

# **Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia**

[Attorney-General's Department](#)

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Office of the Auditor-General for Australia



Canberra ACT  
30 April 2015

Dear Mr President  
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Attorney-General's Department titled *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely

Ian McPhee

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, financial statement audits and assurance reviews 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

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AGD	Attorney-General's Department
AGRN	Australian Government Reference Number
ANAO	Australian National Audit Office
CDOs	Counter Disaster Operations
CFA	Country Fire Authority (Victoria)
DPC	Department of Premier and Cabinet (Western Australia)
DSE	Formerly the Department of Sustainability and Environment (Victoria). Now Department of Environment, Land, Water and Planning
EMA	Emergency Management Australia
LGA	Local Government Authority
MECC	Municipal Emergency Coordination Centre
MRWA	Main Roads Western Australia
NDRRA	Natural Disaster Relief and Recovery Arrangements
NDRPB	National Disaster Recovery Programs Branch (within EMA)
NPA	National Partnership Agreement
NSG	NDRRA Stakeholders Group
NSWDAG	New South Wales Disaster Assistance Guidelines
PDARs	Post Disaster Assessment Reports
REPA	Restoration of Essential Public Assets

QRA	Queensland Reconstruction Authority
RMS	Roads and Maritime Services (NSW)
SDAs	State Departments and Agencies
WANDRA	Western Australia Natural Disaster Relief and Recovery Arrangements

# Glossary

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Arrangements	Natural Disaster Relief and Recovery Arrangements
Delivery agency	LGAs and SDAs involved in delivering (or arranging the delivery by contractors) of disaster relief and recovery assistance measures
Determination	Natural Disaster Relief and Recovery Arrangements Ministerial Determination



# **Summary and Recommendations**





# Summary

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## Introduction

1. Australia is exposed to natural disasters on a recurring basis. Prime responsibility for the response to a disaster rests with state and territory governments.<sup>1</sup> Nevertheless, as natural disasters often result in substantial expenditure by state governments, for many years the Commonwealth has provided financial assistance to the states for recovery and reconstruction activities, as well as to support the provision of urgent assistance to disaster affected communities.
2. In the context of its recent inquiry into natural disaster funding arrangements, the Productivity Commission<sup>2</sup> has reported that, over the past decade, the Australian Government has spent around \$8 billion on post-disaster relief and recovery. Another \$5.7 billion is expected to be spent over the forward estimates for past natural disaster events. This assistance has been principally provided through the Natural Disaster Relief and Recovery Arrangements (NDRRA). NDRRA is a Ministerial determination administered by Emergency Management Australia (EMA) within the Attorney-General's Department (AGD).
3. In addition, for two states, oversight and accountability measures were introduced in early 2011 to supplement the existing NDRRA arrangements following the widespread flooding that occurred in the eastern states and Queensland tropical cyclones over the 2010–11 Australian spring and summer seasons. These measures were seen as prudent given preliminary estimates had indicated that the Australian Government would need to contribute \$5.6 billion to the rebuilding of flood-affected regions, to be funded under NDRRA. The additional measures were reflected in separate National Partnership Agreements (NPAs) signed with the Queensland and Victorian state governments. Of note was that the NPAs enabled the establishment of the Australian Government Reconstruction Inspectorate (the Inspectorate) to undertake reviews of reconstruction projects.

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1 For simplicity, referred to as 'states' or 'state governments' in this report.

2 The Commission's draft report was released on 25 September 2014. The final report was presented to the Australian Government in mid-December 2014. In February 2015, AGD advised the ANAO that the Government will release its response to the final report by the end of May 2015.

## Audit objective and criteria

4. The objective of the audit was to assess the effectiveness of the Attorney-General's Department's administration of the terms of the NDRRA Ministerial determination.

5. The audit examined EMA's administration of the determination, including the provision of guidance to the states on the NDRRA framework, and its claims verification and assurance activities. The ANAO's audit work was also informed by examination of a selection of NDRRA claims made by three states (Western Australia, Victoria and New South Wales) in respect to seven disaster events covering a range of disaster types and sizes. The relevant disasters had occurred between 2006 and 2011, with the associated NDRRA reimbursement claims being some of the more recent available for examination (the claims were lodged with EMA between 2008 and 2014).<sup>3</sup> The ANAO's performance audit work was also informed by a recent performance audit of the Inspectorate's value for money reviews of Queensland reconstruction projects.<sup>4</sup>

6. The audit criteria were primarily based on the aim of the NDRRA, the principles for assistance to states, and the various definitions, conditions, requirements and other provisions set out in the determination and associated guidelines.

## Overall conclusion

7. The Commonwealth plays a major role in providing financial and other assistance to help alleviate the burden on states and to support the provision of urgent assistance to disaster affected communities. Under the Natural Disaster Relief and Recovery Arrangements (NDRRA), the Commonwealth reimburses up to 75 per cent of the state recovery bill after certain thresholds are met. The majority of NDRRA expenditure is used to provide partial reimbursement to states for rebuilding essential public assets, in particular roads and road infrastructure. NDRRA generally operates on a reimbursement basis, with the Australian Government having little oversight of reconstruction as it occurs as

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3 Unless an extension is approved, states can claim eligible expenditures incurred during the financial year in which the disaster event occurred and the following two financial years.

4 ANAO Audit Report No.8, 2013–14, *The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Queensland Reconstruction Projects*, Canberra, 6 November 2013.

there is no reporting from the states until such time as they seek reimbursement, which is commonly some years after disasters occur.

8. The NDRRA determination sets out the types of expenditure that are eligible for Australian Government reimbursement, as well as establishing various conditions and limits on the financial assistance that will be provided. In its administration of NDRRA, Emergency Management Australia (EMA) has placed significant reliance on the framework being well understood and complied with by state coordinating agencies, jurisdiction auditors and state delivery agencies and councils who undertake recovery and reconstruction work. This reliance has not been well placed given:

- there remains significant gaps in the extent to which key terms and conditions in the determination have been adequately defined and explained, notwithstanding that some additional guidance has been provided by EMA in recent years<sup>5</sup>; and
- limited oversight at the conclusion of reconstruction is afforded to the audited claims submitted by states, with no project level information provided in these claims.

9. Overall, EMA has not been alert to clear signals that the NDRRA framework has required tightening. Its claims verification and assurance processes have also not adequately protected the Commonwealth's interests, including by placing too much reliance on state vetting and sign-offs.<sup>6</sup> The result has been millions of dollars of ineligible claims being reimbursed to the states at the Commonwealth's expense.<sup>7</sup> A much more active and disciplined approach to EMA's administration of NDRRA is required so that payments are limited to those items the Australian Government intended to cover, given the significant quantum of funding that is involved.

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5 Shortcomings in the framework have been raised on a number of occasions by the Inspectorate, and were also raised with the ANAO during the course of this audit by state coordinating agencies, state delivery agencies and councils. They have also been identified by the department's internal auditor.

6 In a similar context, in January 2014 the then Secretary to the Treasury and the Auditor-General wrote to Secretaries of agencies with responsibilities for the management of National Partnerships about the importance of mechanisms being in place to obtain assurance over the integrity of information provided by the states where this is relied upon to make payments.

7 The ANAO identified a number of instances of ineligible expenditure being claimed by each of the three states included in the scope of this audit. This is in addition to the Inspectorate similarly identifying a range of ineligible expenditures in Queensland reconstruction projects it has examined.

10. EMA has been reluctant to accept criticism of its approaches. Of note is that EMA did not agree with the finding of a February 2013 internal audit that there were 'significant weaknesses' in departmental processes for claims verification and assurance. Instead, EMA opined that its existing approach provides 'a substantial level of assurance'. Further, notwithstanding that internal audit had identified that the shortcomings in the NDRRA framework 'inhibits the ability of jurisdiction auditors to develop measurable audit criteria', EMA has advised the ANAO that it is 'reasonable and appropriate' for it to continue to rely on state 'vetting' of expenditure claims and associated audit sign-offs. This advice was provided notwithstanding this audit identifying various instances of ineligible expenditure claims that had been paid by EMA.

11. A key message from this audit is that improvements in administrative effectiveness, including savings in NDRRA expenditure, can be expected if EMA took more timely and effective action to improve upon longstanding administrative approaches. A positive move in this direction involved EMA obtaining, in July 2014, a report from internal audit to support the development of a compliance assurance framework for NDRRA. However, it remains noteworthy that EMA has not yet made any use of the power it was given in 2012 to undertake project-level assurance activities either before reconstruction work is completed, or after expenditure claims have been submitted. In this respect, the ANAO's earlier audit of the Inspectorate's review of Queensland reconstruction projects had concluded that:

The experience to date of the project level scrutiny provided by the Inspectorate and the Taskforce (which have identified potential reductions in NDRRA claims from Queensland totalling more than \$100 million) is likely to be beneficial in informing the approach adopted by EMA in its ongoing administration of NDRRA in respect to natural disasters that occur in other states and territories. It also underlines for other Commonwealth agencies the potential benefits of closely considering arrangements for assuring information provided by the states and territories, where this information determines the amount of Commonwealth payments.

12. Against this background, the ANAO has made two recommendations. The first is focused on the development of a more robust framework to govern the provision of financial assistance under NDRRA. The second is aimed at stronger controls being implemented by EMA to increase the level of assurance over the veracity of NDRRA payments to the states.

## Key findings by chapter

### NDRRA Framework (Chapter 2)

13. The NDRRA framework comprises the Ministerial determination, Schedule 1, six attachments and 10 guidelines. This framework defines those natural disasters that are covered, and identifies those measures that are eligible for funding.

14. The framework that is in place to support the delivery of NDRRA funding is inadequate in a number of important respects. Of note is that EMA has not acted sufficiently promptly to address deficiencies in the guidance available for state, territory and local governments involved in administering or delivering NDRRA assistance.<sup>8</sup> This has resulted in varying interpretations of NDRRA eligibility requirements by state agencies and incorrect claims being submitted to EMA and paid.

15. Inadequacies in the NDRRA framework have also been raised by the Australian Government Reconstruction Inspectorate, in light of the findings of its review of a sample of Queensland reconstruction projects. The Inspectorate has reported that the NDRRA framework would benefit from 'better defined eligibility criteria' and also that the 'current procedures are often vague, inconsistent and complicated'. Similarly, comments on the NDRRA framework from states examined by the ANAO as part of this audit included that it is 'complex and ambiguous' and, while recently issued guidance from EMA has been welcomed, there remains 'uncertainty about the interpretation of NDRRA Determinations'.

16. The inadequacies in the NDRRA framework have been reflected in varying interpretations of NDRRA across and within the sampled states. It has also been reflected in states claiming, and EMA making payment for, expenditure that is not eligible under NDRRA. In this respect, EMA's submission to the recent Productivity Commission inquiry acknowledged that there has been some shifting of states' operational disaster response costs to

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8 For example, although EMA had undertaken to complete the first six in a series of 'Eligibility advices' by 30 September 2013, these were not provided to state NDRRA coordinators until April 2014. While many topics identified as requiring guidance are yet to be addressed, to date only one of the initial six advices has been made available on the disaster assist website (in October 2014). This related to Counter Disaster Operations (CDOs), a measure introduced in the 2007 Determination and for which NDRRA stakeholders had identified as early as August 2009 that a definition and guidance was required.

the Commonwealth because ‘a much broader range of state and territory pre-deployment and response costs have been covered under the NDRRA than was originally envisaged’. Similarly:

- the Inspectorate has identified ‘systemic eligibility issues in road construction projects’ in Queensland;
- the National Commission of Audit raised concerns about the extent to which state and local governments have been upgrading their assets using Commonwealth NDRRA funds; and
- in each of the three states examined by the ANAO as part of this audit, EMA has paid claims for expenditure that were not eligible under NDRRA.

17. EMA has had little visibility over these matters given the small amount of information it obtains from states before paying NDRRA claims. It has also approved payments notwithstanding that information in its possession at the time of assessment shows the claim is not consistent with the NDRRA determination.

### **Claims Verification and Assurance (Chapter 3)**

18. The NDRRA determination provides for two types of NDRRA claims to be made: general claims and audited claims. A general claim is unaudited and may include estimates of expenditure. An audited claim is required to be based on actual expenditure. The significant majority of NDRRA claims involved audited claims. Accordingly, NDRRA generally operates on a reimbursement basis.

19. There are three basic principles that limit the Commonwealth assistance to states to the partial reimbursement for ‘state expenditure’ on ‘natural disasters’. Specifically: the expenditure must be on ‘eligible measures’; the expenditure must meet certain financial requirements (such as being above set thresholds); and other conditions set out in the determination must also be met.

20. For some time the work of the Inspectorate has been drawing attention to ineligible activities being included in Queensland reconstruction activities. More broadly, a February 2013 internal audit report concluded that there were ‘significant weaknesses’ in EMA’s processes for verifying and paying NDRRA claims. EMA did not agree with this conclusion. Instead, it opined that the

‘existing arrangements provide a substantial level of assurance’. The ANAO’s analysis is that this is not the case.

21. In this context, EMA’s claims processing approach places significant reliance on states accurately calculating the amounts to be claimed, with the associated provision of an audited financial statement. However:

- as outlined at paragraphs 14 to 16, the NDRRA governance framework does not promote understanding of, and compliance with, the NDRRA determination. This inhibits the ability of the states, and their auditors, to prepare claims that only include expenditure that is eligible for reimbursement;
- the NDRRA claim forms provide EMA with little in the way of useful information for claims analysis. For example, they do not require the states to provide any project level information. Instead, the department places significant weight on the audited high level information submitted by the states notwithstanding that the shortcomings in the framework inhibits the ability of state auditors to develop measurable audit criteria; and
- there are no requirements specified in relation to the records that are required to exist before a NDRRA claim is made, or the records that are to be maintained in support of a claim that has been made. In this respect, it was common for there to be long delays in state delivery agencies and councils being able to provide the ANAO with information to support amounts they had claimed under NDRRA, or for them to be unable to produce any supporting documentation for the amounts they had claimed.

