligence in making a decision to be involved in the program. Assessors registered by ABSA under the Green Loans program are eligible to apply for assessment services in the recently announced Green Start program.

Conclusion

4.55 Overall, ABSA registered assessors broadly in line with the protocol. However, there was no mechanism for DEWHA to monitor or control the number of assessors receiving training. Consequently, the time lag between assessor training and ABSA registration meant that the department had no visibility of the rapid increase in the number of assessors undertaking training. Over 3000 registered assessors have been unable to obtain contracts to work under the program since the announced cap on assessor numbers and the suspension of finalising further assessor contracts.

4.56 The protocol for AAOs did not accurately reflect the roles and responsibilities of both DEWHA and the AAO in regard to assessor registration, quality assurance and support services. DEWHA accepted ABSA's proposal to become an AAO, which noted that it would 'register' rather than 'accredit' assessors, in the absence of an accredited course.

4.57 Delays during the planning phase of the program meant that an accredited course was not available. In the absence of an accredited training course, DEWHA did not give proper consideration to the controls necessary to ensure the quality of the training material, its delivery and the competencies attained by those who received training. In particular:

- the short unaccredited training course developed for assessors did not incorporate feedback from the pilot training, was not formally evaluated after its completion, and was not modified to incorporate the assessment tool; and
- the department encouraged the delivery of the unaccredited training by all interested parties (including registered and unregistered training providers) without establishing any formal arrangements that would allow DEWHA to govern the standard of training delivered by the training providers.

4.58 As a result, the majority of assessors have been trained by unregistered training providers. DEWHA did not establish mechanisms for assessors to demonstrate their competency in home sustainability assessments before undertaking work under the Green Loans program.

5. Home Sustainability Assessments

This chapter examines the processes involved in, and the systems to support the conduct of, Home Sustainability Assessments under the Green Loans program.

Introduction

5.1 Home Sustainability Assessments were undertaken by trained assessors registered by ABSA and contracted by DEWHA. A householder could book an assessment with an assessor or through the Green Loans contact centre. Following the assessment, the assessor submitted the relevant data via an online assessment tool and an assessment report was generated electronically and mailed to the householder by the department. Assessors were paid by the department.

5.2 To assess how effectively the department managed the home assessment process, the ANAO reviewed:

- the development of assessment tools;
- the system used for scheduling assessments;
- how assessments were conducted;
- distribution of assessment reports to householders; and
- processes for paying assessors.

Development of assessment tools

5.3 The proper conduct of assessments was predicated on the department developing: data collection methods; an online tool (calculator); a self-assessment tool; and the assessment report template. The department provided assessors with three methods to record assessment data:

- an assessment workbook;
- an offline tool, which was a Microsoft Excel spreadsheet, that assessors could use on their laptop (or other compatible electronic device). The assessor could then upload the offline data into the online tool; and
- an online tool, which was accessed via the Internet and allowed assessors to enter data directly into the tool during the assessment.

5.4 All assessors, regardless of the method used to record the data, must submit the data to the department via the online tool.⁸⁴ The online tool then calculates: the current household energy and water usage; recommendations for improvement; and, until the discontinuation of the loans component, up to 10 items for which a green loan could be obtained. For each assessment, the tool creates an electronic report, which is emailed to the department when the assessor submits the assessment data.

Procurement of tools for the program

5.5 DEWHA made several attempts over a ten-month period, to either access or tailor the existing assessment tools for the program. Table 5.1 summarises these attempts, culminating in the contracting of the Royal Melbourne Institute of Technology (RMIT) University and others from April 2009.

5.6 As previously discussed in Chapter 4, the Faulkner Inquiry found a series of procurement and probity issues in relation to these and other contracts, including poor procurement planning, contract splitting, lack of commercial terms in contracts, poor management of supplier Request for Quotes, and the direct sourcing of suppliers without supporting justification.⁸⁵

5.7 Once RMIT was engaged, less than three months was left to develop a prototype tool for the pilot. DEWHA entered into contracts with RMIT to develop the online tool just three weeks before the program's 'go-live' date. The workbook and a prototype offline tool were ready in May 2009, in time for the program's pilot testing. The online tool and the report template were implemented in August 2009, after the program commenced.⁸⁶

⁸⁴ Assessors using the workbook or the offline tool had to transpose or upload the data into the online tool.

⁸⁵ Patricia Faulkner. *Independent Inquiry—Green Loans Program: Review of procurement processes and contractual arrangements*, June 2010.

⁸⁶ RMIT advised the ANAO that the online tool was delivered to DEWHA by 1 July 2009. At the department's behest, RMIT made improvements to the tool before it was released to assessors in August 2009.

Table 5.1**DEWHA's attempts to procure assessment tools for the program**

Time	Organisation/s	Procurement actions
Jul to Oct 2008	NSW Department of Environment and Climate Change (DECC)	The potential use of a NSW DECC tool was abandoned in October 2008 due to the inability to resolve licensing issues.
Sep 2008 to Jun 2009	Commonwealth Scientific and Industrial Research Organisation (CSIRO)	Multiple contracts totalling almost \$300 000 entered into and paid to tailor the CSIRO software. The department acknowledged at the time that CSIRO's tools would not be ready at the program's commencement.
Oct to Nov 2008	Fieldforce	Contract under negotiation to provide an online booking service and assessment software. Contract never finalised.
12 Nov 2008	Victorian Environment Protection Authority (EPA)	DEWHA and Victorian EPA signed a Memorandum of Understanding to provide DEWHA with a royalty free licence to algorithms and calculation materials from the Authority's tool—the Australian Greenhouse Calculator.
Dec 2008 to Mar 2009	Four organisations	A selective Request for Quote process begun in December 2008 was aborted in March 2009. A full open tender process envisaged in its place did not occur.
Late Apr 2009	RMIT and others	DEWHA entered into 13 contracts with RMIT totalling over \$900 000 to: develop the assessment tool, drawing from the Victorian EPA's Australian Greenhouse Calculator; and refine, host and support the tool for the program. A further five contracts totalling almost \$250 000 were entered into by DEWHA with three other organisations for tool testing, IT integration and report research work.

Source: ANAO analysis of DEWHA files and data.

Testing of the assessment tools

5.8 The program pilot, which ran from late April to June 2009, involved 46 assessors completing 327 assessments using the workbook and a prototype offline tool. Assessors provided the workbook and prototype files to the department. The pilot did not test the booking processes (via the contact centre), the conduct of the assessment, the creation or use of the household report and the loan application processes. The use of the online tool to calculate household energy and water usage or recommendations for improvement was also not part of the pilot. During the development of the report template, a prototype report was tested with focus groups, which informed recommendations to enhance the report's effectiveness in engaging householders.

5.9 In June 2009, DEWHA contracted out an evaluation of the online tool from an assessor 'usability and usefulness' standpoint, based on the pilot

assessments. The tool's calculations were outside the scope of this evaluation. In late August 2009 (four days before the project was to be completed), DEWHA discovered that the contractor had not commenced the evaluation. The department instructed the contractor to commence immediately, but to evaluate the use of the online tool, not the prototype.

Modifications to the assessment tools

5.10 Numerous software problems were encountered with the assessment tools requiring modifications in their early stages.⁸⁷ Early assessment reports were regenerated on 25 August 2009 following the software modifications. DEWHA commenced sending assessment reports to householders from early September 2009 (some two months after the program began). At this time, DEWHA acknowledged that there were still unresolved issues with the tool.

5.11 Additional fixes, question changes and eligible items continued to be made over the following months.⁸⁸ The changes to the online assessment tool were not mirrored by DEWHA in the workbook and, until e-Gateway became available to assessors from December 2009, updates to the offline tool were not easily accessible. Assessors who used the workbook and offline tool were frustrated by the additional time required to transfer the misaligned data from those tools into the online tool.⁸⁹ The department updated the offline tool in November 2009 but it was not until April 2010 that DCCEE revised the workbook and made electronic copies available to assessors.⁹⁰

⁸⁷ RMIT advised that the modifications required during the first few months of operation are considered standard in the industry and comparable to the refinement completed on most similar software in its testing phase. Given the tight time constraints allocated in the program schedule to test the software thoroughly before release, RMIT further advised that corrective action was undertaken as quickly as possible as soon as it was identified (in as far as the contracts for work on the software would reasonably permit).

⁸⁸ For example, the department found that some reports recommended the replacement of a hot water system with an instantaneous gas hot water system, when the householder already had a more efficient solar hot water system. The department estimated that approximately 1000 of 15 000 assessments completed at the time were affected. However, due to the difficulty of identifying which individual reports contained the error, the department chose only to regenerate the report if the householder raised the issue with the department.

⁸⁹ Assessor responses to the ANAO survey indicated that the workbook was the most frequently used tool to record assessment information, with around 53 per cent of assessors indicating that they 'always' or 'often' used the workbook. Data transfer issues associated with the offline tool were caused primarily by assessors using superseded versions that were no longer fully compatible with the updated online tool.

⁹⁰ RMIT advised the ANAO that it had recommended the workbook be revised in July and August 2009, however DEWHA did not commission RMIT to do that work until December 2009. RMIT advised that it completed the revision of the workbook on 29 January 2010.

5.12 Issues identified by RMIT and DEWHA, and the results of the ‘usability and usefulness’ evaluation of the online tool informed a major tool update in December 2009. The new version provided usability improvements, added a number of question and answer options, and changed several recommendations. DEWHA received positive feedback from assessors about the new version of the tool. RMIT has been contracted to provide subsequent tool upgrades, including a significant update delivered in May 2010.

5.13 With the introduction of major tool updates, the department has not assessed whether the accuracy and integrity of past assessment reports has been affected, or whether these need to be regenerated. Assessors who responded to the ANAO’s survey in April 2010 expressed a lack of confidence in the assessment tool’s accuracy. A quarter of assessors indicated that they were confident that the online tool returns accurate results. Less than 20 per cent of assessors considered that the department was responsive to any problems identified in the online tool.

Self-assessment tool

5.14 The original program design envisaged that each householder would be invited to complete a self-assessment before the assessor arrived to conduct the assessment. Assessors were entitled to a \$50 fee where the householder chose not to complete (or adequately complete) the self-assessment.

5.15 RMIT was contracted to develop the self-assessment tool on 26 June 2009, four days before the program was to commence.⁹¹ At the time, RMIT noted in an email to the program manager that it had submitted the same proposal in November 2008, and had just adjusted the date. DEWHA suspended the development of the tool on 17 August 2009 so that RMIT could focus on ‘issues with the assessment software’. DCCEE currently has no plans to complete and use the self-assessment tool.

5.16 The non-delivery of the self-assessment tool has meant that assessors claim \$200 for every assessment undertaken (the \$150 assessment fee and the \$50 self-assessment fee). This decision had financial implications for the program. A saving of \$50 for even a proportion of the 360 000 (and now 960 000) assessments had potential to save the program many millions of

⁹¹ A partial upfront payment of \$22 935 was made to RMIT for services relating to the self-assessment tool.

dollars.⁹² The then Minister was first advised of the non-delivery of the tool, and subsequent cost implications, in January 2010, five months after the suspension of its development.

Scheduling assessments

5.17 An online booking system was envisaged for the Green Loans program, but this was never fully implemented.⁹³ As an interim measure (now permanent), DEWHA entered into an agreement with a contact centre provider in May 2009 to manage enquiries and bookings. The agreement was to be completed by 31 December 2009 (when the online booking system would be in place) at a total cost of \$770 000.

5.18 DEWHA managed the contact centre service levels and quality by: determining the number of operators; providing updated versions of scripts; and advising the provider of new or changed booking controls, such as the number of bookings that could be booked on any one day. The only booking limit imposed at the start of the program was that each assessor was allowed to book a maximum of five assessments per day.

Contact centre performance

5.19 The program commenced on 1 July 2009, with bookings being made by householders and assessors via the contact centre. Table 5.2 outlines the contact centre's monthly call volumes, service levels and staff numbers from the program's commencement to April 2010. It shows the considerable increase in calls in the early months of the program, that service levels were not achieved and the increase in contact centre staff numbers.

Contact centre demand management

5.20 Call numbers grew significantly in the first weeks of the program from 130 calls per day to over 600 per day at the end of August 2009. To relieve pressure on the queue, DEWHA requested that the provider create queues for assessors (from September 2009) and financial institutions (from October 2009). It also relaxed some of the agreed service level targets, shown in Table 5.2.

⁹² The proportion of householders that would have completed a self-assessment, if available, is not known.

⁹³ The development and delivery of the e-Gateway system is discussed from paragraph 3.46.

Table 5.2**Contact centre performance, all queues from June 2009 to April 2010^a**

Month	Calls Offered ^b	% of calls abandoned ^b	GOS ^c General	GOS ^c Assessor	GOS ^c Financial	LWT ^c (hr:min:sec)	Average numbers of staff ^d
Target	-	<5.00%	90% in 10 sec	80% in 20 sec	90% in 10 sec	-	-
Jul-09	4 614	1.2%	88.4%	-	-	0:07:57	15.0
Aug-09	10 705	9.5%	49.8%	-	-	0:19:17	9.2
Sep-09	13 143	5.5%	93.9%	17.9%	-	0:37:16	21.7
Oct-09	17 121	0.5%	98.0%	92.0%	82.5%	0:20:38	42.8
Nov-09	25 438	1.0%	99.8%	84.8%	88.8%	0:07:40	48.0
Dec-09	27 888	5.9%	86.2%	47.9%	91.1%	0:30:30	37.6
Jan-10	40 913	33.0%	37.0%	18.0%	58.1%	1:35:30	45.3
Feb-10	38 127	23.6%	18.6%	6.3%	25.2%	2:35:04	64.9
Mar-10	32 345	0.3%	97.1%	96.3%	97.9%	0:15:12	60.1
Apr-10	24 221	2.9%	90.1%	84.5%	86.8%	0:19:13	49.3

Source: Department of the Environment, Water, Heritage and the Arts.

Notes: a—Grey-shaded boxes highlight unmet targets.

b—The numbers of calls offered (and the percentage of abandoned calls) do not count instances where the caller could not enter the queue, receiving a busy signal. During the six-week period between the resumption of contact centre operations after the Christmas closedown (11 January 2010) and the announced caps on bookings (19 February 2010), the contact centre received 290 798 calls, only a quarter of which entered the queue.

c—GOS= Grade of Service—target example shown is the percentage of calls answered within a specified time. LWT= Longest wait time.

d—The July staff figure includes eight outbound agents who followed up expressions of interest received before the program commenced. The January figure includes data entry agents (email bookings are discussed later in this chapter) and outbound agents (who followed up messages left over the Christmas period).

5.21 The establishment of the Energy Efficiency Taskforce in November 2009 brought some clarity to the program's financial situation and the pressure being put on the program's budget. In response to these financial pressures, the department announced on the afternoon of 24 December 2009 that the contact centre would not be taking bookings from the following day until 10 January 2010 inclusive (two weeks). Only cancellations and reschedules of existing bookings were made through the contact centre during this period.⁹⁴

⁹⁴ Assessors had previously been advised that the contact centre would operate at reduced levels for the three business days during the Christmas/New Year period. On 24 December 2009, the Minister was informed of the close-down and that Fieldforce would continue to make bookings during this period.

The demand being placed on the contact centre continued, particularly during January and February 2010, due in part to assessor companies employing other contact centres to call DEWHA's contact centre.

5.22 To relieve some of the pressure on the contact centre, the department introduced special arrangements for Fieldforce Services Pty Ltd (Fieldforce). Within this context, Fieldforce advised the ANAO that it was not privy to departmental discussions with other assessors and assessor organisations, and so was unaware of whether others had entered into similar arrangements with the department.

Fieldforce booking arrangement

5.23 Fieldforce had the largest number of contracted assessors and was using its own call centre to record and manage its assessment bookings. In September 2009, DEWHA and Fieldforce entered into discussions to remove the duplication occurring between their booking processes. In November 2009, DEWHA asked Fieldforce to draft a contract to formalise the new arrangements agreed with the company.

5.24 This agreement was signed by the Green Loans manager (at no additional cost to the department) on 8 December 2009 without obtaining legal advice and with limited DEWHA executive management consideration. In practice, the arrangement involved Fieldforce making its own bookings and managing those bookings within their own booking system. Fieldforce then emailed booking data to the department who entered it into the database. Although the agreement was put in place by the department to relieve pressure on the contact centre, it allowed Fieldforce to gain a market advantage through the:

- reduced costs of not dealing with DEWHA's contact centre;
- ability to make (for two weeks) an uncapped⁹⁵ number of bookings, while other assessors were limited by the poor service levels being

⁹⁵ From 22 January 2010, the department placed a cap (of 6000 bookings per week) on Fieldforce. The level of the cap was designed to reflect Fieldforce's proportion of bookings at that time, which Fieldforce advised DEWHA was around 1000 bookings a day, six days a week. The department advised that the reason for imposing this cap without giving notice was because ABSA had publicly stated that day that it believed the program would run out of bookings sometime in April 2010. DEWHA thought this announcement might trigger a rapid increase in bookings. The department advised that Fieldforce breached the cap by 139 in one week that the agreement was in place. Fieldforce also made approximately 70 bookings through the contact centre in the same week.

experienced at the contact centre. In the first week of the arrangement, Fieldforce made 40 per cent of bookings for the program; and

- ability to make bookings over the Christmas close-down period, notifying the department, 'in bulk', following the close-down period. Other assessors were able to arrange bookings informally with householders during this period, but still had to go through the contact centre when it reopened.

5.25 Fieldforce advised the ANAO that it did not seek to obtain a market advantage by entering into the arrangement. The arrangement with Fieldforce was terminated by the department on 19 February 2010, the day the Minister announced changes to the program.

Email bookings by assessors

5.26 In a further effort to relieve pressure on the contact centre, a new method for making bookings using email was trialled from 14 January 2010. The department received between 30 000 and 50 000 bookings via email. DEWHA advised assessors on 22 January 2010 that the email booking process would cease. The department could not keep up with the data entry associated with this number of bookings.⁹⁶ A team of contact centre staff were 'quarantined' to clear the backlog of email bookings.⁹⁷

5.27 Because of the large numbers of bookings received and the time it took for the team to enter the bookings, contact centre staff advised assessors that they could proceed with the assessments even though no confirmation was received from the department. The requirement to obtain a booking number before commencing an assessment was not specified in the assessor contract at the time, but had been communicated by the department when assessors commenced with the program and was reiterated from January 2010 via e-newsletters. After considering legal advice, DCCEE decided in June 2010 to confirm bookings for assessments completed up to 12 May 2010 (when DCCEE varied assessor contracts to require assessors to obtain a booking number prior

⁹⁶ In previous weeks, bookings had been around 10 000 -15 000.

⁹⁷ Between 14 and 22 January 2010, the department found that around 3500 bookings from over 100 assessors had not been entered by contact centre staff. Complaints were received from assessors in relation to these bookings.

to completing an assessment).⁹⁸ This decision ensured that householders that had participated in the program in good faith would receive their report.

5.28 The higher than anticipated call volumes, the email trial and the decision to use additional contact centre staff had significant financial implications. The contract with the provider was varied on three separate occasions, increasing the total value from \$770 000 to \$4.7 million.⁹⁹ However, the contract variations and financial approvals (required under Regulation 9 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations)) were not adequately forecast and did not always occur in a timely manner, resulting in multiple commitments breaching approved levels.

5.29 Responses to the householder (1746) and assessor (1135) surveys indicate that householders were generally satisfied with their booking of assessments, although assessors were not. Householders were largely shielded from the poor service levels after the household and assessor queues were separated. Approximately 60 per cent of the assessors who responded to the survey (undertaken in April 2010) indicated that it took more than 30 minutes, on average, to make bookings, and over 50 per cent indicated that they had, at some time, spent more than two hours making bookings. Around 70 per cent had experienced call drop-outs or had calls not returned 'sometimes' or more frequently.

Post-19 February 2010 program changes

5.30 On 19 February 2010 the Minister announced changes to the program, including a weekly cap of 15 000 bookings and daily and weekly assessment caps for assessors of three and five respectively. The introduction of the booking limits significantly improved the contact centre service levels from March 2010, as shown in Table 5.2. As a result, DCCEE was able to reduce the number of contact centre staff from April 2010, and accordingly, its costs. The department also contracted a second contact centre provider to respond to enquiries and to notify all contracted assessors of the program changes.

⁹⁸ For booking requests received from 21 February 2010, the department took account of the new booking limits, either by incorporating them under the caps, or absorbing them against future caps.

⁹⁹ Originally \$770 000 (to 31 December 2009) revised to \$1.5 million (to end of February 2010), then to \$3.4 million (to the end of June 2010) and then \$4.7 million (also end of June 2010).

Quality assurance and complaints

5.31 DEWHA relied on the training and diligence of contact centre staff, supported by call scripts and advice to implement new or changed booking controls. The department has indicated that it had concerns that contact centre staff may not have been enforcing booking requirements, such as the limit of five bookings per single day (which applied prior to 19 February 2010), or requiring assessors to only use the assessor line.

5.32 An important source of information about the quality of the booking service was householder and assessor complaints. These complaints were received through the Green Loans program website, the contact centre and the former Minister's office. Complaints most frequently received and the actions generally taken are shown in Table 5.3.

Table 5.3

Complaints related to bookings most frequently received and actions generally taken

Complaint	Action generally taken
Difficulties in accessing the contact centre—including extended periods where assessors received a busy tone	Situation improved post-introduction of booking limits in February 2010
Householders pressured into making a booking, including assessors stating that an assessment was compulsory	Where sufficient detail available, some referred to compliance area for further investigation
Assessors 'cold-calling' householders, including householders on the Do Not Call Register ¹⁰⁰	Referred to the Australian Communications and Media Authority—reinforcement provided in assessor e-newsletter
Assessors cancelling bookings contrary to the householders wishes	Some referred for further investigation
Householders unable to book an assessment because of a lack of assessors in their area	Some reviews on a case-by-case basis to determine appropriate action
Incorrect householder details being recorded and subsequently included in the assessment report	Details corrected, reports regenerated and dispatched

Source: ANAO analysis of DEWHA data.

¹⁰⁰ The Do Not Call Register allows individuals to list their fixed line and mobile telephone numbers to opt out of receiving certain telemarketing calls.

Conducting assessments

5.33 In addition to the training assessors received, the department produced a range of documents that formed the framework for, and provided guidance to, assessors on the scope and conduct of assessments.¹⁰¹ These documents were supplemented with assessor e-newsletters.

5.34 The department's intended approach to monitor assessor/assessment quality was to engage a program auditor. The lack of a contract in place for audit and compliance services until April 2010 meant that the department was largely uninformed about assessors' adherence to the assessment guidelines and the quality of assessments. The main mechanism through which the department became aware of issues relating to assessment quality and assessor conduct issues was via complaints.

5.35 The complaints most frequently received by the department from householders relating to the conduct of assessments included:

- assessors not spending enough time at the household;
- assessors not turning up for the booking, or not contacting the householder after making a booking;
- the householder believing that the assessor's knowledge was limited;
- improper assessor conduct (such as rudeness); and
- a different person arriving to conduct the assessment than the assessor who made the booking.