22. Significant benefits, including reducing the extent to which payments are being made for ineligible expenditure, can be expected from EMA implementing improved oversight and assurance arrangements for NDRRA claims. Specifically:

- obtaining more detailed information from the states on the expenditure that has been submitted for reimbursement before claims are paid, or of estimates where payments are made on that basis; and
- implementing a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects.



The power to undertake assurance activities was provided to EMA in December 2012, but has not yet been used.

23. Each of the Productivity Commission's proposed natural disaster funding reform options involve a move from reimbursement of actual expenditure on the reconstruction of essential public assets to payments based on damage assessments and estimates of the cost of reconstruction made soon after a disaster. In this respect, the work of the Australian Government Reconstruction Inspectorate has been largely based on examining the estimated cost of approved reconstruction projects, rather than expenditure on completed works. In this context, even if NDRRA moves to payments based on project damage assessments and cost estimates, significant benefits can be expected from EMA obtaining more detailed claims information and implementing a risk-based program of assurance activities.

## Summary of agency responses

24. The proposed report was provided to the Attorney-General's Department; the Department of the Treasury; and the Chair of the Inspectorate, as these Australian Government entities have various roles and responsibilities associated with NDRRA. Extracts of the report were also provided to four state departments and agencies and two Local Government Authorities (LGAs) in NSW; six state departments and agencies and two LGAs in Victoria; and three state departments and agencies and six LGAs in Western Australia, as references to these entities are included in the report.

25. Formal comments on the proposed report were provided by the Attorney-General's Department and the Chair of the Inspectorate, and are included in full in Appendix 1. A summary of the Attorney-General's Department's comments is also included below. Formal comments on the proposed report were also provided by the NSW Treasury; Victorian Department of Treasury and Finance; Wellington Shire Council (Victoria); and Western Australian Department of Premier and Cabinet. These are also included at Appendix 2.

## Attorney-General's Department's response

26. Over the last 40 years, the Natural Disaster Relief and Recovery Arrangements (NDRRA) has provided states and territories with the autonomy and flexibility to decide the level and means of recovery support, which appropriately facilitated quick implementation of recovery strategies by



providing certainty around the level of Australian Government support that would be available. However, the increase in the Australian Government's liability of around \$10 billion since 2010–11, has led to the implementation of more onerous administrative practices to obtain greater fiscal transparency, address ineligible claims and appropriately contain costs. The result has been reduced state autonomy to manage their constitutional responsibilities, and overly-complex NDRRA administration.

27. The Attorney-General's Department ('the department') agrees the Australian National Audit Office's recommendation 1(a) noting the department has been implementing arrangements in line with this recommendation over the last two years. A decision to implement recommendations 1(b) and 2 would require extensive consultation between governments. These recommendations represent the governance arrangements in place under between (sic) the Commonwealth and Queensland Government National Partnership Agreement for reconstruction and recovery, which has been at a cost to the Australian Government of approximately \$10 million and to the Queensland Government of over \$95 million.

28. The department is taking immediate action to decrease the risk of ineligible expenditure being erroneously included in state claims by re-writing the 2012 NDRRA determination. The department will also examine alternative compliance options to those proposed by the ANAO, which will be considered by Government together with the ANAO's recommendations.

### **ANAO comment**

29. The ANAO does not recommend adopting the Queensland or Victorian oversight arrangements or introducing new or amended NPAs. Recommendation 2(b) proposes a risk-based approach to examining a sample of recovery and reconstruction projects. Any project-level scrutiny by AGD would be a significant improvement over the department's current approach, but would still involve significantly less scrutiny than is being applied by either the:

- Queensland Reconstruction Authority, which reviews all project submissions from local government and state delivery agencies for eligibility and/or value for money, as part of its progressive review of projects as they proceed from initial estimates to delivery and acquittal; or

- the Australian Government Reconstruction Inspectorate, which uses a Cumulative Monetary Amount sampling methodology to examine a selection of projects using a three-tiered review process.<sup>9</sup>

30. The department already has the authority to implement the ANAO's recommendations under clauses 6.6 and 6.8 of the current Determination (see paragraph 3.14). The audit notes the reported benefits that have been attributed to conducting project-level scrutiny of NDRRA claimed expenditures (for example, see paragraphs 3.6 and 3.7). The audit report also demonstrates that, despite a relatively modest ANAO sample and considerable constraints on the quality and quantity of information voluntarily made available by states, there are indications of widespread NDRRA over claiming.

31. The department has not advised the source or context for its cited costs of the NPA to the Australian and Queensland Governments. However, by way of comparison, the Queensland Reconstruction Authority has reported that, as at August 2014, the oversight arrangements established by the NPA between the Commonwealth and Queensland have resulted in \$4.6 billion in rejected or withdrawn claims<sup>10</sup> in that state alone.

32. The Attorney-General's Department is responsible for administering NDRRA consistent with the Ministerial Determination. The audit demonstrates that a much more active role is required on the department's part to protect the Commonwealth's interests, with any costs of additional scrutiny likely to be more than repaid through reduced payments on items not eligible under the Determination.

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9 See further in ANAO Audit Report No.8, 2013–14, *The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Queensland Reconstruction Projects*, Canberra, 6 November 2013.

10 Source: Australian Government Reconstruction Inspectorate, Eighth Report, September 2014, p. 2.

# Recommendations

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Set out below are the ANAO's recommendations and the Attorney-General's Department's abbreviated responses. More detailed responses are shown in the body of the report immediately after each recommendation.

**Recommendation No.1**  
**Paragraph 2.75** The ANAO recommends that the Attorney-General's Department significantly improve the administration of disaster relief and recovery funding by:

- (a) adopting more timely processes for developing, finalising and promulgating disaster funding guidelines and advisories; and
- (b) implementing administrative arrangements that provide it with greater details of the amounts included in expenditure claims, including project specific information.

**Response:**

- (a) *Agreed.*
- (b) *Agreed with qualification.*

**Recommendation No.2**  
**Paragraph 3.70** To provide improved oversight and assurance in its administration of the Natural Disaster Relief and Recovery Arrangements, the ANAO recommends that the Attorney-General's Department:

- (a) obtain project level information from states and territories to enable more informed analysis of claim amounts; and
- (b) implement a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects.

**Response:**

- (a) *Agreed with qualification.*
- (b) *Agreed with qualification.*



## **Audit Findings**



# 1. Introduction

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*This chapter provides an overview of the assistance provided by the Australian Government under the Natural Disaster Relief and Recovery Arrangements (NDRRA). It also sets out the audit objectives, scope and criteria.*

## Background

**1.1** Australia is exposed to a wide variety of natural hazards. Natural hazards become natural disasters when they have a significant and negative impact on the community.

**1.2** Over the past 40 years, storms have been the most frequent disasters causing insured property losses.<sup>11</sup> Floods have also been frequent as well as typically being the most expensive form of natural disaster. Bushfires have been less frequent, but have accounted for most fatalities.

### Australian Government financial assistance to states

**1.3** Prime responsibility for the response to a disaster rests with state and territory governments.<sup>12</sup> Nevertheless, as natural disasters often result in substantial expenditure by state governments in the form of disaster relief and recovery payments and infrastructure restoration, the Commonwealth has established arrangements to provide financial assistance to the states in certain circumstances. The key mechanism for providing financial assistance is through the NDRRA.<sup>13</sup>

**1.4** Responsibility for administering NDRRA was transferred from the former Department of Transport and Regional Services to the Attorney-General's Department (AGD) on 24 January 2008. In this context, the National Disaster Recovery Programs Branch (NDRPB) within Emergency Management Australia (EMA) has some 22 full time equivalent staff and an annual budget of approximately \$2.9 million.

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11 Analysis in this paragraph is drawn from the Productivity Commission, *Natural Disaster Funding Arrangements*, Draft Report, September 2014, Volume 1, p. 5.

12 For simplicity, referred to as 'states' or 'state governments' in this report.

13 The NDRRA framework and its operation are outlined in Chapter 2.

## Productivity Commission review

1.5 In December 2013, the Government announced its intention to establish a Productivity Commission inquiry into natural disaster funding arrangements in support of the Council of Australian Governments' national policy shift from a natural disaster response and recovery focus to proactively building disaster resilience. Accordingly, on 28 April 2014, the Productivity Commission (the Commission) was asked by the Treasurer to undertake a public inquiry into the efficacy of current national natural disaster funding arrangements, taking into account the priority of effective natural disaster mitigation and the reduction in the impact of disasters on communities.

1.6 The Commission's draft report was released on 25 September 2014. It proposed a major restructure of Australian Government funding for natural disasters. Its key findings included that:

- the current funding arrangements are not efficient, equitable or sustainable as well as being 'prone to cost shifting, ad hoc responses and short-term political opportunism';
- the evolution of the funding arrangements 'can be characterised by growing generosity by the Australian Government during the previous decade, followed by a swing to constrain costs and increase oversight after the recent concentrated spate of costly disasters'; and
- governments generally overinvest in post-disaster reconstruction, and under invest in mitigation that would limit the impact of natural disasters in the first place such that 'natural disaster costs have become a growing, unfunded liability for governments, especially the Australian Government'.

1.7 The Commission concluded that NDRRA dilutes the link between asset ownership, risk ownership and funding, providing a financial disincentive for state and local governments to invest in mitigation or insurance. It further concluded that financial support to the states for natural disaster relief and recovery be reduced<sup>14</sup> while mitigation funding be increased (from about \$40 million to \$200 million annually) to encourage governments to manage

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14 The Commission's preferred option was to reduce support under NDRRA by increasing the small disaster criterion (from \$240 000 to \$2 million), increasing the annual eligibility thresholds and having a flat cost sharing rate of 50 per cent.



natural disaster risks more sustainably and equitably. Consequentially, the Commission's draft recommendations included that the amount of post-disaster financial support provided by the Australian Government be reduced by:

- decreasing the marginal cost sharing rate from 75 per cent to 50 per cent; and
- increasing the trigger amounts at which assistance is provided (both the small disaster criterion<sup>15</sup> and the annual expenditure threshold<sup>16</sup>).

**1.8** Each of the Productivity Commission's proposed natural disaster funding reform options involve a move from reimbursement of actual expenditure on the reconstruction of essential public assets to payments based on damage assessments and estimates of the cost of reconstruction made soon after a disaster.

**1.9** The final report was presented to the Australian Government in mid-December 2014. In February 2015, AGD advised the ANAO that the Government will release its response to the final report by the end of May 2015.

## ANAO audit activity

### Related audits

**1.10** The ANAO has undertaken three audits of key aspects of the National Partnership Agreements (NPAs) signed with Queensland and Victoria in relation to natural disasters over the 2010–11 Australian spring and summer seasons.

**1.11** The objective of the first audit (ANAO Audit Report No.24 2012–13) was to assess the extent to which the disaster recovery work plans for Queensland and Victoria were prepared, and appropriate monitoring reports provided, in accordance with the relevant NPA. In the context that the Australian Government will meet up to 75 per cent of eligible reconstruction expenditure, the second and third audits (ANAO Audit Report No.23 2012–13

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<sup>15</sup> To be eligible for NDRRA reimbursement, total eligible state expenditure on an eligible disaster must exceed the Small Disaster Criterion (currently \$240 000).

<sup>16</sup> The first threshold is currently 0.225 per cent of the state's total general government sector revenue and grants in the financial year two years prior to the relevant financial year (as published by the Australian Bureau of Statistics). The second threshold is currently 1.75 times the state's first threshold. For example, the 2014–15 first and second thresholds for NSW are \$143 million and \$250 million respectively.

and ANAO Audit Report No.8 2013–14) assessed the effectiveness of the Australian Government Reconstruction Inspectorate, supported by the National Disaster Recovery Taskforce<sup>17</sup>, in providing assurance that value for money is being achieved in recovery and reconstruction expenditure in Victoria and Queensland respectively.

## **Audit objective, scope and criteria**

**1.12** The objective of this current audit was to assess the effectiveness of the Attorney-General's Department's administration of the terms of the NDRRA Ministerial determination.

**1.13** The audit examined EMA's administration of the determination, including through analysis of a selection of NDRRA claims made by three states (Western Australia, Victoria and New South Wales) in respect to seven disaster events covering a range of disaster types and sizes, as reflected in terms of the overall costs claimed and the numbers and geographic spread of affected areas. The relevant disasters had occurred between 2006 and 2011, with the associated NDRRA reimbursement claims being some of the more recent available for examination (the claims were lodged with EMA between 2008 and 2014).<sup>18</sup> The audit criteria were primarily based on the aim of the Arrangements, the principles for assistance to states, and the various definitions, conditions, requirements and other provisions set out in the determination and guidelines.

**1.14** The audit of EMA was conducted under section 18 of the *Auditor-General Act 1997* (the Act). The ANAO had planned that the audit also consider the performance of a sample of states, pursuant to section 18B of the Act (which empowers the ANAO to conduct a performance audit of a Commonwealth partner). The three sampled states were New South Wales (NSW), Victoria and Western Australia. However, the relevant central agencies in NSW and Victoria informed the ANAO that they had doubts about the applicability of section 18B of the Act to state expenditures incurred under NDRRA, but each agreed to relevant state agencies participating voluntarily in the audit.

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17 While the Inspectorate and Taskforce (within the Department of Infrastructure and Regional Development) provide assurance in relation to expenditures covered by the NPAs, AGD retains responsibility for all NDRRA payments and acquittals.

18 Unless an extension is approved, states can claim eligible expenditures incurred during the financial year in which the disaster event occurred and the following two financial years.

**1.15** Legal advice obtained by the ANAO in respect to the matters raised by NSW and Victoria was that there was some doubt that section 18B empowered the ANAO to audit a state's NDRRA activities to the extent that the activities are funded by reimbursements by the Commonwealth where the payment is made only with respect to past expenditure (which is the case in relation to the majority of NDRRA claims for all states excluding Queensland). Accordingly, the audit conclusions are directed to the performance of Commonwealth agencies and not state agencies (Commonwealth partners), drawing on information provided voluntarily by the states.

**1.16** The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$765 000.

## Report structure

**1.17** The audit findings are reported in the following chapters.

Chapter	Chapter overview
2. Natural Disaster Relief and Recovery Arrangements Framework	Examines the NDRRA framework and outlines its operation.
3. Claims Verification and Assurance	Examines whether claims for NDRRA funding are consistent with the Ministerial Determination.