Householder and assessor survey—tools and conduct

5.36 As there was little information available regarding the quality of assessments, the ANAO conducted a survey of all contracted assessors and a sample of households who had participated in an assessment to ascertain some information about the conduct of assessments. Of concern was the approximately 210 responses from householders (in addition to the 1746 substantive responses) that indicated that they had not undergone an assessment under the program. This response highlights the importance of having a compliance strategy in place at the start of a program so that indicators of potential non-compliance and fraud such as this can be further

¹⁰¹ These include the Program Guidelines, the Assessor Contract, the Assessor Code of Professional Conduct, the Assessor Procedures Manual, and the Home Sustainability Assessment Assessor Guide.

investigated. Table 5.4 summarises where the ANAO survey results indicated that the quality of assessments could be compromised.

Table 5.4

Responses to ANAO surveys about factors that could affect the quality of assessments

Areas highlighted by survey	Survey result
Assessors not taking sufficient time to conduct the assessment at the home	Almost half of the householders indicated that the assessment took less than 60 minutes, while only nine per cent of assessors indicated that assessments averaged less than 60 minutes. The Assessor Procedures Manual indicates that the average assessment should take 90 minutes.
Assessors not using the assessment tools provided for recording household data during the assessment	Approximately 15 per cent of assessors indicated that they 'always' or 'often' chose to use something other than the workbook, or the offline or online tools. Many of these assessors indicated that they simply used a notepad to record the hundreds of pieces of information required for each assessment.
Assessors being asked by householders to change inputs so that the report would recommend particular items for Green Loan funding	Approximately 23 per cent of assessors indicated that they had been asked by at least one householder to change assessment inputs (assessors were not asked if they acquiesced to householder requests).
Aspects of home sustainability not being discussed or inspected by assessors	Householders and assessors indicated that some aspects were discussed and inspected less than others, such as waste management and recycling, glazing and window treatments and outdoor appliances.
A potential conflict of interest arising from the risk of assessors introducing bias into their assessments to promote commercial products after the assessment	Up to eight per cent of assessors and householders indicated that they had recommended or been referred to particular brands or products, or particular companies to purchase products. Recommending brands or companies is not appropriate.

Source: ANAO surveys of assessors and households.

5.37 Almost 80 per cent of the 1746 householders who responded to the ANAO survey were satisfied with the conduct of the assessment. Around 75 per cent indicated that the assessor provided practical and helpful advice, and almost half indicated that the assessor's advice had helped them to change their behaviour to reduce energy and/or water consumption. Over half of responding assessors indicated their dissatisfaction with the department's facilitation of assessments.

Assessment reports

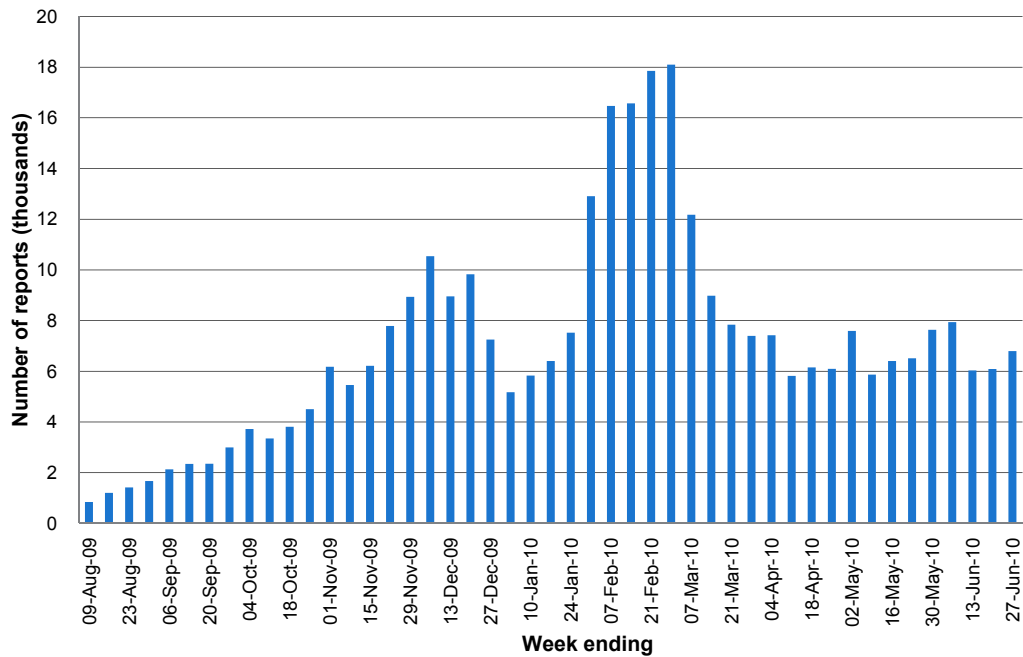
Submission of reports by assessors

5.38 As previously noted, assessment information was entered into the online tool by assessors and a report was automatically generated and emailed to a dedicated email account maintained by the department.

5.39 The program guidelines state that the department should provide householders with their assessment reports within 10 business days of the conduct of the assessment. However, the contracts between the department and assessors did not contain any mechanism to force assessors to submit assessments promptly. In practice, assessors needed to only submit assessments before claiming payment from the department—which was once a month. Figure 5.1 shows the numbers of reports submitted by assessors weekly, up until 27 April 2010. It shows a large increase in the number of reports being submitted, peaking at over 18 000 a week in February 2010.

Figure 5.1

Number of reports submitted by assessors weekly, up to 30 June 2010



Source: ANAO analysis of the DEWHA Reports Mailbox.

5.40 Across the 335 615 reports submitted to 30 June 2010, the ANAO found in excess of 2200 Booking Reference Numbers (BRN) used more than once,

resulting in over 4400 reports (over 1.3 per cent) that do not have unique BRNs.¹⁰² Duplicate BRNs caused the department problems, including multiple reports being sent to a single householder while others received none.

5.41 Tests to validate the BRNs submitted by assessors were not included in the contracts with RMIT. There would be benefit in the department refining the tests that apply when an assessor submits assessment data, to check that the BRN: has not been used before; the number is a 'booked' BRN; and can be linked with the assessor who is attempting to submit the report.

Distribution of reports

5.42 DEWHA originally planned to distribute the assessment report with the Green Renovation pack. However, because of delays in finalising the pack, the department adopted interim arrangements for the printing and distribution of reports. From September 2009,¹⁰³ DEWHA used the contract that was in place to distribute assessor and financial institution program literature to print and distribute assessment reports.¹⁰⁴ Up to January 2010, 120 000 reports had been mailed to householders under these interim arrangements. At this time, the department believed it had breached the approved amount of this expenditure pursuant to FMA Regulation 9¹⁰⁵ and the contract end date, and stopped providing reports to the distributor. The department advised the ANAO that the provider was unable to cope with the volume of reports being generated by the program, and continued to distribute reports that had been provided by the department until March 2010. From mid-January to early May 2010 no reports were provided to the distributor.¹⁰⁶

¹⁰² In particular, nine BRNs were submitted four times. It is possible that a number of the duplicates are a result of the department fixing errors and regenerating reports. However, a number of duplicate reports are submitted within minutes of each other, which does not allow enough time for the department to become involved.

¹⁰³ DEWHA received assessment reports from early August 2009, and the first batch of reports was sent to the distribution provider on 8 September 2009. The provider commenced mailing the reports from 22 September 2009.

¹⁰⁴ Between June and August 2009, the department used the provider to store and distribute assessor materials without a contract being in place. Also, the agreement that was in place from September 2009 did not include the distribution of assessment reports.

¹⁰⁵ FMA Regulation 9 requires approvers of spending proposals to be satisfied that giving effect to the proposals would be a proper use of Commonwealth resources.

¹⁰⁶ During this period, householders who enquired about the delay in receiving their report were advised by the contact centre that: 'the Green Loans program has had a huge response from householders and assessors and the department has increased its efforts to get reports to householders as quickly as possible.'

5.43 The number of reports submitted by assessors continued to grow rapidly and, in February and March 2010, DEWHA explored the idea of emailing reports to households. Trials resulted in a greater than 50 per cent delivery failure rate because of the generally poor quality of the email addresses. As a result, the department did not proceed with the bulk emailing of reports.

5.44 Following the announcement of the discontinuation of the loans component of the program, the department advised that between 19 February 2010 and 23 March 2010 (when the discontinuation of the loans took effect), it emailed 6424 reports to householders who had submitted requests for their assessment reports. A further 7000 requests were not able to be completed by the department in the time available. As at 23 March 2010, up to 127 000 out of the almost 240 000 reports submitted, had potentially been provided to householders in time for them to apply for a loan.¹⁰⁷

5.45 The mailing of reports resumed under another provider from 4 May 2010. With the new provider, the backlog of reports (totalling approximately 151 000) was largely cleared within a month. DCCEE contracted the second provider at approximately one-third of the per unit cost of the first provider. As at 21 June 2010, the department had provided over 304 000 reports to the two distribution providers. Of these, the ANAO found that at least 26 000 reports (over eight per cent) were sent to postal addresses that had previously been sent a report.¹⁰⁸ The department advised that these potential anomalies would be considered as part of its data cleansing project.

Content of reports

5.46 Home Sustainability Assessment reports contain three main sections:

- an assessment of the household's current sustainability;
- the 'Action Plan', which lists all of the actions that the householder can implement to improve their home's sustainability, including an

¹⁰⁷ The 127 000 reports being the sum of approximately 120 000 reports provided to the distributor, plus the 6424 emailed and others dispatched over time by the department. The 120 000 reports provided to the distributor included numerous reports sent to the same address and reports with duplicate BRNs.

¹⁰⁸ Including over 100 addresses that were sent five or more reports. One address was sent 11 reports. As previously mentioned, a small number of these duplicates may be a result of the department fixing errors and regenerating reports.

indicative cost and savings (dollars, greenhouse gas emissions and litres of water saved) for each item; and

- an 'Eligible Item Certificate', which lists up to ten recommendations from the 'Action Plan' for which the householder may seek a green loan.¹⁰⁹

See Appendix 3 for a list of the top ten items listed in the Action Plan section of the report.

Quality of assessment reports

5.47 The main mechanism through which the department became aware of issues relating to assessment and report quality was via complaints. Complaints most frequently received by the department in relation to assessment reports include:

- householders not receiving the report in a timely fashion;
- reports containing irrelevant or incorrect recommendations, including recommendations that had already been implemented;
- reports not being comprehensive (not mentioning items or areas that the householder believed were important);¹¹⁰ and
- reports containing incorrect householder or assessor details.

5.48 The ANAO's survey of households found that, of those who had received their report, 73 per cent agreed that the recommendations were practical and helpful and just over half indicated that the report helped change their behaviour. Overall, 68 per cent of responding householders who had received their assessment report were satisfied with the report.

5.49 To assess the quality of reports, the ANAO analysed a random sample of 400 assessment reports.¹¹¹ Appendix 4 summarises where the ANAO's analysis indicated that the quality of assessment reports could be compromised. The analysis indicated that the anomalies were due, in some cases, to assessment data input errors, and in other cases due to tool calculation issues. Over time, the tool's calculations and data entry controls

¹⁰⁹ This section was removed when the green loans component of the program was discontinued.

¹¹⁰ RMIT advised that it is not possible or practical to include every eventuality within a home. The tool was designed by RMIT to perform assessments covering 200 assessment questions (provided by DEWHA), within 40 minutes.