## 2. Natural Disaster Relief and Recovery Arrangements Framework

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*This chapter examines the Natural Disaster Relief and Recovery Arrangements (NDRRA) framework and outlines its operation.*

### Background

**2.1** NDRRA is a Commonwealth ministerial determination. NDRRA assistance takes account of a state's capacity to fund disaster recovery and is usually in the form of partial reimbursement of actual state expenditure. Advance payments are also sometimes provided. States are required to provide audited financial statements to acquit expenditure, including expenditure of advance payments, and repay to the Commonwealth amounts not properly spent.

**2.2** The determination defines those natural disasters that are covered by NDRRA, and identifies those measures that are eligible for NDRRA funding. Subject to administrative rules set out in the determination, upon notification of the natural disaster to the Secretary of the Commonwealth Attorney-General's Department by the affected state, Commonwealth assistance will be provided in respect to eligible measures. In this context, there are four categories of assistance:

- Category A – emergency assistance provided to individuals;
- Category B – restoration or replacement of essential public assets, concessional loans and counter disaster operations (CDOs);
- Category C – community recovery packages for community facilities and/or clean-up and recovery grants for small businesses and primary producers; and
- Category D – exceptional circumstances assistance.

**2.3** NDRRA generally operates on a reimbursement basis. There are three basic principles that limit the assistance to states to the partial reimbursement for 'state expenditure' on 'natural disasters': the expenditure must be on 'eligible measures'; the expenditure must meet certain financial requirements; and the 'state' must meet other conditions set out in the determination.

**2.4** The determination provides for two types of NDRRA claims to be made: general claims and audited claims. A general claim is unaudited and may include estimates of expenditure. An audited claim is required to be based on actual expenditure. The significant majority of NDRRA claims involved audited claims.<sup>19</sup>

**2.5** The claim and acquittal form; expenditure breakdown form; and a prescribed format for the independent audit report are provided as attachments to the determination.<sup>20</sup> Time limits apply to the submission of claims and acquittals, with provision for extensions to be requested by states.

**2.6** The ANAO examined:

- revisions and updates to the determination;
- the NDRRA guidelines and advisories;
- the framework for meeting costs relating to the restoration or replacement of essential public assets;
- the practice of claiming costs relating to ‘Day Labour’;
- the interaction of state guidelines with NDRRA;
- disaster notification and registration;
- state acknowledgement of Commonwealth assistance; and
- post disaster assessment reporting.

## Revisions and updates to the determination

**2.7** The NDRRA framework comprises the ministerial determination, Schedule 1, six attachments and 10 guidelines.<sup>21</sup> These documents are publicly available on the ‘Disaster Assist’ website.<sup>22</sup> A ‘Companion Guide’ that was intended to ‘simplify and improve the usability of the determination’ was to be

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19 Over the last five years there have only been three general claims paid (each related to Queensland, and the claims were received together in April 2012).

20 However, there is no information in the determination or guidelines in relation to applying for an advance and no claim form is provided.

21 Commonwealth assistance for natural disaster relief and recovery has been provided under less formal arrangements since the late-1930s, with the first ministerial determination commencing in 1985 and the tenth and most recent determination issued in December 2012.

22 [www.disasterassist.gov.au](http://www.disasterassist.gov.au) - an Australian Government website providing information on recovery assistance following a disaster.

completed by December 2009. More than five years later it is still an incomplete draft that does not achieve this stated intention.

**2.8** In January 2014, EMA advised the ANAO that its guidelines and advisories have been issued ‘in place of issuing a companion guide’. However, none of the 10 guidelines individually or collectively could be characterised as simplifying the Determination. Further, the advisories have not been published on the website. In addition:

- the Victorian Department of Treasury and Finance commented to the ANAO that EMA guidance on the claiming of Counter Disaster Operations (CDOs) does not fully clarify eligibility matters and that other guidance ‘remains unclear’, ‘making it difficult for the state and for VicRoads to assess expenditure accurately’ (see further at paragraphs 2.17 to 2.23). The ANAO was further advised that:

Following significant natural disasters in recent years, all states have actively encouraged the Commonwealth to provide a better understanding of what local councils and states can undertake when seeking to repair, reinstate and ‘better’ damaged essential public assets.

- NSW Treasury described NDRRA as ‘complex and ambiguous’ and further commented to the ANAO that there is ‘uncertainty about the interpretation of NDRRA Determinations’ and ‘while NSW acknowledges the usefulness of recently released EMA advisories supporting Determination 2012, states have been obliged to develop guidelines on interpretation of the NDRRA’;
- state-based approaches to providing NDRRA interpretations and guidance has led to inconsistent approaches, including WA employing a different (and incorrect) accounting approach in respect to claims examined by the ANAO (see further at paragraphs 3.61 to 3.65); and
- as illustrated by various examples discussed in this ANAO audit report, as well as other instances identified by the ANAO in the course of this audit, claims for expenditure ineligible under NDRRA have been made across each of the three sampled states. This is a similar situation to that identified by the Australian Government Reconstruction Inspectorate in respect to Queensland.

## Timing of determination changes

**2.9** Ideally, changes to the Arrangements should be aligned to financial years, since this is the basis for the claims submitted by states. Traditionally this had been the case, in that the eight determinations reissued between 1988 and 2004 all took effect from 1 July of the relevant year of issue. A particular advantage of this timing was that states were well aware of any changes before they came into effect on 1 July and therefore did not need to absorb changes or divert attention from their response and recovery efforts during the ‘disaster season’ (which typically occurs between November and April).

**2.10** The last four determinations were issued on 22 March 2006, 21 February 2007, 21 March 2011 and 18 December 2012 respectively, which from the states’ perspective are all in the midst of the disaster season. As these determinations are effective from the date of signature, depending on the extent of the changes, this complicates eligibility assessments, as delivery agencies, state NDRRA administrators and EMA staff are effectively dealing with two sets of requirements for one financial year.

**2.11** In November 2013, the NSW Audit Office found it necessary to contact EMA in order to ascertain the date of effect of the current determination. Accordingly, it would be of benefit if the Disaster Assist website included the signed and dated determinations.

## NDRRA guidelines and advisories

**2.12** Clause 8.1 of the determination provides that the Secretary of AGD may issue guidelines from time to time to provide clarification of the interpretation and administration of the determination; and to provide assistance and guidance on the forms and procedures to be adopted by states for obtaining payments made under the determination. As indicated in paragraph 2.7, there are currently 10 guidelines posted on the Disaster Assist website.

**2.13** In March 2013, EMA advised the AGD Audit Committee that the ‘current guidelines are appropriate for the majority of NDRRA claims and expenditure’ and that it would ‘finalise and formalise NDRRA policies and procedures by 30 September 2013’. However, a number of submissions to the Productivity Commission review raised concerns about a lack of clarity concerning NDRRA funding rules. For example, the Australian Government Reconstruction Inspectorate submitted that there is a lack of clarity around eligibility criteria, the guidelines lack definition in relation to eligibility of costs

for reimbursement and that NDRRA is at risk of not being applied consistently. Similarly, in its seventh report, provided to the Prime Minister in December 2013, the Inspectorate had highlighted that:

- the NDRRA framework would benefit from ‘better defined eligibility criteria’ and the ‘current procedures are often vague, inconsistent and complicated’; and
- one of the key challenges faced has been the varying interpretations of NDRRA by state agencies. Under NDRRA, the devolved approach risks the inconsistent interpretation of key terms, and has resulted in instances where reconstruction has extended beyond the replacement of what was originally there at a significantly increased cost to the Commonwealth.

**2.14** Similarly, the Inspectorate’s eighth report provided to the Prime Minister in September 2014 outlined that many of its specific observations remained unchanged since the seventh report, including ‘a need to clarify some important programme parameters, simplify processes and define eligibility criteria.’ In this respect, in January 2014, AGD had advised the ANAO that:

... the Department is ... continuing to deliver important, low cost improvements to its administration of NDRRA, such as developing formal eligibility advice to provide better guidance to Australian Government agencies, the states and state auditors-general in interpreting the intent of NDRRA and executing their responsibilities.

**2.15** However, although some progress has been made, formalising such advice has largely not yet occurred. In this respect, EMA has been slow to issue ‘draft’ guidance and after considerable elapsed time has still not finalised and formalised much of this material. For example, a 2005 review of the Arrangements identified the need for the development of ‘NDRA Eligible Measures Specifications’, which were essentially intended to be ‘a detailed list of eligible measures’. This had not occurred by August 2009 and was again identified at that time as an important need. However, nine years have passed



since the 2005 review but this matter remains outstanding, as reflected in a recommendation of the Finance Insurance Review.<sup>23</sup>

**2.16** Further in this respect, the first six 'Eligibility advices' issued by EMA were due for completion by 30 September 2013. However, these were not provided to the NDRRA Stakeholders Group (NSG)<sup>24</sup> until April 2014. With one exception, to date these documents have not been published on the Disaster Assist website.

**2.17** One of these advices was in relation to CDOs<sup>25</sup>, which were introduced in the 2007 Determination. However, there is no definition of CDOs within the determination. The NSG meeting held on 4 August 2009 identified that a definition and eligibility guidance was required. It was not until some five years later (and more than seven years after CDOs became an eligible measure) that a guideline was finalised and issued by EMA (in October 2014).

**2.18** EMA is aware that states have adopted their own interpretations of the provisions and that this has resulted, for example, in the shifting of the states' operational disaster response costs to the Commonwealth. In this regard, AGD publicly acknowledged in its submission to the Productivity Commission Inquiry that:

Over time, a much broader range of state and territory pre-deployment and response costs<sup>26</sup> have been covered under the NDRRA than was originally envisaged. Some of these costs, such as aerial firefighting costs, are already subject to separate Australian Government cost-sharing arrangements.

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23 Department of Finance and Deregulation, *Review of the Insurance Arrangements of State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements Determination 2011, NDRRA Phase 2 Report*, September 2012, Recommendation 2. EMA issued NDRRA Guideline 6 on 'Definition of Essential Public Assets' in December 2012.

24 The NSG is the primary and the permanent forum for the Commonwealth/AGD to consult with the states and territories on the terms, conditions and scope and effectiveness of NDRRA. The NSG meets at least twice per year. Member states nominate up to two senior level representatives. The Group's main role is to be an ongoing information sharing and networking high level stakeholder advisory and consultation group of AGD on practical recommendations to improve the scope, effectiveness and application of NDRRA.

25 The other advisories are in relation to: Debris Removal; Plant and Equipment Costs; Environmental Initiatives; Salaries and Wages; and Application of NDRRA to Terrorist Events.

26 Pre-positioning and disaster 'response' or 'combat' activities are the constitutional and legislated responsibility of state and local governments. NDRRA is intended as a safety net to partially reimburse states for 'extraordinary' costs incurred during the relief and recovery phases following the occurrence of a natural disaster.

**2.19** However, EMA reimbursed these costs, with claims examined by the ANAO also including, for example:

- over \$7.3 million claimed as CDOs by 14 Local Government Authorities (LGAs) in relation to the severe thunderstorms that crossed the Wheat Belt region of Western Australia on 29 January 2011. Twenty shires were declared as affected by this event, ranging from the Shire of Perenjori in the north, to the Shire of West Arthur in the south. [AGRN 427]. For example, the Shire of Cuballing claimed \$821 286, primarily for tree clean-up work on low-trafficked rural access roads. While the affected roads were opened to traffic within days of the storm event (work which is intended to be eligible under NDRRA as CDOs)<sup>27</sup>, the bulk of the shire's claim related to removing fallen tree debris on roadside verges long after the event occurred (see Figure 2.1). This work commenced in July 2011 (some five months after the storm impacted the region) and continued until March 2012. As such, most of the work claimed could not be considered to have been undertaken on an urgent basis, in 'public urban areas'; and could not reasonably be expected to reduce the need to provide emergency assistance to individuals<sup>28</sup>;

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27 The WANDRRA guidelines state that CDOs are expected to be undertaken and completed within days of an event's impact.

28 Specifically, tree debris beside the road does not impinge residents accessing their properties, nor is it creating a safety issue for residential properties, such that residents would be unable to return home, and would therefore require Category A assistance (such as emergency accommodation, sustenance or personal items).

**Figure 2.1: Tree debris pushed to side of the road, Shire of Cuballing, Western Australia**



Source: Shire of Cuballing.

- among the 12 shires declared by Western Australia as affected when the Gascoyne river catchment area experienced substantial flooding as a result of a monsoonal low in mid-December 2010 (the Carnarvon flood) [AGRN 418], \$742 412 was claimed by the Shire of Carnarvon as CDOs to assist individuals (under Category A). This included over \$60 000 for a building appraisal project, conducted over the period from mid-February 2011 to June 2011, with the purpose of inspecting 174 properties 'to determine the number and status of all buildings on the property'. The June 2011 report found a large percentage of unapproved buildings that were non-compliant with the current requirements of the Building Code of Australia. Of 289 houses inspected, 102 houses were below the 1-in-100 year flood line and many of the houses did not have 'sanitary conveniences'. Some years before the flood the council changed its regulations such that each septic system was required to have two leach drains. Most of the 73 leach drains installed by council and for which the costs were included in the NDRRA claim appear to be for the purpose of meeting this requirement, rather than as a result of damage caused by the flood. Council also paid for the installation of 42 new septic tanks (there was no evidence provided that these were replacing tanks washed away). The claimed cost of the septs and leach drains installed was over \$280 000. The available evidence was that Council organised the

installations because septic systems did not exist or residents had 'unapproved', inadequate, makeshift and poorly sited septic systems. Accordingly, it was not evident that all of the claimed expenditure had been incurred on alleviating individuals' personal hardship or distress arising as a direct result of the declared natural disaster event; and

- in respect to the Gippsland Flood that occurred in June 2007 [AGRN 278], Victoria made a Category A CDOs claim which included \$95 000 for the construction of levee banks to protect residential properties at Narracan Creek in the Latrobe LGA. However, the supporting documentation provided to the ANAO by the Victorian Department of State Development, Business and Innovation showed that this expenditure was incurred on a flood warning system installed in April 2008.<sup>29</sup>

**2.20** In February 2015, the Victorian Department of Treasury and Finance (DTF) acknowledged that the amount pertaining to the activity at Narracan Creek was intended as a mitigation project and therefore should not have been claimed for NDRRA reimbursement.

**2.21** As indicated at paragraph 2.17, guidance on CDOs was issued by EMA in October 2014. Guideline 10 now provides some examples of the types of CDOs that may be eligible for NDRRA reimbursement. States are also now required to demonstrate the extraordinary nature of the events being claimed. In this regard, state and local governments must now be able to prove the extraordinary nature of the costs and that their existing human, capital and financial resources are unable to meet the demands of responding to a disaster or disasters. Importantly, states must now be able to demonstrate that the extraordinary CDOs undertaken were intended to reduce Category A assistance being provided. Further, the guideline places responsibility on the state or local governments to clearly differentiate NDRRA-eligible costs from other costs (which are not eligible and therefore to be covered within the state or local government's resource capacity). An attachment to the guideline also lists some 22 activities that states have been claiming as CDOs which EMA

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29 EMA specifically advised DTF at the time it lodged its 2007–08 NDRRA claim that flood warning systems are considered to be a mitigation measure and are ineligible for NDRRA funding.

recommends be categorised against a different clause or measure under NDRRA.<sup>30</sup>

**2.22** In January 2015, EMA commented in respect to the ANAO's analysis of NDRRA guidelines and advisories that:

It is incorrect to suggest there is a lack of clarity and formality with respect to NDRRA guidelines and it is inaccurate to conclude that in more recent years EMA has been slow to issue guidelines.

**2.23** However, in addition to being at odds with the ANAO's analysis, EMA's perspective was not shared by state and local councils in their comments to the ANAO. For example, in February 2015, the Victorian DTF advised the ANAO that:

DTF notes that while the development of this guidance [*on CDOs*] is helpful, it still does not fully clarify what costs are eligible or ineligible regarding those activities undertaken to protect the general public.

Other guidance for Plant and Equipment also remains unclear, making it difficult for the State and VicRoads to assess expenditure accurately.

**2.24** A common response by EMA to the issues raised by this ANAO performance audit was to advise the ANAO that:

The state is responsible for vetting local and state government expenditure to ensure it complies with the NDRRA. State government officials, along with state auditors-general, attest to the eligibility of expenditure claimed from the Australian Government under NDRRA. It is reasonable and appropriate for the Government to rely on the integrity of state audit office practices and findings.

**2.25** However, an approach that involves EMA placing 'significant trust' in the abovementioned certifications and sign-offs from the states is not sound where guidance is lacking or insufficiently clear. In addition to the ANAO's analysis, EMA's view that there is sufficient clarity in relation to NDRRA guidance is at odds with the findings publicly reported by the Australian Government Reconstruction Inspectorate, various submissions to the Productivity Commission review and specific comments provided to the ANAO by state entities and councils. Further, a July 2014 report prepared by the firm contracted as AGD's internal auditor outlined that 'there are a number

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30 Specifically, that 18 of these identified activities should be claimed under Category A and four should be claimed as the restoration of essential public assets under Category B.

of principles and measures under the determination that remain open to interpretation and that have not been defined or demonstrated'. The report provided to EMA by the internal audit firm stated that this situation 'inhibits the ability of jurisdiction auditors to develop measurable audit criteria'.

## Restoration or replacement of essential public assets

**2.26** In its fifth report to the Prime Minister, the Inspectorate observed that it is up to each state to determine what it considers to be 'an essential public asset' in accordance with the NDRRA determination. The Inspectorate noted that this can lead to inconsistent application of NDRRA funding across the states.

**2.27** In late-2012, the Taskforce liaised with EMA in relation to a number of areas identified during its project reviews where there was uncertainty about the eligibility of assets claimed for NDRRA funding. A Finance review of insurance arrangements also raised concerns about states' interpretation and application of the definition of eligible assets.<sup>31</sup> Subsequently, the guidelines released with the 2012 NDRRA determination included a clearer definition of an 'essential public asset'. This provided greater clarity to the states in relation to essential public assets damaged on or after the date of the determination. For example, Guideline 6 lists 15 examples of assets that the Commonwealth would generally consider to be eligible. It also provides the examples of assets that the Commonwealth would not generally consider to be essential public assets.

**2.28** However, effective action has not yet been taken in relation to the related issue of the Inspectorate's project assessments identifying:

... systemic eligibility issues in road construction projects under the NDRRA where delivery agents have used 'current engineering standards' as justification to support the upgrading of their asset. The NDRRA provides funds for infrastructure to be reconstructed on a 'like for like' basis, using current construction methodologies and building materials. Upgraded constructions, such as road widening and additional drainage structures, do not fall within the definition of 'current engineering standards' and need to be funded separately.<sup>32</sup>

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31 Department of Finance and Deregulation, *Review of Insurance Arrangements of State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements Determination 2011, Phase 1 Report March 2012 and Phase 2 Report*, September 2012.

32 Australian Government Reconstruction Inspectorate, Eighth Report, p. 12.



**2.29** In this context, in February 2015, the Victorian Department of Treasury and Finance commented to the ANAO that:

Victoria understands that while the concept of betterment was introduced in the 2007 NDRRA Determination, it was not well understood by either the states, local councils or the Commonwealth and that, to date, only one swimming pool in NSW has received funding from the Commonwealth for betterment.

**2.30** Nevertheless, ANAO analysis of the sampled claims identified that it has been relatively common for NDRRA payments made by EMA to include amounts that relate to upgraded constructions. Similarly, in February 2014, the National Commission of Audit had also raised concerns about the extent to which state and local governments can in effect upgrade their assets using Commonwealth NDRRA funds. However, notwithstanding that the Taskforce provided a draft guideline to EMA in 2012, guidance has not yet been formalised and promulgated by EMA.

**2.31** In the lead up to the re-issue of the determination in December 2012, the Taskforce had also requested that EMA define ‘engineering standards’ in the determination, but this did not occur. In addition, although what constitutes the appropriate standards was to be agreed between Queensland and EMA within two weeks of the execution of the National Partnership Agreement signed on 8 February 2013, this did not occur.<sup>33</sup>

**2.32** In October 2014, EMA advised the ANAO that its recently revised and reissued Guideline 6 on ‘Essential Public Asset Restoration or Replacement’ includes guidance on ‘current building and engineering standards’. However, this provides little more than a rationale for allowing current standards to be used.<sup>34</sup> It does not adequately address the concerns previously raised.<sup>35</sup> In this context, demonstrating that the practices observed by the Inspectorate in respect to Queensland reconstruction projects are symptomatic, the projects examined by the ANAO included instances where it was evident that NDRRA funding claimed as being for the restoration or replacement of essential public assets had been applied to upgraded assets.

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33 In January 2015, EMA advised the ANAO that ‘consensus could not be reached’.

34 That is, to allow states and local governments a modest level of flexibility to use contemporary, rather than obsolete or outdated, construction methodologies and building materials—for example, in the case of restoring or replacing a timber bridge asset, this may include using concrete or steel instead of timber.

35 AGD’s submission to the Productivity Commission acknowledges that ‘what constitutes an allowable current standard is open to interpretation’.

**2.33** For example, the suspension footbridge over the Tuena Creek in Tuena was damaged during the NSW floods event that occurred in late-November 2010 and affected 53 LGAs and the state's 'unincorporated area' [AGRN 421]. The original bridge was constructed in 1894. As it had also been damaged by floodwaters and repaired many times over previous years, rather than repairing the bridge, the Upper Lachlan Shire Council decided to replace it with a similar design, but to be built at a higher level to provide more protection from future floods. The new footbridge is now 1.5 metres higher and 15 metres longer (7.5 metres longer at each end) than the previously existing structure, at a (NDRRA) claimed cost of \$421 484 (see Figure 2.2, Figure 2.3 and Figure 2.4). Although there were significant enhancements to this asset (including an increase in overall length and disaster resilience), no council contribution was made for the costs of the upgrades that extended beyond the like-for-like repair of the bridge (and no betterment application was submitted to the Commonwealth).

**Figure 2.2: Tuena Creek footbridge, Tuena, NSW (before flood damage)**



Source: [www.pbase.com/image/71060830](http://www.pbase.com/image/71060830).

**2.34** Evidencing the shortcomings of EMA's current approach of placing significant trust in state agency certifications, both NSW Treasury and NSW Public Works suggested to the ANAO that there was no betterment included in the restoration of the bridge as it was constructed in accordance with current engineering standards. However, in February 2015 Upper Lachlan Shire Council advised the ANAO that:

The Tuena footbridge was replaced at a higher level to protect it from future flooding (it had been damaged numerous times in the past – suspension bridges are easily damaged by floods). Council staff collected a significant amount of anecdotal evidence to establish what level was required to protect the new



bridge from damage caused by future routine flood events. The additional length was needed to connect the higher bridge to the bank on each end.<sup>36</sup>

**Figure 2.3: Tuena Creek footbridge, flood damage**



Source: <http://imageshack.com/a/img259/8025/tuenab.jpg>.

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36 Council further advised the ANAO that it was unaware that a betterment application would be required if it wished to seek a NDRRA funding contribution towards the costs of upgrading council assets. This was notwithstanding there are references to the NDRRA betterment provisions in the NSW Disaster Assistance Guidelines and the NSW Public Works guidelines.

**Figure 2.4: Tuena Creek footbridge, after rebuilding**



Source: NSW Public Works.

**2.35** A similar example involved the Barkly River Bridge on the Glencairn Road in the Licola area in Victoria. It was built as a two span timber bridge 23 metres long and three metres wide with a 16 tonne load limit. As it was constructed in 1931, it was at or approaching the end of its economic life.<sup>37</sup> After it was destroyed during the December 2006 Great Divide bushfires [AGRN 255] (see Figure 2.5), it was replaced with a higher three span concrete bridge 30 metres long and 4.5 metres wide with a 44 tonne load limit at a (NDRRA) claimed cost of \$503 609. The stated reason for the bridge upgrade was to enable logging trucks to harvest timber in the area.<sup>38</sup> Wellington Shire Council's contribution to the project was only \$15 000. No details were available in the contemporaneous documentation regarding how this figure was determined. In this respect, in February 2015 Wellington Shire Council advised the ANAO that:

The replacement structure was built in line with minimum Australian and Austroads Standards for bridge design including load capacity (T44) and width (4.5m) for a single lane bridge. There was no major alteration to the vertical alignment, with the abutments of the new structure constructed in the same vertical positions as the previous bridge.

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37 The bridge was heritage listed in 1998, so would not ordinarily have been replaced by a concrete structure if it had not been destroyed.

38 VicForests was attempting to harvest 30 years of wood supply within two and a half years following the fires in the area.

... The \$36 000 referred to within contract documentation is in relation to the bridge abutment construction, an integral part of the bridge structure, as opposed to the road approach. Approach earthworks were undertaken, as a method of both providing small improvements to approach geometry in line with design guidelines for new and replacement bridge structures and as a means of gaining access to natural materials suitable for associated civil works at the bridge abutments that were otherwise unavailable for a great distance. Given the nature of these works, it was agreed in discussions between VicRoads representatives and Council staff that an amount of \$15 000 was attributable to any improvement outcomes that arose from these activities and this amount was subsequently paid by Wellington Shire Council.

**Figure 2.5: Barkly River Bridge destroyed by fire, Licola, Victoria**



Source: Wellington Shire Council.



**2.36** A further example related to the March 2011 monsoonal flood and trough event which affected the Derby, Wyndham and Halls Creek areas in the Kimberley Region [AGRN 440] of Western Australia. The state's claim included \$2 441 927 for restoration works for the Great Northern Highway Fitzroy River Crossing. However, the supporting documentation provided by Main Roads Western Australia (MRWA) revealed that the Fitzroy River Bridge remained undamaged during this flood event. As shown in Figure 2.6, the amount claimed was actually to install extensive rock protection to the river bank to minimise future erosion and scouring (upstream near the south eastern end of the bridge, extending towards the Fitzroy Lodge). This is mitigation and enhancement work rather than the restoration of an asset to its pre-disaster standard and as such is not eligible for NDRRA reimbursement.<sup>39</sup>

**Figure 2.6: Rock wall protection to river bank being installed at Fitzroy Crossing, Western Australia**



Source: Main Roads Western Australia.

**2.37** Claims for the November 2010 NSW Floods examined by the ANAO similarly included installing rock protection, culverts and causeways at various

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<sup>39</sup> Available documentation also records that the river bank has been eroding over many years since the bridge was constructed in 1972. Damage to the state's built assets as a direct result of the March 2011 flood has not been demonstrated.

sites where these did not previously exist; improving drainage; and raising the height of roads and causeways. In some instances it was apparent that roads were unformed, unmaintained or were being extensively sheeted with gravel in situations where this material did not constitute the pre-disaster road surface.

**2.38** Reinforcing that these issues and NDRRA claiming practices are not isolated, in April 2013 the Queensland Audit Office reported that there was not enough reliable evidence provided that assets in that state were restored to their pre-disaster condition, or that only the proportionate costs relating to pre-disaster standards had been claimed. It recommended that councils affected by natural disasters implement the systems, processes and controls to demonstrate their funding claims relate only to eligible costs.

## Interaction of state guidelines with NDRRA

**2.39** State guidelines examined by the ANAO generally do not have a clear line of sight with the determination, particularly in relation to distinguishing between Category A, B, C and D eligible measures. In practice, this perpetuates common misconceptions among delivery agencies that all assistance measures are eligible in all situations, whereas the determination provides for targeted assistance in relation to various defined, and in some cases very specific, situations. Some of the perceived complexity attaching to the NDRRA funding rules is in part a result of differences between what is eligible for full funding under state disaster assistance schemes and the more restricted eligibility for partial reimbursement under NDRRA.