¹¹¹ This sample was taken from the 273 864 reports submitted between the start of the program and 27 April 2010.

have been improved. However, the ANAO's analysis highlights areas for further improvement. While the assessor is responsible for making sure that the information entered into the tool is complete and accurate, the inclusion of validation and reality checks within the tool could flag anomalous results for further examination, prior to the report being mailed to the householder.

'\$50 Green Rewards' Scheme

5.50 On 3 February 2009, the Minister approved the distribution of a \$50 card to redeem energy-efficient items for householders who had participated in a Home Sustainability Assessment.¹¹² On 23 April 2009, DEWHA launched a Request for Tender with responses due by 19 May 2009, less than five weeks before the program's 'go-live' date. The Request for Tender called for an organisation to manufacture and distribute Green Rewards cards, and distribute assessment reports and other program information.

5.51 The preferred supplier was informed of the outcome on 12 August 2009, six weeks after the start of the program. Over the period September 2009 to February 2010, contract negotiations with the supplier became protracted and the department advised the supplier that it was not proceeding with the contract on 19 May 2010.

5.52 The Minister for Climate Change, Energy Efficiency and Water announced delivery arrangements for a '\$50 Green Rewards' scheme on 19 May 2010.¹¹³ The scheme (commencing after 1 July 2010) allows householders that had received an assessment prior to 11 May 2010 to purchase eligible energy and water saving products to the value of \$50 and claim a rebate from the Australian Government.¹¹⁴ DCCEE has entered into a Memorandum of Understanding with Medicare Australia to assist in delivering the scheme. The ANAO has not examined the delivery of the '\$50 Green Rewards' scheme, as it was to commence after 1 July 2010.

¹¹² The provision of a \$50 Pack was approved by the Australian Government in April 2008 and the Department undertook extensive consultation during the second half of 2008 to develop options for delivering the Pack, its content and to identify potential costs.

¹¹³ Wong, P (Minister for Climate Change, Energy Efficiency and Water), *Delivery Of \$50 Green Rewards In 2010–11*, media release, 19 May 2010.

¹¹⁴ Householders will be required to submit a declaration form and provide receipts for eligible items purchased. Twenty energy and water efficiency products such as water-efficient shower heads, door and window seals and compost bins are listed as eligible items.

Invoicing and payment of assessors

5.53 Assessors were to be paid within 30 days of the receipt of a correctly rendered invoice.¹¹⁵ Throughout the program's first three months, assessors were advised that they would be able to check the invoices automatically generated by the booking system, rather than creating and lodging their own. However, this system was not offered to assessors and, instead, DEWHA provided assessors with an invoicing template (a spreadsheet for assessors to complete and email to the department) as part of the interim invoicing procedures. In the first months of the program, the department found that around 70 per cent of invoices submitted by assessors had been incorrectly rendered and required revision by the assessor. Incorrect invoices have continued to be an issue for both the department and assessors. Around half of all assessor invoices received have required revision, with the main reasons being the incorrect treatment of the Goods and Services Tax and incorrect assessor accreditation numbers.

Invoice verification processes

5.54 The department sought to verify the validity of the invoices. The verification process, and the information checked, changed as the program evolved. The department has advised that, between August (when the first invoices were received) and December 2009, invoices were verified via a semi-automatic process that involved an IT contractor comparing the contents of each invoice to the contents of the contact centre's booking database. The department advised that the checks included:

- the inclusion of required information, such as a name and invoice date;
- that a report for the BRN number quoted had been submitted;
- that the assessor number was valid; and
- that the correct fee was quoted (for example, \$50 for non-attendance).

5.55 Post-December 2009, the department reverted to a largely manual process when the increase in invoices overwhelmed the semi-automatic process. The manual process involved rudimentary checks of invoices for:

- the completeness of entered data (that is, no blank fields);

¹¹⁵ Correctly rendered invoices must include the assessor's name and address, ABN, accreditation number and an itemised list of assessments conducted (including the BRN and charges) and be accurate.

- duplicate BRNs within the same invoice (to the extent possible with a manual check as some invoices contained thousands of itemised assessments); and
- the accuracy of the fees, Goods and Services Tax, and totals claimed.

The current e-Gateway database does not record which bookings have been invoiced and paid. Therefore, the ANAO was unable to assess whether the verification processes were operating effectively.

5.56 Between 1 August 2009 and 30 June 2010, the department paid \$49.6 million to assessors under the program. The invoicing processes, at various times, did not adequately verify the validity of assessor invoices as basic requirements were not appropriately examined, including that:

- assessment numbers were valid, were booked against the correct assessor and the assessment dates matched the booking dates;
- assessment numbers had not been previously paid for in another invoice, or been invoiced by another assessor;
- assessment reports had been submitted; and
- assessors remained accredited, held valid insurance and were associated with the vendor (where the assessor worked for a company).

DCCEE advised that it is in the process of developing and implementing an automated invoice checking function that will perform these checks. It will also reconcile past invoices with assessments undertaken and investigate any invoices that do not meet program requirements.

Timeliness and accuracy of invoice payments

5.57 Assessor complaints to the department in relation to invoicing and payment processes were overwhelmingly concerned at the timeliness of payments. DCCEE advised that it had cleared the backlog of invoices, and, since May 2010, had been paying all correctly rendered invoices within 30 days. However, being unable to match bookings and assessments to payments precludes reliable analysis of the accuracy and timeliness of departmental processing of assessor payments. Further, the ANAO has noted numerous payments for: bookings with invalid BRNs; duplicate invoices (and BRNs); and invoices where assessors claimed more than the five assessments (and up to eight) in a single day, contrary to program requirements.

Conclusion

5.58 DEWHA's administration of the assessment process and its procurement of assessment services and tools was characterised by numerous administrative deficiencies. The department's efforts to procure assessment tools for the program were poorly planned, involved inappropriate procurement practices and resulted in poor contract management arrangements. As a consequence, key program tools have been delivered late, or not at all, at significant cost and with quality implications for assessments. The late procurement of the assessment tools by DEWHA left insufficient time for the tools to be adequately tested in advance of their implementation. As a consequence, numerous modifications were immediately required after implementation which, in turn, initially delayed report distribution and reduced assessor confidence in the tool's accuracy. While improvements to the tool have been made over time, there has been no independent verification by the department of the robustness of the tool.

5.59 The failure to implement an online booking system had significant consequences for the program. The contact centre, which was to be an interim measure, struggled to cope with the unexpected demand for bookings. Assessors (and to a lesser extent, householders) found it difficult to access the contact centre for extended periods of time. The department took a number of actions to improve service levels, including increasing contact centre staff numbers and trialling email booking arrangements. However, these actions did not have the desired impact, and contributed to a six-fold increase in contact centre funding. The arrangements with Fieldforce provided a market advantage for the company by removing the need to make bookings through the contact centre. Booking caps introduced on 19 February 2010 reduced the demand for bookings and saw service levels improve. From March 2010 through to the end of the 2009–10 financial year, the contact centre operated within acceptable services levels.

5.60 DEWHA put in a place a framework for conducting assessments. However, the lack of an audit and compliance function until April 2010 meant that the department was largely uninformed about assessors' adherence to the program guidelines and the quality of assessments. Responses to the ANAO surveys indicated that householders were generally positive about the conduct of their assessment, while assessors were less positive about the department's facilitation of assessments. The surveys also highlighted areas that could have compromised the quality of assessments.

5.61 DEWHA did not finalise the contractual arrangements for the distribution of Green Rewards cards and assessment reports prior to the commencement of the program, requiring an interim measure to distribute reports. The failure to properly contract these interim services contributed to extended periods when reports were not distributed, and delays of two to four months in households receiving their report were not uncommon. DCCEE contracted a second distribution provider in April 2010, that has largely cleared the backlog of over 100 000 reports within a month, at a reduced per unit cost.

5.62 Assessor invoices were to be automatically generated by the booking system but this did not eventuate. The department has received excessive numbers of incorrect invoices from assessors, creating an additional workload and contributing to payment delays. There were significant weaknesses in the program's prepayment checking processes, undermining assurance that payments have only been made for valid claims. The ANAO found instances of payments for assessments with invalid booking reference numbers as well as duplicate payments. DCCEE is in the process of developing and implementing an automated invoice checking function to improve the checking of future claims and is currently undertaking a payment reconciliation project to validate past payments (which totalled \$49.6 million as at 30 June 2010).

5.63 The deficiencies associated with the development, booking and conduct of home sustainability assessments inhibited assessors', and to a lesser extent, householders', participation in the program and the quality of program outputs and outcomes. After the establishment of the Energy Efficiency Taskforce in late 2009, DEWHA began addressing some of the inadequacies and improving stakeholder experiences and program outcomes, which has continued since DCCEE assumed responsibility for the program.

6. Loans Component of the Program

This chapter examines the department's administration of the loans component of the Green Loans program.

Introduction

6.1 A key objective of the Green Loans program was to 'provide financial assistance to households to gain access to the resources they need to invest in energy and water-efficient technologies'.¹¹⁶ In line with this objective, and up until March 2010, householders who had undertaken a home sustainability assessment were eligible to apply for a subsidised loan to assist in purchasing and installing one or more of the eligible items recommended in their assessment report.

6.2 The department signed agreements with 24 financial institutions to provide interest-free (for four years) loans of up to \$10 000. Loan applicants were required to satisfy the lending criteria of the financial institution providing the loan. Once the householder and financial institution entered into a loan and funds were drawn down, the financial institution could invoice the department for payment of an upfront subsidy¹¹⁷ relating to the interest forgone over the first four years of the loan as well as a fixed \$200 administration fee. Figure 6.1 provides an overview of the loans process.

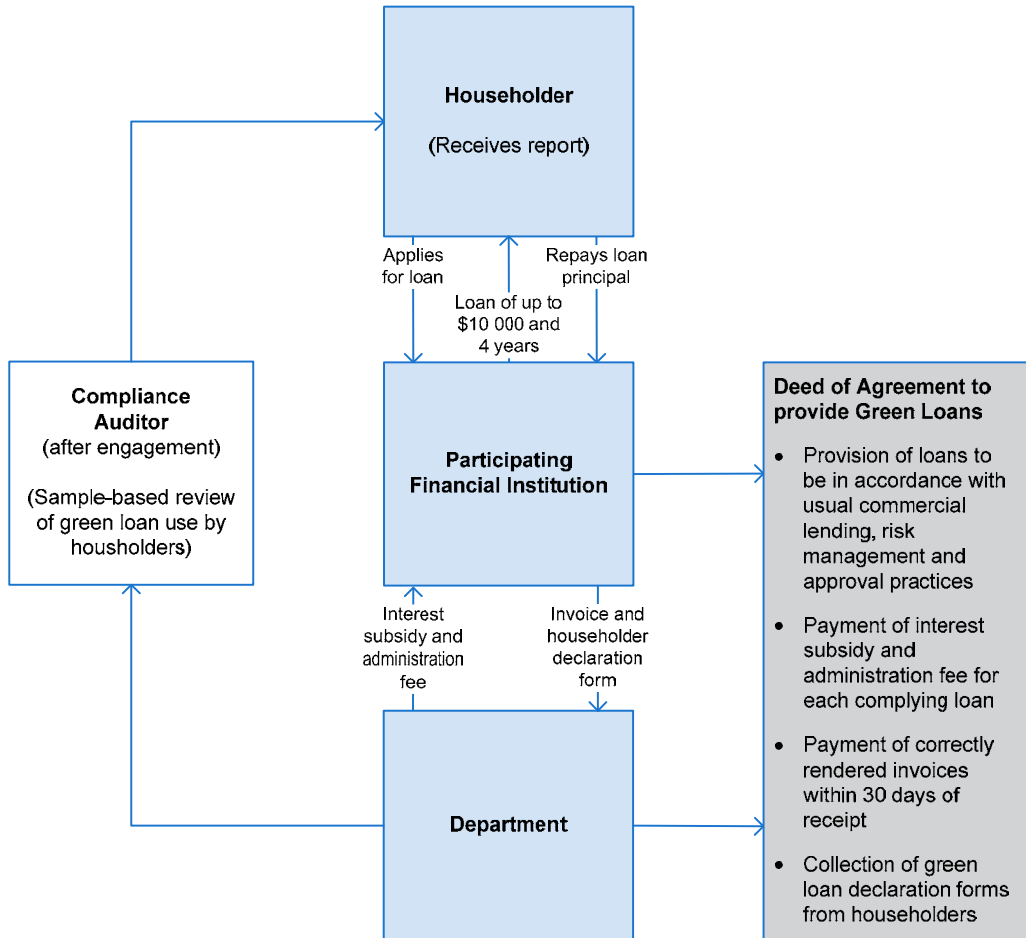
6.3 Although up to 75 000 loans were to be available under the program, the Minister for the Environment, Heritage and the Arts announced the discontinuation of the loans component of the program on 19 February 2009.¹¹⁸ The department has advised that, as at 30 June 2010, a total of 7298 loans had been subsidised under the program.¹¹⁹

¹¹⁶ DEWHA, *Green Loans Program Guidelines 2009*, p. 2.

¹¹⁷ The interest subsidy was based on a simple interest-like calculation where the rate of interest applied was the prevailing Reserve Bank of Australia Cash Rate Target plus a margin of five per cent.

¹¹⁸ The Hon Peter Garrett AM MP, *Green Loans Program*, 19 February 2010.

¹¹⁹ The Department has advised that the final number of loans is subject to verification of the number of loans entered into in March 2010 and compliance checks. Compliance activities are discussed in paragraphs 6.35 to 6.37.

Figure 6.1**Overview of green loans process**

Source: ANAO analysis of green loans process.

6.4 The ANAO examined whether the department established a framework for the administration of the green loans component that:

- attracted an appropriate selection of financial institutions to offer green loans to all eligible Australian households; and
- incorporated agreements with financial institutions that:
 - required participating financial institutions to offer products that align with green loan program parameters;

- identified and managed risks, such as green loan applicant eligibility, repayment capacity and acquittal of expenditure on relevant capital items; and
- required regular reporting by financial institutions;
- had arrangements in place for the timely payment of loan subsidies and fees to financial institutions; and
- monitored financial institutions' and green loan recipients' compliance, including eligibility checks and acquittal of expenditure on relevant capital items.

Establishment of the loans framework

6.5 The successful implementation of green loans relied on identifying, consulting and signing agreements with financial institutions that could provide loans to householders within the conditions set by the Australian Government. The department undertook initial consultation with at least one financial institution prior to the program's announcement and with financial institutions and industry organisations from July 2008 until March 2009. The details of these discussions and the terms of any negotiations and associated decisions were not documented by DEWHA.¹²⁰

Selection of financial institutions

6.6 In April 2008, the Australian Government agreed to financial institutions being selected through a competitive tender process, but no formal tender process was undertaken. Instead, the department wrote to the two main industry bodies representing banks, credit unions and building societies in March 2009 inviting their members to become program partners.

6.7 The approach taken by the department to select and enter into agreements with financial institutions did not meet Australian Government legal and policy requirements. For example, determining whether the selection process needed to comply with the Australian Government's procurement framework¹²¹ and whether any additional approvals were required in relation

¹²⁰ The department consulted with the two main industry organisations representing banks, credit unions and building societies: the Australian Bankers Association, and ABACUS—Australian Mutuals.

¹²¹ Mandatory procurement obligations are established by the Commonwealth Procurement Guidelines (CPGs) under FMA Regulation 7 for procurements in excess of \$80 000.

to spending proposals (interest subsidy and administration fee payments) in the agreements to be signed with financial institutions.¹²²

6.8 In late 2008, the department identified concerns about the nature of the spending proposals and selection process (including whether the arrangement should be regarded as a procurement), but deferred seeking legal advice to clarify the issue pending finalisation of the final design parameters.¹²³ There was no further consideration given to these issues before the department commenced signing agreements with financial institutions. As a result, the department did not actively consider and comply with its procurement obligations and did not obtain FMA Regulation 9 and 10 approval for the spending proposals in the agreements with financial institutions, prior to those agreements being signed.

6.9 Notwithstanding these shortcomings in the approach to financial institutions, the limited documentation available indicates that the department intended green loans to be offered by Authorised Deposit-taking Institutions.¹²⁴ The department's decision to partner with Authorised Deposit-taking Institutions was prudent as it identified partners subject to scrutiny by the Australian Prudential Regulatory Authority.¹²⁵ A large proportion of Authorised Deposit-taking Institutions are members of the industry bodies approached by the department.

Development of Agreements

6.10 Between January and March 2009, the department developed a deed of agreement (Agreement) for contracting with financial institutions.¹²⁶ The

¹²² Prior to entering an agreement under which public money may become payable, FMA Regulation 13 required that the spending proposal be approved in accordance with FMA Regulation 9 (a proper use of Commonwealth resources) and, if necessary, FMA Regulation 10 (for expenditure beyond the coverage of an existing Act of Parliament or Bill before Parliament). FMA Regulation 13 has since been repealed (effective 1 July 2010).

¹²³ This lack of clarity later resulted in delays in making payments to financial institutions (discussed in paragraphs 6.29 to 6.31).

¹²⁴ Corporations regulated under the *Banking Act 1959*. Authorised Deposit-taking Institutions include banks, building societies and credit unions.

¹²⁵ The Australian Prudential Regulatory Authority (APRA) is the Commonwealth's prudential regulator. APRA's role involves promoting financial stability by requiring the institutions it supervises to manage risk prudently to minimise the likelihood of financial losses to beneficiaries.

¹²⁶ This agreement was signed by 23 of the 24 financial institutions engaged under the program. A modified form of the Agreement was signed with one financial institution following a request for amendments. The department agreed to negotiate the Agreement in order to improve access to green loans.

Agreement provides for payments to be made to financial institutions for each loan advanced to householders that meets the conditions of the program guidelines. While the Agreements adequately mitigate the major risks identified for the program, they do not include regular summary reporting obligations for the financial institutions.¹²⁷

6.11 The Agreements do not prevent the inclusion of other non-program related preconditions and loan conditions by financial institutions, but it is the responsibility of financial institutions to manage any additional conditions required of loan applicants. This could include, for example, providing loans of greater than \$10 000, for which financial institutions would not be able to obtain a program payment in excess of that applicable to a \$10 000 loan.

6.12 As previously noted, two types of payments were available to financial institutions for providing green loans under the Agreements: an interest subsidy; and an administration fee.

Interest subsidy

6.13 The interest subsidy is an upfront payment to cover the interest on the amount borrowed by a householder over the period of the loan (that is, up to four years) and is calculated using the simple interest-style formula outlined in Figure 6.2.

6.14 When the interest subsidy formula was recommended to the Minister in November 2008, the rate of interest applicable to the calculation stood at 10.25 per cent, which compared favourably with unsecured personal loan rates for major banks of approximately 14 to 15 per cent at that time.¹²⁸ However, the department did not include specific analysis of market rates of interest in its advice to the Minister or document any further analysis or justification for the size of the interest rate premium or the terms of its negotiations with financial institutions.

¹²⁷ This information was to be available from the department's e-Gateway system. The department's loan monitoring arrangements are discussed in paragraph 6.28.

¹²⁸ See for example, the unsecured personal loan indicator rate published by the RBA in 'F5. Indicator Lending Rates' <<http://www.rba.gov.au/statistics/by-subject.html>> [accessed on 7 June 2010].

Figure 6.2**Green loans interest subsidy calculation formula^a**

$$\text{Interest subsidy} = (A \div 2) \times R \times D$$

where:

A = principal amount borrowed by the householder;

R = (Reserve Bank of Australia (RBA) cash rate target + 5 per cent) ÷ total number of days in the year; and

D = the lesser of:

- **1461 days; or**
- **the total number of days in a loan that is provided for a period of less than four years.**

Source: ANAO analysis of the department's Agreements with financial institutions.

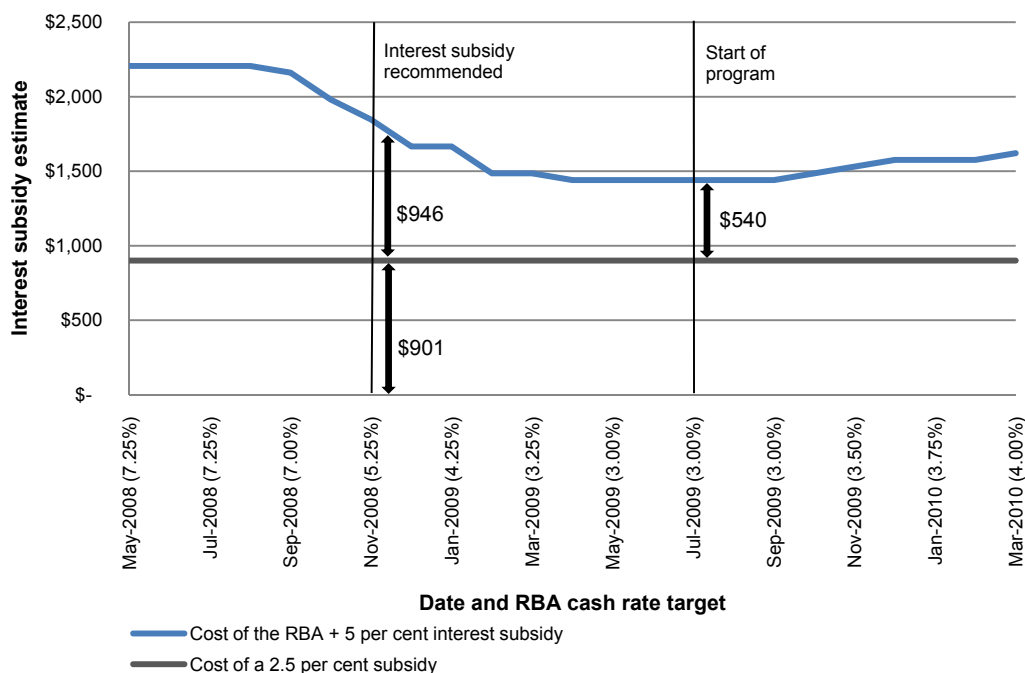
Note: a—Simple interest calculations involve multiplying principal, interest rate and time. The department modified the formula to reflect that the principal against which interest is charged reduces over the term of the loan as the loan is repaid. For example, the average size of the principal over the term of a \$10 000 loan with equal fortnightly repayments is \$5000. This is reflected in the formula by dividing the principal by two.

6.15 The advice and recommendation to the Minister in November 2008 also did not acknowledge a previous Government policy decision on 28 April 2008 that the payment be established as a capped interest subsidy, reducing the rate of interest on householder loans by 2.5 per cent for a defined period. There were potentially significant cost implications in designing a subsidy with an uncapped interest rate exposure. For example, Figure 6.3 compares the cost of providing the interest subsidy (given different RBA cash rate targets and the average borrowing by householders under the program of approximately \$9 000), and compares this to the potential cost of the 2.5 per cent interest subsidy on a \$9 000 loan.