**2.40** Under the Arrangements as currently designed, EMA does not have sufficient transparency of event-level expenditures to enable it to assess eligibility of the expenditures included in claims it approves for payment. In effect, state delivery agencies largely self-assess what they will claim for NDRRA advances and/or reimbursement. Accordingly, EMA places a very heavy reliance on the states 'getting it right'<sup>40</sup>, yet has not provided sufficient, clear and consistent information that would enable such an expectation to be met. EMA has also given insufficient attention to how effectively information

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40 In March 2013, EMA advised the AGD Audit Committee that the states need to be responsible for providing assurance that their NDRRA expenditure is eligible for reimbursement and that this responsibility should not be transferred to the Commonwealth.

about NDRRA is disseminated to and within the various state departments and delivery agencies.

**2.41** For example, EMA has not actively reviewed state guidelines to assess their consistency with the determination. In July 2009, states that had created their own 'user guide' were requested to provide these to EMA for information. Similarly, in September 2009, states that had 'already established state-level disaster relief arrangements documentation' were requested (through the NSG) to provide copies to other NSG members (including EMA). Only Queensland, South Australia and Tasmania provided such documentation. Further, EMA did not assess the adequacy of any of the state guidelines that were provided.

**2.42** Depending on state administrative arrangements, it is also not uncommon for there to be more than just a single set of guidance (such as the central coordinating department's guidelines) in relation to natural disaster assistance. For example, in NSW, as well as the Disaster Assistance Guidelines (NSWDAG) issued by Emergency Management NSW (now Ministry for Police and Emergency Services), a Treasury Circular providing guidelines for reimbursing agency expenditures related to disaster emergency and recovery operations; Roads and Maritime Services guidelines; and Public Works guidelines have been issued. In this and other jurisdictions, there were significant inconsistencies between these state guidelines and the determination (discussed below). Even where state guidelines have been provided to EMA, it has not detected and corrected inaccuracies, inconsistencies, omissions and other instances where further elaboration or clarification of requirements (such as eligibility conditions) would be beneficial.<sup>41</sup>

**2.43** In the NSWDAG, local councils are advised that an initial agreed estimate is required before works start on the repair and restoration of their assets, which 'can include council day labour costs and equipment and/or contractor costs to undertake the work'. Similarly, the NSW Public Works guidelines advised that:

... financial assistance is available to cover actual restoration costs, regardless of whether it is performed by council staff and equipment ... and regardless of whether it is performed in standard hours or by using overtime or extra shifts.

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41 State guidelines are publicly available on the relevant departments' or agencies' websites.

**2.44** This advice is contrary to the conditions set out in the determination. It is therefore not surprising that charges for day labour and for the use of plant and equipment owned by delivery agencies was included in NSW claims for NDRRA reimbursement examined by the ANAO, as is discussed further at paragraphs 2.45 to 2.62.

## Day labour

**2.45** One of the underlying principles of NDRRA is that lower levels of government should exhaust all resources prior to accessing assistance from higher levels. The requirement for each level of government to contribute appropriately to reconstruction is aimed at ensuring that lower levels of government do not shift the costs of their reconstruction responsibilities to the Commonwealth. In accordance with this principle, clause 5.2.5 of the determination provides that allowable 'state expenditure' excludes:

d) amounts attributable to salaries or wages or other ongoing administrative expenditure for which the state would have been liable even though the eligible measure had not been carried out.

**2.46** In this respect, in April 2010 EMA received legal advice that:

... a claim by a State Government in respect of ordinary wages of people in the ongoing employment of State or local governments is not consistent with the meaning of paragraph 5.2.5 (d) and the underlying philosophy of the Determination even though those employees may have been diverted from normal duties to natural disaster relief and recovery duties. The costs associated with overtime or backfilling to enable the ordinary duties of those employees to be completed could however be claimed.

**2.47** Examination of the supporting documentation provided to the ANAO by delivery agencies for the sampled disasters revealed that it has been common for claims to include the ordinary wages of ongoing employees and related costs and charges, as well as indications of employees being claimed as contractors. For example:

- Western Australia's 2011–12 claims for the December 2010 monsoonal low and associated flooding event [AGRN 418] included an amount of \$312 962 described as work done by external contractors for reinstatement of the Carnarvon-Mullewa Road in the Shire of Upper Gascoyne. The supporting documentation recorded that the 'contractor' was MRWA and that the claim included \$13 348 for MRWA employees'

normal time wages and salaries (ineligible day labour) as well as oncosts of \$5473 (described as a 'Payroll Surcharge' and imposed at a rate of 41 per cent). The bulk of the claim (\$241 865 or 77 per cent of the total amount claimed) consisted of MRWA plant hire charges<sup>42</sup>; and

- in 2006–07, the Rural City of Wangaratta (Wangaratta) claimed \$226 452 for the King Valley and Tatong bushfires (included in Victoria's NDRRA claim as the Great Divide Bushfire Complex which commenced on 1 December 2006 [AGRN 255]). Over 30 per cent of the claimed amount was for ordinary hours wages and oncosts (totalling \$68 303). VicRoads correctly removed this ineligible amount when it reimbursed Wangaratta. However, the full amount was included in the state's NDRRA claim (because the claim was based on initial estimates, rather than the amounts actually paid to local governments by VicRoads). Wangaratta also included ineligible owned-plant charges of \$59 560 and a 10 per cent oncost on all materials supplied (these charges were not removed by VicRoads from the claim). On this basis, the ANAO analysis was that some two-thirds of the total amount claimed was ineligible for NDRRA reimbursement.

**2.48** In February 2015, DTF acknowledged that it incorrectly claimed at the time the Rural City of Wangaratta's normal day labour salaries and wages amounts through the NDRRA acquittal. It also commented that 'this was not queried by EMA with reimbursement of the overall NDRRA acquittal provided to DTF'. It further advised that:

VicRoads notes that while EMA has recently developed guidance around the eligibility of Plant and Equipment, eligible costs associated with plant and equipment remains unclear, ... especially around internal rate charges that Councils may wish to claim. This continued lack of clarity makes it difficult for the State and VicRoads to assess expenditure accurately on this basis.

**2.49** Of particular note from the ANAO's analysis was that day labour costs may have been included in all NSW claims for restoration or replacement of essential public assets. This is as a result of state guidelines which have instructed delivery agencies to include these costs in their claims (see

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42 In April 2015, MRWA advised the ANAO that these charges were for plant and equipment hired from contractors engaged under existing Main Roads contracts. Copies of supporting invoices were not provided to the ANAO.



paragraph 2.43). In accordance with this advice, the ANAO observed that in relation to the November 2010 NSW flood event [AGRN 421]:

- the Dubbo City Council claimed a total of \$1 282 264 through NSW Public Works for emergency works and restoration works associated with this flooding event undertaken at the Macquarie Regional Library; Dubbo Visitors Information Centre; and various parks and landcare facilities. Of this amount, general ledger transaction listings were included in the supporting documentation provided to the ANAO for \$316 640 (25 per cent of the total claimed). This included payroll costs for council employees<sup>43</sup> plus oncosts charged variously at 59 per cent and 27 per cent; hire of council-owned plant plus plant oncosts charged at 50 per cent; materials oncosts charged at 18 per cent; and stores oncosts charged at 17 per cent; and
- although only ‘lump sum’ costs per road were provided to the ANAO that did not disaggregate restoration costs by provider (such as the use of council’s own labour force and equipment versus the use of equipment and labour supplied by external contractors), in March 2012 the Upper Lachlan Shire Council acknowledged to the NSW Minister for Finance and Services that in relation to this flood event ‘Council has mainly used day labour ... to repair its roads ... and costs in relation to wages for those activities have been paid’ by the then Roads and Traffic Authority, now Roads and Maritime Services (RMS). Council received a total of \$5 739 939 from RMS for road restoration. In addition it received \$588 186 from NSW Public Works for the restoration of two pedestrian foot bridges, which also included an unquantified component of day labour costs.

**2.50** Further evidencing that the current administrative arrangements, which EMA advised the ANAO it views as adequate<sup>44</sup>, are insufficiently effective, the NSW Department of Public Works advised the ANAO in February 2015 that:

In developing operational guidance for applying the 2007 Determination, NSW Public Works and the NSW Treasury, determined with respect to the eligibility of normal wages and salaries, the following guidance:

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43 The documentation did not indicate whether these payroll costs were ordinary time or overtime hours.

44 For example, see paragraphs 2.22 and 2.25.

- Operational wages and salaries of an overhead/supervisor type were not eligible as they were considered to be council core business.
- Wages and salaries associated with the initial clean-up component of disaster recovery were not eligible as it was considered to be council core business.
- Direct wages associated with asset restoration/rebuilding were eligible as they were not considered council core business and where employees were redeployed from other council work.

This issue was not clarified further by the Commonwealth until March 2014 when guidelines regarding wages and salaries (Clause 5.2.5) were issued. Following receipt of this guidance, NSW Public Works immediately issued changes to the eligibility criteria guidance regarding wages and salaries to align with the clarification to the December 2012 Determination.<sup>45</sup> The new guidance applies to all disasters declared after 23 October 2013, the date that the NSW Government formally aligned its natural disaster eligibility criteria guidance to the December 2012 Determination.<sup>46</sup> There has subsequently been a significant maturity with respect to the detail in guidelines supporting the release of the new Determination to assist with administration and consistency. With the release of the 2012 Determination there are now ten guidelines issued.<sup>47</sup> Emergency Management Australia is to be commended for this initiative.

**2.51** Similarly demonstrating the ineffectiveness of the existing arrangements, in February 2015:

- Dubbo City Council acknowledged to the ANAO that its claims for natural disaster assistance included the costs of using council's staff and plant; and
- Upper Lachlan Shire Council in NSW advised the ANAO that:

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45 The ANAO noted that there were no changes to the NSW Public Works guidelines until 2014–15.

46 The Determination applies to all disasters occurring after 18 December 2012, not some later date chosen by individual states.

47 There was no change to clause 5.2.5 in the 2012 Determination. Day labour has been excluded since the first NDRRA determination was issued in the 1980s. Further, none of the 10 published EMA guidelines discusses the day labour exclusion.

Council used day labour (supplemented by a number of contractors) to repair its damaged roads. Council staff had carried out natural disaster repairs in this manner before and was unaware that this action was unacceptable to NDRRA.

**2.52** Also in February 2015, the NSW Roads and Maritime Services (RMS) also advised the ANAO that:

RMS' natural disaster program guidelines (current and those in operation in 2010) align with the NDRRA and do not allow day labour costs to be claimed by councils. These guidelines are publicly available on the RMS website for councils.

... RMS concedes that council may seek to incorporate labour costs in the unit rates used to assess damage. RMS notes however, that the current assessment process does not provide the level of visibility required to identify and exclude ineligible cost components. This matter will be considered as part of the review of NSW natural disaster arrangements currently being implemented by the Ministry for Police and Emergency Services.

**2.53** Notwithstanding there is evidence that day labour continues to be incorrectly included in NDRRA claims, in January 2015, AGD advised the ANAO that the department has provided advice to states on day labour and also received assurances from states on 'numerous occasions' that they are not claiming day labour costs. AGD further advised that the Prime Minister in 2010 also sought and AGD received assurances from all states that day labour costs had not been included in any NDRRA claim (with the exception of Queensland, since EMA in 2010 identified the inclusion of day labour in its 2008–09 claim).

**2.54** However, EMA records show that the assurances provided in 2010 by two of the states were not unequivocal, having been qualified as follows:

- NSW acknowledged that 'it may have included some ineligible costs in its claims submitted to the Commonwealth previously' (at the time NSW had not submitted its claims for the five years ended 30 June 2013 – see further at paragraph 2.63)<sup>48</sup>; and

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48 Although AGD sought assurance from the NSW Department of Premier and Cabinet, the only written assurance provided by NSW was contained in undated correspondence from the Ministry for Police and Emergency Services received by EMA in June 2011. This indicated that ineligible costs had only been included in the NDRRA claims made 'by a response agency hiring machinery from local councils, which required operators (potentially day labour)'. It further advised that 'Although it is not possible to quantify the exact amount it is believed to be relatively minor'.

- Western Australia acknowledged that it was claiming for 'plant overtime'. That is, the claiming of external hire rates for the use of plant and equipment owned by state delivery agencies when operated outside weekday hours of 9.00am to 5.00pm.<sup>49</sup>

**2.55** Further, with the exception of the assurances specifically requested by the Prime Minister in 2010, EMA was unable to provide the ANAO with evidence that it had received any assurances on any occasions that states have not been claiming day labour costs.

## Disaster notification and registration

**2.56** Successive determinations have required that when a natural disaster occurs and the relevant state knows, or expects, the disaster to be an eligible disaster, the state must notify the Secretary of AGD of that fact as soon as practicable. The notification must be in the form set out in Attachment A to the determination. ANAO analysis of the three sampled states was that while in practice EMA may become aware of state disaster declarations soon after they are issued (such as through monitoring of state media releases) it is not uncommon for there to be delays in EMA being notified. For example:

- for 36 Western Australian events where relevant data was available: the average elapsed time taken to provide the notification was almost 34 days; the median was 13 days; and the notifications ranged from the same day to 246 days;
- for 158 NSW events where relevant data was available: the average was 98 days; the median was 80 days; and the notifications ranged from two days to 538 days (the latter was a storm event on 19 January 2011 which was notified to EMA on 10 July 2012<sup>50</sup>); and

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49 However, there are no circumstances under which the claiming of 'hire' rates for plant and equipment owned by delivery agencies is eligible for NDRRA reimbursement, irrespective of whether it is operated within or outside normal hours. Only additional costs incurred are eligible (for example, fuel and oil used on eligible activities). Notwithstanding, as at February 2015, EMA has not advised Western Australia that its claims for 'plant overtime' are ineligible.

50 In February 2015, NSW Treasury commented to ANAO that 'The disaster event was originally assessed as not meeting the \$240 000 small disaster criterion. The council however gathered and presented all its actual costs and sought a review. When this was vetted to be over the threshold, the event was declared and EMA was notified.'

- for 24 Victorian events where relevant data was available: the average was 24 days; the median was seven days; and the notifications ranged from three days to 380 days.

**2.57** It was also quite common for EMA to be slow (taking up to six months) to acknowledge disaster notifications. Further, the types of details recorded in EMA's NDRRA disaster event notifications register have varied over the years and within years. Recording has been inconsistent, and in parts the information is inaccurate or incomplete.

**2.58** The current administrative arrangements also do not adequately manage the risk of claims for NDRRA assistance including costs that relate to undeclared events or for LGAs that were not declared as affected by a particular disaster. For example, in respect to the Kimberley Monsoonal Flood and Trough that occurred in March 2011 [AGRN 440], the WA Department of Parks and Wildlife claimed for amounts that involved works at locations not within the declared LGAs (the shires of Derby-West Kimberley, Halls Creek and Wyndham-East Kimberley), as follows:

- six invoices for \$5874 were claimed for various works undertaken in Broome (within the Shire of Broome); and
- \$30 500 was claimed for travel on a commercial charter vessel to undertake works at Rowley Shoals (situated in the Indian Ocean approximately 300 kilometres west of Broome).<sup>51</sup>

**2.59** In February 2015, the Department of Parks and Wildlife advised the ANAO that the six invoices for works undertaken in Broome had been 'erroneously coded' to this event notwithstanding that these claims had been cross-checked and authorised for reimbursement to the department by the state authority responsible for administration of NDRRA. In respect to the claim relating to the Rowley Shoals Marine Park, the department acknowledged to the ANAO that this park falls within the Shire of Broome which was not a declared LGA for the event. It further advised the ANAO that there was an 'unintentional oversight' by the department in claiming for an expense that did not fall within the declared NDRRA boundaries and that this

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51 Further, the charter vessel invoices and supporting documentation stated the costs claimed were for 'maintenance on recreational moorings'. Maintenance is not an eligible measure and recreational facilities are not essential public assets.

was ‘compounded by the extensive remediation works that were being undertaken concurrently in adjacent declared areas’. The department also suggested that consideration be given to vessel mooring infrastructure being considered an essential public asset so that they might, in future, be eligible for NDRRA funding.

**2.60** Another instance of claimed costs being ineligible due to the expenditure not relating to the relevant event related to the Gippsland Flood that occurred in June 2007 [AGRN 278]. The Victorian Department of Justice made a Category A claim for Municipal Emergency Coordination Centre (MECC) kit development.<sup>52</sup> In respect to this claim, in February 2014 the department advised the ANAO that it was provided with \$300 000 to assist in the development of standardised MECC kits for councils throughout Victoria, and that grants were also provided to councils to assist in purchasing capital equipment. The department acknowledged that ‘most of the \$300 000 expenditure was not NDRRA eligible, as most of it was spent outside the area affected by the Gippsland floods of 2007’.<sup>53</sup>

## State acknowledgement of Commonwealth assistance

**2.61** A pre-requisite since 1996 for funding assistance is that there is public recognition by the states of the Commonwealth’s contribution under the Arrangements. Specifically, this acknowledgement is to appear:

- a) in announcements of assistance to victims, such as press releases and websites; and
- b) in recovery centres or the like; and
- c) in advice to the public about the availability of relief and recovery assistance.

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52 These kits contained equipment to support the running of the MECC such as additional laptops, phones, data projectors, electronic displays and information management systems.

53 Certain costs of Evacuation and Recovery Centres are eligible, but as the MECCs are part of the standard emergency response in Victoria, they are ineligible for NDRRA reimbursement. Capital equipment costs are not eligible for reimbursement under NDRRA.

**2.62** Evidence that acknowledgement has occurred is to be provided to the Commonwealth at the time the state submits a claim.<sup>54</sup> The ANAO examined EMA's administration of this NDRRA provision as part of its sample of NSW, Victorian and Western Australian paid claims.

## **NSW evidence of Commonwealth recognition**

**2.63** At the end of March 2014, NSW concurrently submitted NDRRA claims to EMA for the five years ended 30 June 2013.<sup>55</sup> Although the state delegate certified that the 'stated expenditure by the state/territory is correct and conforms to the Determination', in relation to a proportion of that expenditure, NSW did not provide evidence that it had publicly acknowledged the Commonwealth at the time the NDRRA assistance measures were announced by the state.

**2.64** In June 2014, EMA approved the payment to NSW of some \$515.4 million in NDRRA grants and loans in relation to the five years of claims. The submission to the approving delegate (Secretary of AGD) noted that:

- the condition concerning Commonwealth recognition was not met 'for a large number of smaller events (less than \$10 million in expenditure for each event) over the five financial years'<sup>56</sup>;
- state expenditure for which acknowledgement was not provided totalled approximately \$181 million, representing 13 per cent of total state expenditure included in the five claims<sup>57</sup>; and

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54 A report issued by the Council of Australian Governments (COAG) in August 2002 noted that the requirement for recognition 'has rarely been observed by the States' [p. 43]. The conditions in relation to Commonwealth acknowledgement were strengthened in the 2012 Determination (see clauses 4.3.1 to 4.3.4), including: introduction of a requirement for joint media releases; notifying Federal Members of Parliament of intended asset restoration projects in their electorate; and Commonwealth agreement to any subsequent events, announcements, promotional material or publicity relating to any NDRRA assistance measure.

55 EMA has adopted the view that there was no time limit on the submission of NDRRA claims, prior to amendments made to the 2012 Determination. Claims in respect of disaster events occurring after December 2012 are now required to be submitted within nine months after the end of the financial year in which the expenditure was incurred. The first claims subject to the new requirement were due by 31 March 2014.

56 The ANAO's analysis was that there was no Commonwealth recognition for 69 per cent of the disaster events claimed by NSW.

57 The accuracy of this EMA statement was not verified by the ANAO.



- ‘While the provision of Commonwealth assistance for any one event is conditional on states meeting the Commonwealth acknowledgement clause, withdrawing the Commonwealth’s contribution would been (sic) seen as a disproportionate penalty compared with other exceptions to standard NDRRA arrangements afforded nationally, such as those provided to Queensland around day labour. Such a decision would likely result in significant public criticism and is not recommended by EMA.’

**2.65** Technically, as the submission of evidence that states have appropriately acknowledged the Commonwealth’s contribution to assistance measures is a mandatory requirement under the determination, EMA does not have discretion to overlook instances of non-compliance when making NDRRA payments.<sup>58</sup> Further, all states have been aware of the Commonwealth recognition requirements since they were introduced in 1996, and all states have been reminded in every disaster event notification acknowledgement letter sent by EMA since early 2009 (of which NSW has received in excess of 100 such reminders).<sup>59</sup> In February 2015, NSW Treasury advised the ANAO that EMA:

... formally raised the issue of non-compliance with NSW and requested future compliance with the requirements. There are no provisions or arrangements in the NDRRA as implied that specify the consequences of non-compliance with this ever changing requirement (for example, no penalties are specified for non-compliance with this requirement).

... the State has put in place measures to ensure the new requirements of the NDRRA Determination 2012 are followed.

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58 The determination only provides discretion to the Secretary of AGD to approve extension requests in relation to the allowable time limit for Category B expenditures and extension requests regarding the submission by states of audited financial statements. Specifically, it is the ANAO’s view that only the Minister can exempt a state from complying with the Commonwealth acknowledgement condition. A notation made by the Acting Secretary of AGD on 20 June 2014 expressed the view that:

If (the) acknowledgement clause is not met, it should be dealt with immediately. Not years later. It may be Minister chooses to forgive, but the fact it was not adhered to should be raised with Minister at the time. Why Minister? It is at Ministerial level the acknowledgement occurs.

The Acting Secretary’s comments highlight that EMA should have examined the media releases at the time they were issued and drawn attention to the lack of Commonwealth acknowledgement at that time. This should be addressed in EMA’s standard operating procedures.

59 The standard acknowledgement letter states that: ‘Should (NSW) seek reimbursement for eligible expenditure relating to this event under the NDRRA, evidence of appropriate Australian Government recognition, as per clause 4.3 of the determination, must be provided with submission of the claim’.



## **WA evidence of Commonwealth recognition**

**2.66** For the WA claims included in the ANAO's sample, EMA was satisfied that the requirements were met, notwithstanding there was no Commonwealth recognition for the March 2011 Kimberley monsoonal flood and trough event [AGRN 440] (at \$127 973 696, the largest NDRRA claim for a single event ever made by Western Australia). Further, the 'WANDRA Overview' on the Department of Fire and Emergency Services website did not include any references to the Australian Government contribution to assistance. Similarly, following the transfer of responsibility for administering WANDRRA to the Department of Premier and Cabinet (DPC) in April 2014, the WANDRRA website (pages downloaded 5 August 2014) still does not contain any acknowledgement of the Australian Government's contribution to the disaster assistance provided by the state.

## **Victorian evidence of Commonwealth recognition**

**2.67** EMA records contained no evidence of Commonwealth recognition in relation to Victoria's 2006–07 and 2007–08 claims examined by the ANAO. In February 2015, DTF advised the ANAO that:

DTF, the Department of Premier and Cabinet and the Department of Justice and Regulation have worked hard in recent years to improve Commonwealth recognition following activation of NDRRA eligible assistance. This has involved also briefing the relevant Ministerial Offices to ensure appropriate liaison with their Commonwealth counterparts.

## **Post Disaster Assessment Reports**

**2.68** Post Disaster Assessment Reports (PDARs) were introduced in the 2007 Determination<sup>60</sup> to 'allow for the collection of consistent national data on the cost of natural disasters' and 'enable improved national understanding on the cost of response, relief and recovery measures following natural disaster events' (clause 4.7.1). PDARs must be in the format prescribed in the determination and 'must be submitted ... within three years after the end of the financial year in which an eligible disaster event occurred'. In this regard, EMA

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<sup>60</sup> Some five years after a 2002 COAG report had found that there was a lack of data and analysis on the costs of natural disasters.

advised the NSG in mid-September 2009 that the first PDARs would be due on 30 June 2010.<sup>61</sup>

**2.69** However, with few exceptions and notwithstanding that many hundreds of PDARs are now due or overdue<sup>62</sup>, submission of these reports by the states has rarely occurred. EMA has also not initiated any follow-up. Further, the reports as currently designed do not meet the stated purposes for which they were introduced and are of limited utility, in most cases merely reiterating information that has already been provided to EMA. In this respect, NSW Treasury commented to the ANAO in February 2015 that:

NSW agrees with ANAO's assessment that the report has limited utility. In NSW, a range of evaluation mechanisms are already undertaken by the relevant agencies for significant events. State-wide post disaster assessments or inquiries have also been conducted for major disasters. These assessments are aimed to determine areas of weaknesses, to inform future operations and to determine necessary mitigation measures. The reports of these assessments can be shared with EMA if requested.

**2.70** In September 2010, EMA acknowledged that 'the information sought in these reports is minimal' but it also considered that 'the reports represent a first step towards improving national understanding of the cost of disasters and the effectiveness of preparedness, response, relief, recovery and disaster mitigation measures'. More recently, in its seventh report to the Prime Minister, the Inspectorate has called (at p.10) for:

Consideration to be given to promoting the collection and analysis of data about affected families and individuals for use in planning social and community response measures, as well as the reconstruction of damaged housing and infrastructure.

**2.71** In January 2015, EMA advised the ANAO that the future of PDARs will be considered following the Government's deliberations in relation to the final report of the Productivity Commission inquiry into natural disaster funding arrangements.

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61 On the basis that the requirement to provide PDARs applied only to disaster events that occurred after the date of the determination (21 February 2007).

62 For example, Western Australia had submitted six reports of 10 due. Other states, however, had not submitted any PDARs (including over 80 reports due from NSW).

## Conclusion

**2.72** The framework that is in place to support the delivery of NDRRA funding is inadequate in a number of important respects. Of note is that important terms are undefined and guidance has been slow to be issued in some areas and remains non-existent in others. Further, the timing of recent updates to the NDRRA Determination has made the preparation of claims more complicated than it has needed to be. In addition, state guidelines examined by the ANAO generally do not have a clear line of sight with the NDRRA Determination.

**2.73** Against this background, through the work of the Australian Government Reconstruction Inspectorate, there have been strong indications of widespread claiming of ineligible expenditures. The ANAO's audit analysis of a sample of claims submitted by three other states indicates that the issues identified by the Inspectorate in respect to Queensland are symptomatic—visibility over this issue is not promoted by the current NDRRA claiming processes.

**2.74** One consequence of the inadequate governance arrangements for NDRRA expenditure claims has been each of the three states examined by the ANAO making claims for expenditure that should not have been reimbursed under NDRRA. In addition, compliance with other requirements such as acknowledging the financial assistance provided by the Australian Government through NDRRA and the preparation of post disaster assessment reports has also been less than adequate.

## Recommendation No.1

**2.75** The ANAO recommends that the Attorney-General's Department significantly improve the administration of disaster relief and recovery funding by:

- (a) adopting more timely processes for developing, finalising and promulgating disaster funding guidelines and advisories; and
- (b) implementing administrative arrangements that provide it with greater details of the amounts included in expenditure claims, including project specific information.