6.16 A feature of the previously approved 2.5 per cent interest rate reduction model was that the Australian Government's liability on each green loan remained constant irrespective of interest rate movements. By contrast, the size of the interest subsidy payable under the RBA cash rate target-based model varied over time because the payment was determined by the cash rate targets on the day each green loan was contracted.

Figure 6.3

Comparison of the cost of an interest subsidy for a \$9 000 loan over four years using the RBA cash rate target model and the 2.5 per cent interest reduction model^a



Source: ANAO analysis.

Note: a—All calculations assume an average householder loan of \$9 000 and a four-year loan term. The calculation of the subsidy relating to the RBA cash rate target model uses the straight-line interest formula shown in Figure 6.2. The department did not document the formula for calculating the 2.5 per cent interest subsidy, however, a simple interest formula of principal x rate x time would be consistent with the department's cost estimates at the time the 2.5 percent interest subsidy was approved.

6.17 The department's capacity to deliver the announced numbers of loans and/or assessments within its allocated funding was therefore subject to:

- interest rate variations—although, the reduction and subsequent stability in the RBA cash rate target while loans were available under the program meant that a large cost increase was avoided; and
- the average size of loans—the department grossly underestimated the average size of loans taken out by householders (\$4 140 compared with

an actual \$9 105), effectively doubling the cost of delivering the interest subsidy.

The Minister was not briefed on these funding exposures until November 2009.

Subsidy for redraw facilities

6.18 A second feature of the model approved by the Minister in November 2008 was the subsidisation of secured redraw facilities.¹²⁹ The Agreements do not provide for the payment of a subsidy relating to amounts redrawn on existing secured loans.¹³⁰ Practical difficulties with implementing redraw arrangements were identified during the development of the Agreement and, in February 2009, implementation was deferred until later in the program.¹³¹ Difficulties with implementing redraw arrangements should have been identified earlier in the planning and implementation process. The Minister was not advised of the department's decision to defer implementation.

Administration Fee

6.19 In addition to the payment of an interest subsidy, financial institutions were eligible to receive an administration fee for each green loan they provided. In November 2008, the department advised the Minister that the fee would be: \$150 for unsecured personal loans; and \$50 for secured redraw facilities. The department was unable to provide documentation to support how these fees were determined.

6.20 DEWHA initially included a fee of \$150 in its draft Agreement, but increased it to \$200 in March 2009 with its final offer to financial institutions.¹³² The department did not brief the Minister or seek his approval to increase the size of the fee at the time of the change or advise him of the potential

¹²⁹ A redraw facility allows a householder with an existing loan (such as a home loan) that has been partly repaid to draw upon any funds they have repaid over and above their scheduled loan repayments.

¹³⁰ The interest was to be calculated using straight line repayments and the commercial interest rate on the existing loan on the redraw approval date.

¹³¹ For example, administrative difficulties included identifying green loan-related redraws if multiple (non-green loan) redraws were made under a loan; and the need for financial institutions to amend systems to create 'sub-accounts' into order to calculate the interest subsidy on green loan related redraws and other interest payments for non-green loan related borrowings.

¹³² Departmental records provide different explanations for the increase including: to recognise the cost of processing declined loans; some financial institutions complained that a \$150 fee would be 'too small' and that a \$200 fee would be 'more appropriate'; and to recognise the costs associated with credit checks and other associated administrative processes.

budgetary impact.¹³³ The Minister was first advised of the larger administration fee being paid to financial institutions on 5 January 2010.

Applying for a loan

Access to financial institutions

6.21 The signing of two major national banks in October 2009 provided national access to the program. In anticipation of achieving national coverage for the program and recognising the administrative workload involved in contracting financial institutions, the department sought and obtained the agreement of the then Minister to close the program to additional financial partners within one month of signing a major bank. Following the concurrent signing of two major national banks, the department wrote to industry organisations in November 2009 advising that it would not be accepting applications from new financial partners after 30 November 2009.

6.22 However, the department entered into Agreements with another four financial institutions during December 2009 in likely contravention of its public statements and the Minister's decision.¹³⁴ A further three financial institutions wrote to the department in late November 2009 advising that they either intended, or were considering, signing an Agreement. There was no evidence of a departmental response to these organisations and none subsequently executed an Agreement. Consequently, the department has not demonstrated that the approach adopted provided equitable access to financial institutions seeking to provide green loans.

6.23 During the life of the loans component of the program, eight of the 24 financial institutions that had signed Agreements with the department did not have a loan subsidised under the program. Further, 15 of the 24 financial partners stopped taking new applications after the announcement of the end of the loans component on 19 February 2010 to focus on processing existing applications prior to the end date of 22 March 2010.

¹³³ When applied to the 200,000 loans that had been announced at the time that the fee was changed, a \$50 cost increase equated to a \$10 million cost increase for the program. The department was unable to provide evidence of this additional cost being considered or how it would be funded when making the decision to increase the fee.

¹³⁴ The department has no record of when it received applications from these financial institutions.

Access to assessment reports for loans

6.24 Householders were required to present a valid assessment report when applying for a green loan and financial institutions were required to confirm with the department that the person applying for the loan had undertaken an assessment.¹³⁵

6.25 As identified in Chapter 5, there were delays in delivering assessment reports prior to the closure of the loans component of the program. As at 28 February 2010, the department estimated that approximately 100 000 assessment reports had been submitted to the department that had yet to be sent to householders and that only three per cent of householders who had received their reports had applied for loans. Notwithstanding the low take-up of loans, the majority of householders were still eligible to apply for a loan at the time the loan component of the program ended.¹³⁶ Further, over 45 per cent of the 970 householder survey respondents who had not received their assessment report indicated that they were either 'very likely' or 'likely' to have applied for a green loan had they received their report.

6.26 Another method for householders to obtain their assessment report was to request it from their assessor. Assessors are able to preview the assessment report once they have submitted the data collected during the assessment to the department. While this was not the distribution approach envisaged (or preferred) by the department and was not widely known, it provided an alternative way for householders to access loans where their assessor agreed to provide the report. The department is unable to quantify the number of reports provided to householders by assessors.

Processing and monitoring arrangements for financial institutions

6.27 As identified in Chapter 3, there were a number of problems with the planning and implementation of the department's e-Gateway system. One component of the system was a portal through which financial institutions were to validate booking numbers, submit loan information and electronically invoice the department. The portal was also to provide the department with capacity for real time monitoring of loan demand.

¹³⁵ Details could be confirmed via the department's contact centre or, from December 2009, online via the department's e-Gateway facility.

¹³⁶ Householders were eligible to apply for loans within six months of receiving their assessment report.

6.28 This portal was not operating at the time the loans commenced in September 2009, and was only partially in place by the end of the loan component of the program. This meant that the department had to rely on manual processes.¹³⁷ During the period loans were available, financial institutions were asked to confirm loan information via the Contact Centre and the department contacted financial partners on a weekly basis to identify loan demand. Loan demand information from the weekly phone calls and invoices received was collated in weekly metrics reports that commenced on 22 November 2009. However, the information held by the department was incomplete.

Administration of loan payments

Payment within 30 days

6.29 Under the Agreements, financial partners providing green loans were required to invoice the department each month for interest subsidies and administration fees, and the department was required to pay correctly rendered invoices within 30 days of their receipt.¹³⁸ However, the department did not pay any interest subsidies or administration fees until 1 February 2010.¹³⁹

6.30 As at 24 January 2010, the department had received invoices from eleven financial partners totalling \$1.7 million for interest subsidies and administration fees relating to 1008 loans issued in September, October, November and December 2009. Between December 2009 and February 2010, at least seven financial institutions and one industry association complained to the department about the payment delays.

6.31 The department has attributed the delay to its uncertainty about the appropriate spending approvals required to make payments. As identified in paragraph 6.8, a lack of clarity about approval requirements had existed as far back as November 2008, but had not been resolved. This issue was again raised

¹³⁷ The department's e-Gateway system was trialled by some financial institutions during January and February 2010. On 15 April 2010, the Australian Bankers Association advised the Senate Inquiry into the Green Loans program that technology functionality problems with e-Gateway resulted in a backlog of loan applications.

¹³⁸ Subsidy Deed: Green Loans Program, Clause 6.2, p. 7.

¹³⁹ Loans were first provided by financial institutions in September 2009.

in a financial statement reporting context in October 2009.¹⁴⁰ The department has advised that in late January 2010 it identified that it could not retrospectively obtain the necessary approvals and decided to commence making payments to financial institutions.

Payment Processing

6.32 The department originally intended that the invoicing and payment of financial institutions would be through the financial institutions' e-Gateway portal. The invoicing component of the portal, however, was not operational for the duration of the loans component of the program and the department instead relied on a manual invoice checking and payment processes.

6.33 The department's payment verification process involved checking specific details in the invoices submitted by each financial institution, including payment thresholds, interest rates and previous payment of invoices.¹⁴¹ The ANAO analysed the department's database for recording invoices from financial institutions and details of loans subsidised. Most of the 6468 loans recorded in the database as at 21 July 2010 conform to the tests in the verification process. However, some minor errors were identified, including missing drawdown dates (377 loans) and incorrect interest rates being applied for the dates of drawdown supplied by financial institutions (1022 loans).¹⁴²

6.34 The verification process did not involve reconciling whether a subsidy had previously been paid for individual loans in each invoice. In this regard, the ANAO identified a small number of instances (15) of duplicate booking numbers and numbers that did not conform to booking number formats (26). Further, while financial institutions were required to confirm booking

¹⁴⁰ At this time, the department identified a lack of clarity about whether the interest subsidy payment might qualify as a loan guarantee and therefore require approval by the Minister for Finance and Deregulation. In February 2010, following discussions with the Department of Finance and Deregulation, the department determined that this was not the case. Nonetheless, the department did not comply with FMA Regulations 13, 9 and 10 in entering into agreements with financial institutions.

¹⁴¹ This included checking that: each booking number had a valid prefix and the correct number of characters; loan principals did not exceed \$10 000; administration fees were \$200 each; drawdown dates were within the program's duration; loan terms were no more than four years; interest rates were consistent with the current RBA cash rate target plus five percent; and that interest subsidies were calculated in accordance with the interest subsidy formula (see Figure 6.2). The department's process also involved checking its payments system to determine whether the invoice had previously been paid.

¹⁴² Based on schedules supporting the payments to financial institutions, the ANAO estimated the error in interest subsidy calculations to be approximately \$72 000. DCCEE advised that, after following-up with the financial institutions involved, the actual rate of error was around \$5000.

reference numbers with the department prior to providing loans, the department did not independently validate the booking reference numbers submitted by financial institutions against its records prior to payment.¹⁴³ Accordingly, there is a risk that invoicing errors may not have been identified prior to the department making payment of invoices.

Monitoring green loan recipients' compliance

6.35 The most significant compliance risk identified in the department's draft legal risk assessment was the use of loans by householders to purchase items other than those recommended in their household sustainability reports. The department's draft legal risk assessment (November 2008), draft Green Loans project plan (July 2008) and draft legal risk register (November 2009) all identified the need for proactive controls in the form of spot checks to mitigate against such risks.

6.36 The department's compliance strategy relies primarily on auditing activities subsequent to householders taking up green loans. Funding of \$2.4 million was allocated in the 2008 Budget for the monitoring and evaluation of loans, including 4000 loan-related audits during the life of the program. However, a contract with an audit services provider was only established in April 2010, subsequent to the end of the loans component of the program.

6.37 Compliance activities will, in part, rely on information about the eligible items purchased by householders on green loan declaration forms. Financial institutions were contractually obliged to collect and submit signed forms as a precondition for payment of the interest subsidy and administration fee. However, this was not enforced through the payment process.¹⁴⁴ While the department is able to seek this information from householders and financial institutions, its failure to adequately plan for this aspect of the payment process by systematically collecting forms has made it more difficult to undertake and enforce program compliance.