## **AGD's response**

### **Recommendation 1(a)**

**2.76** *Agreed. Over the past two years, the department has implemented arrangements that address this recommendation. Since the issue of the current NDRRA determination on 18 December 2012 ('2012 NDRRA determination'), the department in collaboration with all states has negotiated and issued six new detailed NDRRA guidelines on eligibility and undertaken revisions of five other guidelines requiring minor to major reform. In 2013 and 2014, nine formal eligibility advisories were also developed and issued. These have reduced the number of eligibility questions from states.*

**2.77** *Additionally, the department has formalised the process for states to seek eligibility advice, and has established time limits for it to respond. For example, clarification of, or activity-specific advice on, questions of eligibility will only be provided through amendments to the NDRRA determination and its guidelines, or through formal advisories delivered in response to formal enquiries from states. Formal enquiries from states can only be requested using the eligibility enquiry form. Importantly, eligibility advice will not be provided on an 'ad-hoc' basis nor will it be provided verbally or in written format without suitable authority.*

**2.78** *The department also committed to provide eligibility guidance within five working days of receipt of the request. In 2014 alone, over 100 applications from states were received seeking eligibility advice on essential public assets valued over \$1 million, as required in the 2012 NDRRA determination. All responses were delivered within the mandated five days from receipt of the request.*

**2.79** *The administrative and governance arrangements implemented by the department are subject to continuous evaluation and improvement processes. Further improvements will be achieved with the automation of additional information to states through the department's dedicated, web-based, incident management system to which states have access — this work is underway.*

**2.80** *The department's ability to deliver more timely advice will also most significantly be aided by enhancing the transparency and auditability of the NDRRA Determination (see below).*

### **Recommendation 1(b)**

**2.81** *Agreed with qualification. The department acknowledges the ANAO's view that more rigorous oversight arrangements and value-for-money assessments, such as those in place for Queensland and Victoria under the joint National Partnership*

*Agreement for disaster reconstruction and recovery (NPA), would likely provide the Government with a greater level of assurance over state spending.*

**2.82** *A decision to implement a similar arrangement nationally would require extensive consultation between governments—noting that delivery of the NPA has been at a cost to the Government of approximately \$10 million and to the Queensland Government of over \$95 million.*

### **ANAO comment**

**2.83 Recommendation 1(a):** While the report acknowledges that some progress has been made by EMA in issuing or revising a number of guidelines (see paragraph 2.15), overall progress has been slower than might reasonably be expected. There remain many areas where clarification of what is and is not eligible for NDRRA funding remains outstanding (including a number of issues that have previously been identified by EMA, the Inspectorate, and the states as requiring guidance, or additional guidance).

**2.84** Departmental statistics on the quantity of revisions and reductions in the number of eligibility questions received by EMA do not address the underlying issues of the suitability of the content and the quality of the guidance provided to date, particularly in the context of states continuing to claim for ineligible expenditures without first seeking AGD's advice on whether the claimed expenditures may be eligible under NDRRA.

**2.85** The ANAO considers that the arrangements implemented by the department over the last two years are not sufficient to address this recommendation. The ANAO remains of the view that the department should adopt more timely processes for developing, finalising and promulgating disaster funding guidelines and advisories.

**2.86 Recommendation 1(b):** The ANAO does not recommend adopting the Queensland or Victorian oversight arrangements or introducing new or amended NPAs. The department already has the authority to implement the ANAO's recommendations under clauses 6.6 and 6.8 of the current Determination (see paragraph 3.14). The audit notes the reported benefits that have been attributed to conducting project-level scrutiny of NDRRA claimed expenditures (for example, see paragraphs 3.6 and 3.7). The audit report also demonstrates that despite a relatively modest ANAO sample and considerable constraints on the quality and quantity of information voluntarily made available by states, there are indications of widespread NDRRA over claiming.

**2.87** AGD has not advised the source or context for its cited costs of the Queensland NPA to the Australian and Queensland Governments. However, by way of comparison, the Queensland Reconstruction Authority has reported that, as at August 2014, the oversight arrangements established by the NPA between the Commonwealth and Queensland have resulted in \$4.6 billion in rejected or withdrawn claims<sup>63</sup> in that state alone.

**2.88** Similarly, ANAO's earlier audit of the Inspectorate's review of Queensland reconstruction projects had concluded that:

for a relatively modest investment given the expected cost to the Australian Government of reconstruction activity, the establishment of the Inspectorate with the support of the Taskforce to conduct value for money reviews has been effective in providing the Australian Government with greater visibility and more timely assurance concerning reconstruction expenditure than would have occurred under NDRRA.

... In addition to providing greater insights into the nature and estimated cost of reconstruction work, the Inspectorate's value for money reviews have identified issues concerning the eligibility of estimated expenditure in a number of the projects that have been examined.

... the experience to date of the project level scrutiny provided by the Inspectorate and the Taskforce (which have identified potential reductions in NDRRA claims from Queensland totalling more than \$100 million) is likely to be beneficial in informing the approach adopted by Emergency Management Australia in its ongoing administration of NDRRA in respect to natural disasters that occur in other states and territories.

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63 Source: Australian Government Reconstruction Inspectorate, Eighth Report, September 2014, p. 2.

## 3. Claims Verification and Assurance

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*This chapter examines whether claims for NDRRA funding are consistent with the Ministerial Determination.*

### Background

**3.1** The ANAO has previously observed<sup>64</sup> that, under NDRRA, the Australian Government has little oversight of reconstruction as it occurs as there is no reporting from the states until such time as they seek reimbursement, which is commonly some years after the disaster occurs. In addition, limited Australian Government oversight at the conclusion of reconstruction is afforded by the audited claims submitted by states, with no project level or by-location information provided in these claims.

**3.2** Against this background, the ANAO examined:

- the work of the Australian Government Reconstruction Inspectorate;
- AGD's internal audit of claims verification processes;
- the provision of claim certifications;
- EMA's approach to informing states of errors in claims;
- the quality of record keeping (to support accountability for amounts claimed under NDRRA); and
- whether the existing approach ensures the payment only of actual costs, that have been accurately claimed.

### Work of the Australian Government Reconstruction Inspectorate

**3.3** During the 2010–11 spring and summer seasons, the eastern Australian states were subject to widespread flooding and Queensland was also impacted by three tropical cyclones. On 7 February 2011, the then Prime Minister announced new oversight and accountability measures with the objective of ensuring value for money would be obtained in the rebuilding of flood affected regions. In particular, National Partnership Agreements (NPAs)

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64 ANAO Audit Report No.23 2012–13 and Audit Report No.8 2013–14.



signed with the Queensland and Victorian state governments provided for the establishment of the Australian Government Reconstruction Inspectorate to conduct reviews of reconstruction projects (with the support of the National Disaster Recovery Taskforce).<sup>65</sup> NDRRA continues to apply to those natural disasters covered by the NPAs, with payments to the states authorised by EMA.

**3.4** ANAO Audit Report No.23 2012–13 and Audit Report No.8 2013–14 examined, respectively, the conduct of value for money reviews of flood reconstruction projects in Victoria and Queensland. Each report observed that the conduct of value for money project reviews by the Inspectorate was expected to provide a greater level of oversight and assurance concerning reconstruction expenditure than would have occurred relying solely on NDRRA because:

- NDRRA generally operates on a reimbursement basis, with the Australian Government having little oversight of reconstruction as it occurs as there is no reporting from the states until such time as they seek reimbursement, which is commonly some years after the disasters occur;
- limited Australian Government oversight at the conclusion of reconstruction is afforded by audited claims submitted by states, with no project level information provided in these claims; and
- at that time, the NDRRA determination did not provide for EMA to conduct project assurance reviews.

### **Reconstruction Inspectorate assurance activities in relation to 2010–11 Queensland flood reconstruction projects**

**3.5** ANAO Audit Report No.8 2013–14 outlined that there had been a number of reviews conducted of Queensland reconstruction projects by both the Queensland Reconstruction Authority (QRA) and the Inspectorate.

**3.6** In this context, QRA completes its own project assessments before any Inspectorate review occurs. In particular, QRA reviews all project submissions

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<sup>65</sup> The then Government decided to locate the Taskforce within the Department of Infrastructure and Regional Development (DIRD), formerly within the Department of Regional Australia, Local Government, Arts and Sport, or Regional Australia, rather than within AGD (which administers NDRRA).



from local government and state delivery agencies for eligibility and/or value for money, as part of its progressive review of projects as they proceed from initial estimates to delivery and acquittal. By the end of March 2013 (the latest information available at the time of the ANAO audit fieldwork), QRA had approved 1553 project submissions with a combined approval value of \$4.31 billion. Audit Report No.8 2013–14 outlined that QRA figures provided to the ANAO indicated that the net value of costs avoided through the state assessment processes was in the order of \$1.7 billion. The ANAO observed that:

Overall, this situation raises significant issues concerning the understanding of, and compliance with, NDRRA in relation to NDRRA claims for earlier natural disasters. There is also a risk that a similar level of understanding may exist in other states and territories.

**3.7** Once QRA has approved project submissions, the Taskforce examines (on behalf of the Inspectorate) a sample of projects using a three-tiered review process. Audit Report No.8 2013–14 concluded that:

- a reasonable start had been made on the planned program of 129 project reviews, with 81 projects selected for review and 70 Tier One reviews completed by the Taskforce as at the end of March 2013<sup>66</sup>;
- for a relatively modest investment given the expected cost to the Australian Government of reconstruction activity, the establishment of the Inspectorate had been ‘effective in providing the Australian Government with greater visibility and more timely assurance concerning reconstruction expenditure than would have occurred under NDRRA’;
- the project level scrutiny provided by the Inspectorate and the Taskforce had identified potential reductions in NDRRA claims from Queensland totalling more than \$100 million<sup>67</sup>; and
- in the context of a recent change to the NDRRA determination that empowered EMA to also conduct project reviews, experience with the project level scrutiny provided by the Inspectorate and the Taskforce

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66 In addition, 11 of these projects had proceeded to a Tier Two review as a result of the Tier One review findings, and two projects had been designated to undergo Tier Three reviews.

67 This figure included potential savings for 23 of the 70 projects reviewed by the Taskforce as at March 2013 as well as potential savings related to ineligible profit-related fees.

was likely to be beneficial in informing the approach adopted by EMA in its ongoing administration of NDRRA in respect to natural disasters that occur in other states.

## Internal audit of claims verification processes

**3.8** In February 2013, AGD's contracted internal audit firm completed a review of the department's verification of state and territory NDRRA claim processes. The objective of the internal audit was to examine and assess whether the department was able to effectively monitor, detect and report compliance with its financial management framework and *Financial Management and Accountability Act 1997* (FMA Act) obligations as they related to the verification of state and territory NDRRA claims. The internal audit concluded that:

... overall, there are weaknesses in the department's ability to detect, monitor and report against its financial management framework and FMA Act obligations as they relate to the verification of state and territory government claims made under the NDRRA. The internal audit found that: (i) the department has limited documented understanding of the NDRRA risks and their management; (ii) the departmental delegates are approving NDRRA expenditure based on limited financial information and assurance activities; and (iii) the department would benefit from increasing the knowledge and capability of NDRRA staff and relevant third parties. The internal audit recommends a number of measures aimed at providing the department some immediate efficiency and effectiveness gains in its ability to monitor, detect and report compliance within its FMA framework obligations, more substantial changes to the Determination and overall NDRRA control framework and administration are required to achieve longer term solutions.<sup>68</sup>

Specifically, Internal Audit suggests that in order for the department to gain the type of information it requires, certain changes are required to the Determination which would require the state and territory governments to provide more financial information and allow the department to undertake spot

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68 The internal audit further observed that:

As current arrangements place heavy reliance on States and State officials including the State Treasurer and the State Auditor General, this leads to the view that accountability is equally shared with States/ Territories, which is supported by the co-funding arrangement between the Australian and States/ Territories Governments. Whilst accountability for access to relief and recovery may be shared between States/ Territories and the Australian Governments, the responsibility and accountability for ensuring payments comply with the requirements of both the Determination and the FMA framework are the Department's and the Department's alone.

check assurance activities (for example, site inspections and/or sampling of detailed documentary evidence). In addition the department after conducting a detailed risk assessment and management plan for NDRRA, should enhance NDRRA staff capability for improved governance of the NDRRA.

**3.9** The department ‘noted’ the first two recommendations, although it also proposed actions in response to each recommendation. The department disagreed with the third recommendation and commented that:

The department does not agree there are significant weaknesses in current departmental processes for verification and assurance of NDRRA claims as outlined in the detailed findings. The existing arrangements provide a substantial level of assurance.

**3.10** However, this view is at odds with those expressed by the Inspectorate, which has advised the Prime Minister on a number of occasions (most recently in September 2014) that:

- significant issues that had been identified through Inspectorate review of Queensland reconstruction projects had pointed to a need for reconsideration of the basic parameters of NDRRA, in particular:
  - the level and frequency of eligibility or quality assurance checking on projects prior to their final acquittal by state audit offices leads to a significant risk that eligibility issues will only be uncovered after expenses have been incurred;
  - value for money is only achieved where there is a detailed assessment of the scope of projects;
  - open information flows are essential, and appropriate incentives should be added to NDRRA to encourage state agencies to ensure that information provided to the Australian Government is both timely and comprehensive;
  - the NDRRA framework needs to be improved to clarify some important programme parameters;
- there is a need to ensure that value for money is embedded as a concept in future disaster funding arrangements; and
- the Commonwealth would be exposed to significant financial risks, and would forego important lessons that have been learned from the work of the Inspectorate, if the level of additional oversight provided by the

Inspectorate is not included within ongoing NDRRA administration arrangements, together with improved guidance under NDRRA and more robust acquittal arrangements.

### **Review of EMA's NDRRA compliance assurance framework**

**3.11** Subsequent to the February 2013 internal audit report, in July 2014 AGD obtained a report from the firm contracted to provide internal audit services to the department on the development of a compliance assurance framework for NDRRA. That report noted that:

- the flexibility in the NDRRA framework had created the potential for differences in interpretation, which was compounded by the 'often limited information provided by jurisdictions to support the rationale behind consequential claims for financial assistance from the Commonwealth'; and
- AGD had been progressing work to further clarify and tighten eligibility guidance and improve its assurance practices, but there remains 'a number of principles and measures under the Determination that remain open to interpretation and that have not been defined or demonstrated' and that this situation 'inhibits the ability of jurisdiction auditors to develop measurable audit criteria'.

**3.12** The report made 24 recommendations, of which one-third were implemented by the internal auditor (for example, by developing revised forms and checklists). A further six recommendations were proposed for implementation within one month (for example, establishing a framework for the Commonwealth to withhold NDRRA funds and a new program risk assessment) with another six recommendations proposed for implementation within six months (such as some focused effort on EMA better understanding how compliance with NDRRA is assured at the jurisdictional level). The report suggested that the remaining four recommendations would take upwards of six months to implement, including recommendations relating to:

- beginning the development of a database of claims information to facilitate program data analytics on the basis that this 'will assist AGD to develop a risk based criteria to assist identify claims that may include ineligible expenditure or have ineligible measures included within them'; and

- re-drafting of the NDRRA determination (two recommendations). In this respect the report had stated that:

The determination is not structured logically. As the foundational document of the NDRRA, a clear and easily understood determination is critical to the efficient administration of resources in response to a disaster. The determination is not structured for ease of use and is in some respects illogically formatted, often listing compliance obligations upon applications in a haphazard format (for example, conditions for Category B measures are listed in section 3, 4, 5 and 7). Additionally, the determination does not follow a time-sequenced process, such as pre-claim, claim and post-claim. Further, departmental staff have indicated that some areas and terms of the determination are impossible to measure compliance against, for example, 'serious disruption', 'reasonably have expected to incur' and 'encourage local government'.