¹⁴³ The issue of not being able to confirm whether householders had used different booking numbers to access more than one loan was identified by the contact centre and advised to the department on 22 January 2010.

¹⁴⁴ One agreement allows for the financial institution to collect and store the forms and enter related information in the e-Gateway system.

Conclusion

6.38 The department's framework for delivering the loans component of the program was only partially effective. National access to green loans was established during 2009 through agreements with 24 financial institutions including two national banks. However, the selection and contracting of financial partners was not conducted through a process that met the department's procurement and financial approval obligations. Further, there is a risk that some financial institutions seeking to become program partners may not have been given the same opportunity to participate.

6.39 The agreements with financial partners adequately reflected the program's guidelines and addressed identified risks but justification for the payment structures was not documented. The former Minister was not adequately briefed on the risks associated with these structures, the non-delivery of loan redraw arrangements or a prior Government policy decision regarding the interest subsidy payable on loans. As a consequence, an uncapped interest rate exposure was introduced into the design of the interest subsidy, creating a risk for the program budget.

6.40 Notwithstanding the low take-up of loans, delays in delivering assessment reports prior to the closure of the loans component of the program denied a majority of householders that had undertaken an assessment the opportunity to access loans. Further, the late commencement of the department's e-Gateway system meant that manual processes were used to administer the loans component of the program. These arrangements were time consuming and did not provide an efficient basis for processing a large number of transactions or for accurately monitoring loan demand.

6.41 The department failed to meet its commitment to pay financial institutions within 30 days for all correctly rendered invoices submitted by financial institutions from the start of the program to 31 December 2009. The lack of consideration of its financial management obligations during the program design phase in late 2008 and while signing up financial partners during 2009, meant that the department deferred making payments to financial institutions until 1 February 2010.

6.42 In verifying and making payments to financial institutions, the department undertook basic checks, but shortcomings were identified in the checking of interest rates resulting in minor interest subsidy calculation errors. Further, the checks undertaken do not identify the validity of booking reference numbers and whether subsidies for individual loans had been

previously paid. The department may indirectly obtain some assurance on these issues in its householder compliance checks. Prior to April 2010, no arrangements were in place to measure and address compliance. The department's ability to undertake future compliance activity is partly reliant on the collection of green loan declaration forms, which were not systematically collected during the invoicing and payments process.



Ian McPhee
Auditor-General

Canberra ACT
29 September 2010

Appendices

Appendix 1: Formal comments on the proposed report or extracts of the proposed report

Department of Sustainability, Environment, Water, Population and Communities

The audit report presents a comprehensive and fair assessment of the Green Loans Program as it relates to the (then) Department of the Environment, Water, Heritage and the Arts. Areas for improvement in our program management have been clearly articulated.

I appreciate that you acknowledged both the difficulties we faced in managing the program, as well as the measures the Department took to rectify management of the Program when these issues were identified, specifically the success of the Energy Efficiency Taskforce that the Department established in November 2009.

You also acknowledge that the Department is making changes to improve its business and project management. As we have previously advised these improvements relate to: an executive governance framework; organisational reform; procurement arrangements; training; and internal audit arrangements.

While a number of these improvements are already in place we will not become complacent. We are continuing a program of business improvement and change management to ensure the lessons learnt from the Green Loans program result in long-term benefits for our capacity for program management.

Department of Climate Change and Energy Efficiency

The Department welcomes the ANAO audit report as a useful contribution to understanding the issues that confronted the design and delivery of the Green Loans Program.

The Department considers that the report's findings are generally consistent with the findings of other recent independent reviews of the Green Loans Program. These reviews (the reports of which were released on 8 July 2010) include:

- the Independent Inquiry into the Green Loans Program - Review of procurement processes and contractual arrangements by Ms Patricia Faulkner AO

- the Internal Audit Review of the Procurement Practices in the Green Loans Program produced by Protiviti
- the Review of the Green Loans Program produced by Resolution Consulting Services.

Since the Program became the responsibility of the new Department of Climate Change and Energy Efficiency on 8 March 2010, the Department has been working continuously to address the suite of legacy issues associated with the Program, including those identified in the extensive set of reviews which the Program has undergone.

Since 8 March 2010, significant improvements in the delivery of the Green Loans Program have been made, including:

- improved processing of assessor invoices with payments actioned under standard timeframes (30 business days from receipt of a correctly rendered invoice) since May 2010
- resolution of almost 20 000 enquiries and complaints since February 2010
- new delivery mechanisms in place for dispatch of assessment reports with delivery within 10 days of receipt by the Department
- significantly reduced average wait times (under two minutes) for both assessment bookings and enquiries since March 2010
- delivery of Green Rewards to eligible householders
- improved handling of complaints, including improved processes for formal audit and investigation of the behaviour, performance and business practices of home sustainability assessors and assessor organisations by an independent auditor
- improved web-based reporting of changes to the Program, including weekly updates on payment processing times for invoices submitted by assessors
- establishment of a dedicated Association of Building Sustainability Assessors (ABSA) client relationship manager to provide a consistent point of communication and contact between the department and ABSA, ensuring that there is greater transparency of information and rapid resolution of any issues that arise.

There remain, however, a number of legacy issues that the department is working actively to address.

Governance, Risk Management and Procurement

Since the Machinery of Government changes in March 2010, the Department has focused on developing a framework that highlights the need for, and supports the establishment of, solid governance arrangements throughout the agency.

The governance framework includes the updated risk management framework for the agency; reinforces the accountability of officers both at the SES and APS levels for effective oversight of program implementation; and highlights the Secretary's expectation that program and project boards will be utilised to bring together collective expertise and broader perspectives to an issue, project or program delivery and to help Senior Executives manage risks and exercise strong managerial control over program implementation.

The Department has also developed a new governance and program support structure to assist with program design, implementation and 'monitoring.

Risk management plans, risk mitigation and compliance strategies that are consistent with agreed departmental frameworks are already in place or are being developed for all programs administered by the Department. Independent quality assurance of risk management plans is also being undertaken.

To address the findings in relation to non-compliance with procurement practices, the department is developing centralised processes to support procurement and contract management, including:

- establishment of a contract register to capture known contracts and procurement plans
- improved documentation of new procurements and contract variations
- delivery of procurement and contract management training to staff across the organisation. To date, 200 staff have completed the two hour training course. This training is mandatory for all staff in the Green Loans and Green Start Programs.

Management and monitoring of program implementation

The Department has strengthened the skills of program managers through an increased investment in human resource support, workforce planning and

ensuring that the appropriate people and resources are dedicated to tasks when required.

In addition, the Department has focused on ensuring there is regular oversight of program performance and issues, including through the use of weekly reports that track a range of indicators of activity and performance in relation to the Program. Among other things, these reports track the number of calls received and answered, the number of assessments booked, the number of completed assessments, the number of assessment reports sent to householders; outstanding inquiries; invoices received and processed and the number of Green Rewards claims received and paid.

Since taking responsibility for the Program, the department has placed a priority on providing high quality, clear and timely briefings and reports to the Minister. Since early 2010, comprehensive briefs have been provided to the Minister outlining progress against key deliverables and highlighting any emerging issues which needed to be addressed. Within the Department, a priority has also been placed on ensuring clear communications exist between the Green Loans Program area and the key areas of the Department that provide specialist advice and support.

Data integrity and ICT support

In order to address the Program's IT legacy issues, the Green Loans Program area, in conjunction with the Department's specialist information technology area has been actively pursuing improvements to the IT systems that support the delivery of the remaining aspects of the Program. Some of these improvements are already evident, such as improved timeliness for the distribution of assessment reports to households.

More generally, the Department:

- has invested in significant improvements to its business systems, including ICT platforms and support, financial management systems and human resource management systems
- is developing a Client Service Charter
- has implemented formal complaints handling arrangements.

Despite these improvements, a number of legacy issues associated with Green Loans Program data integrity have emerged over time. The Department is establishing a specialist team to manage a project that will improve the integrity of program data and confidence in the quality and accuracy of the

data. This work will enhance the effectiveness of the Green Loans independent compliance and audit program and the efficiency of program delivery (such as through automated checking of assessor invoices).

In relation to the Program's assessment tool, the design of this tool drew on and modified the underlying algorithms utilised by the Victorian Environment Protection Authority for their Australian Greenhouse Calculator, to produce an assessment tool that met the requirements of the Commonwealth's Program. The Australian Greenhouse Calculator is a well established and widely accepted tool used in the home sustainability industry for a similar purpose to that of the Green Loans assessment tool. As such, the reliability of the assessment tool at the outset of the Green Loans Program was considered to be sound.

The Department acknowledges the ANAO's comment that refinements have been made to the assessment tool over time to improve the quality of household assessment reports but does not agree that it has been necessary (or useful) to re-issue assessment reports subsequent to these improvements. The refinements that have occurred to the tool subsequent to the launch of the Program have been part of a normal business improvement process that would be expected under any IT project, and do not represent a fundamental change to the way the tool operates or generates recommendations. The tool has been fit for purpose since the outset of the Program and has generated reports that provide useful advice to households on improvements they could take to improve their energy and water efficiency. Subsequent refinements to the tool have improved its ease of use for assessors but have not diminished the value of reports generated prior to the improvements being made.

Program compliance

A review of contracts under the Green Loans Program is underway. This review will identify and resolve any issues with existing contracts to allow their finalisation. This review is being lead by an independent, external procurement and contract specialist with support from both the team responsible for administering the Program and the Department's specialist procurement and contracting area.

The Department is also conducting an independent audit of the program. Where discrepancies are identified by the independent Program auditor, the Department has a range of compliance actions available which it can pursue. These range from directing assessors to rectifying erroneous reports or

re-doing an assessment, to recovery of costs and the suspension or termination of contracts.

Stakeholder engagement

While throughout the Program efforts have been made to keep stakeholders informed of program activities and changes, the department acknowledges that some relationships have been challenging, and has sought to make improvements to stakeholder communication to address this. These improvements include:

- providing an expert departmental team to support complaints escalation received from the dedicated program enquiries hotline and other channels
- continued and enhanced communication with assessors via the assessor eNewsletter
- providing, on the Green Loans website, weekly updates for assessors on invoice processing times
- regular meetings with ABSA and the appointment of a senior client relationship manager to facilitate improved communication and rapid resolution of issues as they arise.

The future

The Department has drawn on the range of lessons from the development, design and implementation of the Green Loans Program to deliver a more robust Program in Green Start. On 8 July 2010, the Government announced that the Green Loans Program would be phased out, transitioning to a new Green Start Program.

Through every aspect of the design and delivery of any future programs administered by the Department (including the proposed Green Start Program), the Department will be paying close attention to the key themes identified by the ANAO and other reviewers of the Green Loans Program.

As a result of the experience with the Green Loans Program, the Department will ensure that in the design phase of new programs, a number of improvements to program arrangements are considered including:

- exploring options for delivery of the program in a way that will both:
 - improve value for money, transparency, ability to target to priority areas and accountability for delivery of outcomes

- manage demand-driven components to safeguard against budget blowouts and provide certainty of income and timing of payments for successful recipients (such as through use of a grants model)
- appointment of a probity advisor to provide advice on any funding assessment process; to assist with addressing any specific probity issues that arise during the process of assessing applications for funding; and to maintain independent oversight of the overall assessment process
- seeking independent legal review of all documents that support delivery of the program including program guidelines and funding agreements
- seeking assurance from an independent adviser that the design of the program and its associated governance arrangements are consistent with both the current policy framework for the administration of Commonwealth programs and the recommendations of the independent reports.

Conclusion

The various reviews of the Green Loans program, including the findings contained in the ANAO audit highlight a series of lessons that need to be absorbed by all program delivery agencies. For example:

- there are inherent challenges in delivering programs of this nature, including the enormous difficulties predicting demand - particularly when demand is effectively driven by contracted service providers and when the product offered is essentially free
- there are inherent real and perceived risks where the Government enters into arrangements with external parties to deliver program outcomes
- critical decisions need to be made in program design about how much to deliver services in-house and how much to outsource
- the heightened risk of tight delivery and implementation timeframes
- the importance of engaging actively with stakeholders to achieve program outcomes, particularly for programs where the service is provided by contractors on behalf of the Government, directly to the community

- clear and up-front communication of program risks is important as is a clearly identified process for rapid escalation of issues as they arise
- the degree of innovation in a program at its conception and in the design of the delivery model need to ensure that prior experience and, as far as possible, existing processes are employed to reduce risks around program delivery
- while robust leadership and governance is required when delivering any program, this is particularly critical when attempting new or innovative modes of program delivery and where contracted service providers are reliant on effective delivery of the program.

Association of Building Sustainability Assessors

The extract from the ANAO report on Green Loans relating to ABSA documents the Federal Government's administrative difficulties and, in respect to ABSA, the potential for conflict of interests in relation to its multiple roles as implementation partner to DEWHA, accrediting organisation and membership association.

ABSA was aware of the potential for conflict of interest but have managed this and other competing priorities well, balancing the needs of members, and potential members, with what was needed to help build a robust, long-term program.

For instance, ABSA saw delivery of HSAS training as a conflict of interest and ceased to train assessors early in 2009. The offer in early 2010 for 5,000 potential assessors to withdraw from the accreditation process, which is referenced in the ANAO report, and a later offer to refund accreditation fees supports beyond all reasonable doubt ABSA's claim that it has been working towards sustainable program outcomes and not simply organisational self-interest.

The Green Loans program was designed to run for four years but was largely burnt in one. As a result, ABSA was at times overwhelmed in trying to meet the requirements of a protocol that did not reflect the program it supported and by the demand for accreditation, issues further exacerbated by program changes beyond our control.

Despite the problems caused by a program developed in haste, ABSA personnel offered support and advice to the Green Loans Program and remains committed to the concept of measuring and monitoring energy and

other resource use. Much has been achieved in a short time by the program despite some well-publicised problems.

The continued demand by homeowners for energy assessments, even after the withdrawal of interest free loans, conclusively demonstrates that the launch of the Green Loans Program was welcome and timely. Furthermore, a new profession – the Home Sustainability Assessor – has been launched and there is the potential for this group, with appropriate bridging training as required, to support future Federal and State initiatives.

Environmental sustainability through energy efficient buildings is a critical long term agenda. Much has been learned from the Green Loans experience and DCCEE and ABSA are now consulting actively in the rollout of the Green Start program.

RMIT University

Thank you for allowing RMIT University the opportunity to provide written comments on the Australian National Audit Office Audit Report on the Green Loans Program. We would like to take this opportunity to confirm the timeframes of some of the events described.

The HSA tool was finalised and available for use from the 'go live' date of 01 July 2009, and registered assessors were able to conduct assessments and view the results of those assessments from this date. The reporting module was delayed further whilst standard software integrity works were completed, and reporting was available from 25 August 2009. Earlier reports were regenerated for DEWHA on this date.

There were modifications required during the first few months of operation, however these are considered standard in the industry and comparable to the refinement completed on most similar software in its testing phase. Given the tight time constraints allocated in the program schedule to test the software thoroughly before release, corrective action was undertaken as quickly as possible as soon as it was identified (in as far as the contracts for work on the software would reasonably permit).

Appendix 2: Quality issues affecting the Green Loans program

Quality issue	Comment
Assessors	
Eligible persons	Training open to all people, but assessor registration required a Police Check.
Training course	Unaccredited training course that: <ul style="list-style-type: none"> • DEWHA did not formally evaluate before its release; and • was not updated to incorporate the use of the assessment tool, which was delivered after the training course was finalised.
Training providers	Courses delivered by any training provider. No formal relationship between DEWHA and training providers. No monitoring or controls over course delivery.
Attainment of competencies	Certificates of attendance at training courses only required for assessor registration.
Assessments	
Assessment tool	Accuracy and robustness not sufficiently tested before tool first released. Improvements made over time.
Eligibility	Householder declarations not collected by DEWHA/DCCEE. Not reviewed until program auditor engaged from April 2010.
Assessment conduct	Program auditor to examine accuracy of sampled assessments from April 2010 onwards.
Report content	No verification of results to identify and correct obvious anomalous results (for example, negative savings) before reports are dispatched.
Payment of assessors	Insufficient verification that payments are made only for valid bookings after assessment reports have been produced. Payment reconciliation exercise is currently underway. Program auditor to examine in respect of sampled assessments.
Green loans	
Eligibility	Green loan declarations completed by householders not routinely collected by DEWHA/DCCEE. Not reviewed until program auditor engaged from April 2010.
Payment of financial institutions	Insufficient verification that payments are made only for valid green loans. Program auditor to examine in respect of sampled green loans.
Use of green loan funds by householders	Not examined until program auditor engaged from April 2010.

Source: ANAO analysis of DEWHA and DCCEE data.

Appendix 3: Top ten items listed in sampled reports' Action Plan section

Rec. number	Recommendation text	No. of times in AP (% of sample)	No. of times eligible for loan	Estimated Cost ^a
46/46a ^b	Install photovoltaic panels to generate electricity (min 1KW system capacity)	347 (86.8%)	346	\$\$\$
52/52a ^b	Install a rainwater tank or greywater treatment system and connect to as many usage points as possible	292 (73.0%)	286	\$
23	Install insulation with a min. R2 ^c in external walls if you have, or expect to have, access the wall cavity	281 (70.3%)	272	\$-\$
21	Install bulk insulation in the ceiling cavity with a minimum R3 ^c rating	273 (68.3%)	259	\$
1	Replace your hot water system with a gas-boosted solar model (min 25 RECs ^d)	179 (44.8%)	169	\$
16	Make your home more comfortable in warm weather by installing ceiling fans and/or openable windows	150 (37.5%)	144	\$
2	Replace your hot water system with an electric boosted solar or heat pump model (min 20 RECs ^d)	145 (36.3%)	145	\$
19b	Install close fitting blinds, curtains and/or pelmets to better regulate the temperature in your home	121 (30.3%)	84	–
19a	Install double glazing or other high performance window treatment to your windows to better regulate the temperature in your home	121 (30.3%)	67	\$-\$
17	Modify your windows or shading to increase the amount of sunlight into your home during winter	112 (28.0%)	111	\$

Source: ANAO analysis of a randomly-selected sample of 400 assessment reports. AP: Action Plan.

Notes:

a—The more '\$', the greater the indicative cost to implement the recommendation.

b—Of the 60 possible recommendations, 10 are altered versions of original recommendations. For example, in addition to recommendation to install solar panels, an additional recommendation was added to take account of households that already had a PV system, but it did not fully meet their energy needs. Rec 46a was listed 239 times, Rec 46, 108. Both recommendations use the same text description, but may be based on different questions or calculations. The same situation occurred for Rec 52 and 52a, with Rec 52 listed in the Action plan 92 times, Rec 52a 200 times.

c—The R value (known as thermal resistance or resistivity) of insulation is an indicator of its performance—the higher the R value, the greater the insulating effect.

d—A Renewable Energy Certificate (REC) is an electronic, tradeable commodity equal to one Megawatt hour of renewable energy generation.

Appendix 4: ANAO analysis of sampled assessment reports

Areas	Issue
Around 2.5 per cent of the 8339 Action Plan items from the sample have zero ('0', not blank) or negative cost, greenhouse gas or water savings	This suggests to the householder that implementing the recommendation would have no effect, or create more greenhouse gas; use more water; or cost the householder. A total of 33 negative recommendations were also listed in the sample as being eligible for a loan.
Some Action Plan items suggest unlikely savings amounts	For example one recommendation in one report advised the householder that replacing an inefficient refrigerator or freezer with a more efficient one would save \$385 363. ^a
Some Action Plan items have incomplete savings information	Recommendations should reduce water and/or energy consumption, resulting in reduced householder costs. However, four (out of 60) recommendations did not offer the householder any savings figures (for cost, greenhouse gas and/or water) ^b and a further 11 recommendations did not calculate any cost savings. ^c
Some Action Plan items do not provide an indicative cost	Non-behavioural recommendations involve a cost to the householder to implement, but four such recommendations did not include indicative cost information. ^c
It is unclear as to what combination of cost, greenhouse gas or water savings is used to determine the top ten items in the eligible list	DEWHA set a target of seven greenhouse gas and three water items for each top ten list, where applicable for the householder. ^d However, as shown in Appendix 3, only one of the top ten items from the assessment reports 'Action Plan' was a water saving measure. Further, the ANAO identified a number of reports that included negative or low savings items in the loan eligible list, instead of other non-behavioural items that offered greater savings.
Savings contained in reports are not necessarily cumulative	There is a risk that householders may make investment decisions to implement multiple recommendations, but not achieve the total savings identified in the reports. Each savings calculation is calculated independently of others and is based on a proportion of the household's current usage. Potential savings achieved from implementing additional recommendations to reduce a particular usage would be reduced by the implementation of previous recommendations. These interdependencies are not acknowledged in the reports.
The calculation of the toilet water usage does not factor in the efficiency of the household's toilets	Toilet water usage appears to be calculated based on the number of people in household, regardless of the type and capacity of the toilet (even though data relating to the litres per flush of household toilets is collected by assessors).

Source: ANAO analysis of a random-selected sample of 400 assessment reports.

Notes: a—RMIT advised that the software error that caused this anomaly, which affected a small number of reports, has been rectified.

b—Including one recommendation that was listed as eligible for a loan in 67 of the sampled reports.

c—RMIT advised that this information is being provided since the introduction of a tool upgrade in May 2010 (after the ANAO selected its sample).

d—As the basis for its logic, the calculator has a 'master list' of potential recommendations, which are ruled out as data is entered (for example the tool removes a recommendation for a water tank, if a household already has one of sufficient size).

Appendix 5: ANAO surveys of contracted assessors and sampled households

The ANAO undertook surveys of contracted home sustainability assessors and a sample of assessed householders to gauge their views on the operation and administration of the Green Loans program. The ANAO engaged an independent professional market research organisation to conduct the surveys.

Using contact details provided by DEWHA:

- contracted assessors (4141) were invited by email to participate in an online survey¹⁴⁵; and
- a sample of 7334 householders were invited by mail to participate in a survey.¹⁴⁶

Both surveys closed on 30 April 2010.

The contracted assessors survey received a total of 1135 responses, which represented 27.4 per cent of contracted assessors. The householders survey received a total of 1746 substantive responses, which represented 23.8 per cent of those invited to participate, or 0.5 per cent of all assessed households at the time the survey was conducted. Approximately 210 additional responses were received from householders advising the ANAO that their households had not undergone an assessment under the program.

The results of the surveys have been referred to, as appropriate, in this audit report.

¹⁴⁵ Excludes four assessors that had not provided their email address to DEWHA. DEWHA advised that the total number of contracted assessors at the time of the survey was 4145.

¹⁴⁶ The 7334 participants comprised 1000 randomly-selected households from each state and the Australian Capital Territory, and all 334 households in the Northern Territory. This represents some 2.2 per cent of the 333 721 assessed households whose details were provided to the ANAO by DEWHA.

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