**3.13** In February 2015, EMA provided the ANAO with advice as to the implementation of the recommendations made in the July 2014 report. EMA outlined implementation action that has been taken, is underway or is planned in respect to each of the recommendations, albeit generally over a longer timeframe than had been proposed in the consultant's report. The scope of this audit, and its timing, did not extend to the ANAO assessing the timeliness or effectiveness of the implementation action EMA advised to the ANAO.

## **EMA's use of new power provided in the December 2012 Determination**

**3.14** The stated intention of the NPAs signed with the Queensland and Victorian state governments was to strengthen and complement the NDRRA governance and accountability provisions. Separately, as indicated at paragraph 3.7, the revised NDRRA determination issued in December 2012 provided EMA with the ability to undertake project level reviews similar to those conducted by the Inspectorate.<sup>69</sup> Specifically, the determination now provides that:

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69 Since 1989, successive determinations have also included the following clause (currently clause 6.6 of the 2012 Determination):

After receipt of a claim or acquittal, the Secretary may at any time ask the state to provide information that the Secretary considers necessary to ensure that payment is in accordance with the principles and guidelines in this Determination.

The Secretary [of AGD] may undertake assurance activities prior to or after a state submits a claim or acquittal to the Commonwealth. These activities may include, but are not limited to, site inspections and/or obtaining relevant documentary evidence to support value for money assessments or verification reviews on measures or projects included in a claim or acquittal. The Secretary may appoint an independent adviser to conduct these activities.

**3.15** Between the date the revised determination came into effect (18 December 2012) and 30 June 2014 there were four claims lodged by four states seeking \$265.25 million in NDRRA funding.<sup>70</sup> These included:

- \$431 628 662 claimed by NSW as total eligible expenditure for 31 disaster events (representing \$198 228 402 in NDRRA funding); and
- \$137 533 780 claimed by Western Australia as total eligible expenditure for 26 disaster events (representing \$53 225 647 in NDRRA funding).

**3.16** However, EMA did not undertake any assurance activities in the manner now provided for in the determination for any of these claims. In this context, AGD's submission to the recent Productivity Commission inquiry outlined that the department had some reservations about the benefits of conducting assurance activities. Specifically, the department asserted that:

While increased oversight may provide the Australian Government with greater assurance that state and territory recovery expenditure is cost-effective, it results in a high level of regulation and delays in recovery activities. It also has the effect of moving the tactical decision-making away from the states and territories and those best-placed to understand and manage the local issues, and draws the Australian Government into protracted negotiations about what will be funded.

**3.17** However, the value for money assurance approach adopted by the Inspectorate was designed so as to not delay reconstruction progress or change decision-making responsibilities. Specifically, the Inspectorate only examines a sample of reconstruction projects once they have been approved for delivery by the state, and the reviews are structured so as not to delay the normal progress of reconstruction projects.<sup>71</sup>

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70 This analysis excludes all Queensland claims, advances and acquittals.

71 See further in Audit Report No.8 2013–14.

**3.18** In addition, in January 2015 EMA advised the ANAO that it similarly did not see benefits in undertaking assurance activities after projects had been completed. Specifically, EMA advised the ANAO that:

It is an inefficient method of assurance to undertake activities to identify the finer details of expenditure once the claim has been submitted.

**3.19** However, the benefits that can be expected from EMA making use of the power it now has to undertake assurance activities was evident from the sample of claims examined by the ANAO during the course of this audit. For example, in addition to other examples discussed throughout this audit report, ANAO analysis identified that payouts by the State Insurance Corporation (SICorp) were being included in the NDRRA claims submitted by NSW. For example, the claims made by the NSW Treasury Managed Fund (TMF) for the November 2010 NSW floods examined by the ANAO included more than \$1 million in relation to the insurance payouts made to scheme participants.<sup>72</sup> Such payouts are ineligible for NDRRA reimbursement under the determination (as has been advised by EMA to NSW during 2009 and stated in a related EMA discussion paper) but NSW Treasury advised the ANAO in February 2015 that it ‘considers reconstruction expenses paid by the TMF as asset restoration expenses eligible under the NDRRA when these expenses are within SICorp retained loss levels’. NSW Treasury further advised the ANAO that:

- \$376 000 of the reported TMF expenses were ‘coded erroneously’; and
- TMF administrators have taken remedial steps to prevent recurrence.

**3.20** One area where EMA initially sought, but did not adequately pursue, additional information related to Victoria’s claim for concessional interest rate loans. Specifically, in October 2008 EMA asked whether the state pays the interest rate subsidy ‘to a financial institution (on behalf of the small business/primary producer), in accordance with the provisions of Determination clause 3.7.4 and Guideline 2/2007’. However, Victoria did not respond to this request for clarification. Notwithstanding this situation, EMA proceeded to pay the claim without following this matter up.

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<sup>72</sup> Further, some payouts were unrelated to the flood event and some payouts were unrelated to the restoration of essential public assets, under which category the claim was made.



**3.21** In this respect, information obtained by the ANAO from the state as part of this performance audit identified that, for several years, the state has been making loans to primary producers and small businesses through the state-owned Victorian Rural Finance Corporation (RFC). However, the RFC is not a private sector Authorised Deposit-Taking Institution (ADTI) and, as such, the relevant amounts are not eligible under NDRRA.<sup>73</sup> In addition, the ANAO identified that:

- most of the loans included in Victoria's claim for interest rate subsidies in 2006–07 in relation to the Great Divide bushfire complex declared as a natural disaster on 1 December 2006 [AGRN 255], related to an earlier disaster (the Mt Lubra/Grampians bushfire, declared on 21 January 2006 [AGRN 193]). Amounts in relation to that earlier disaster were not eligible for NDRRA funding because the total eligible state expenditure on the earlier event did not exceed the small disaster criterion (and noting that Victoria also did not reach the first claim threshold in 2005–06);
- interest rate subsidies of \$387 000 included in Victoria's 2007–08 claim were based on an estimate and did not reflect the actual subsidies paid (\$177 441 as calculated by the RFC). Further, of the subsidies claimed, only \$31 303 related to loans issued in connection with the relevant disaster (most of the loans were for an ineligible disaster event); and
- the interest rate subsidies claimed by Victoria for 2007–08 were in the vicinity of 7.5 per cent per annum, whereas the maximum subsidy eligible for reimbursement under NDRRA in that year was less than half this rate, at around three per cent.

**3.22** Overall, the ANAO's analysis was that all of the interest rate subsidies claimed by Victoria (totalling more than \$1 million for the years 2006–07 to 2010–11) were ineligible for NDRRA reimbursement.

**3.23** In February 2015, DTF agreed that the amounts claimed in 2006–07 for expenditure incurred in 2005–06 were ineligible for reimbursement. It also

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<sup>73</sup> Similarly, the ANAO's analysis of sampled claims from Western Australia revealed that the interest rate subsidies being claimed by that state were being paid directly to the loan recipients, rather than to the respective authorised deposit-taking institutions, meaning those amounts (totalling over \$240 000) were also ineligible under NDRRA.

acknowledged that the RFC was ‘technically not an ADTI’ and in this regard advised that:

... the long term standing arrangement of RFC providing support via concessional loans under NDRRA was also understood by EMA, who have not provided any advice as to whether this arrangement is ineligible under the NDRRA. DTF advises that it will work to improve its processes around the claiming of eligible expenditure in future acquittals, in conjunction with EMA and RFC.

**3.24** In relation to the June 2007 Gippsland flood [AGRN 278], Victoria made a Category A claim for \$200 000 for personal and financial counselling. In May 2010, EMA had also sought additional information in relation to this component of Victoria’s 2007–08 claim and was advised at that time by the state NDRRA coordinator that: ‘the costs were associated with Legal Advice Support and were related to alleviating personal hardship and distress to individuals directly affected by a natural disaster’. Although not very informative in relation to the specific nature of the claimed expenditure, this response did not elicit any further questioning by EMA. However, supporting documentation subsequently provided to the ANAO by the state in May 2014 showed that the claimed expenditure was actually for flood insurance information sessions. Further, it was evident that only approximately \$2100 (representing just over one per cent of the amount claimed) was actually spent on conducting these sessions, which were delivered in the Shires of Wellington and East Gippsland.<sup>74</sup>

**3.25** Information obtained by the ANAO from another state also revealed that a delivery agency was advised by the state NDRRA coordinator that the clean-up of asbestos from bushfire affected properties ‘will be at no cost to the owner, regardless of their insurance status’. This advice was provided in relation to the November 2011 bushfire that occurred in the Augusta Margaret River area in Western Australia, during which 47 houses were destroyed and over 100 houses were damaged [AGRN 462]. Supporting documentation showed that the shire’s NDRRA claims included costs for asbestos removal with regard to private properties that was undertaken at no cost to their

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74 The state NDRRA coordinator included claimed expenditure of \$200 000 for this measure, based on this amount being provided to the relevant state departments as a ‘Treasurer’s Advance’.

owners, despite being insured.<sup>75</sup> As it is intended that NDRRA is not to act as a disincentive for self-help or insurance, the costs claimed appear ineligible. No prior agreement was obtained from EMA before these asbestos removal costs were included in the state's claim for reimbursement.<sup>76</sup>

## Claim certifications

**3.26** The determination requires that the claim be certified by an officer of the state Treasury, or an officer of the agency which has responsibility for the state in relation to NDRRA. For the claims examined by the ANAO, state coordinating entity signoffs provided by NSW, Victoria and Western Australia were in accordance with the EMA proforma. Specifically, on the General Claim Form: 'I certify the above stated expenditure by the state/territory is correct and in accordance with the (NDRRA) Determination'. Queensland has amended the audited financial statements claim form, including rewording of the certification<sup>77</sup>, without this being questioned by EMA.

**3.27** In addition, given the prevalence of erroneous claims detected during the audit (as well as errors identified by EMA during claims checking and processing), some certifications are provided by persons who it can only be concluded are not well positioned to have knowledge as to what has been included in the claims and/or do not have the necessary effective systems and assurance mechanisms in place to ensure that only eligible items are claimed. For example:

- in Victoria, NDRRA funding is administered by up to 10 different state departments and agencies. The Victorian Auditor-General reported in June 2013 that these agencies have differing delivery arrangements,

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75 Exclusive of a shed believed to be an unapproved structure and therefore not covered by the owner's house insurance policy.

76 By way of comparison, the NSW Disaster Assistance Guidelines issued in October 2010 clearly state that 'If private residential properties are insured and the insured structures are damaged, it is expected that insurance will cover the clean-up and removal of asbestos'. (See p. 25.)

77 For example: I certify that the above stated expenditure by the State of Queensland is correct (therefore both complete and accurate) having been incurred only upon eligible measures, as certified by the Accountable Officers of various Queensland government entities, in respect to notified eligible disasters and complies with the definition of state expenditure\* as per the Natural Disaster Relief and Recovery Arrangements Determination 2007 and 2011 of terms and conditions by the Attorney-General of Australia.

\* State expenditure for NDRRA purposes is actual expenditure (for works and services completed and paid for, excluding commitments and accrual transactions) on NDRRA relief measures in the period 1 July 2011 to 30 June 2012.

eligibility rules, application processes and governance arrangements that ‘caused confusion’ and are ‘difficult for councils and communities to negotiate’.<sup>78</sup> It was also evident during the ANAO’s audit fieldwork that differences exist across regions even within the same agency in relation to the understanding and interpretation of the NDRRA requirements;

- further, as discussed at paragraph 2.47, Victoria’s claim for the December 2006 Great Divide bushfire complex [AGRN 255] submitted to EMA by the state NDRRA coordinator included ineligible day labour charges, notwithstanding that another state entity (VicRoads) had identified these as ineligible and removed them from the relevant council’s claim for reimbursement submitted to and paid by the state; and
- NDRRA funding in Western Australia is centrally coordinated by the Department of Premier and Cabinet (DPC). However, at an operational level and depending on the type of relief and recovery assistance being provided, funding is also administered by a further two state departments and one state agency. This means, for example, that in practice councils can claim NDRRA reimbursements directly from DPC and directly from MRWA. As in Victoria, it was evident that the level of understanding and interpretation of the NDRRA requirements varied across and within the range of departments, agencies, regions and councils involved in administering and delivering disaster assistance.

**3.28** While state coordinators rely on delivery agencies’ certifications, except in Western Australia, delivery agencies do not certify that claims are valid and meet the NDRRA funding conditions. For example, the certifications to NSW Public Works; NSW RMS; and VicRoads; are expressed in terms of meeting state scheme requirements (which in the case of NSW in particular allows the inclusion of day labour and other ineligible costs), rather than certification that the claim meets NDRRA conditions. In addition, Victoria’s NDRRA claims involving Treasurer’s Advances (see further at paragraphs 3.51 to 3.57) had no certifications regarding compliance with NDRRA or any state funding requirements.

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78 *Flood Relief and Recovery*, Victorian Auditor-General’s Report 2012–13:35.

**3.29** In February 2015, DTF advised the ANAO that significant re-education of local VicRoads officers involved in assessing claims from local councils, as well as re-education of Victorian local councils and Catchment Management Authorities has been conducted in recent years following turnover as a result of the 2009 Bushfires. DTF also advised that:

- it recently commenced rolling out the new Automated Claims Management System (ACMS) to local councils, Catchment Management Authorities, VicRoads and other assessing agencies, to further streamline the claims process; and
- the new system has functionality which allows councils to claim per event, which will make it easier for DTF to identify the expenditure that is eligible to be included in the NDRRA acquittal for a particular financial year.

## Informing states of errors in claims

**3.30** NDRRA claims are made under clause 6 of the determination. Jurisdictions at times have had to resubmit claims a number of times before they are compliant with the terms and conditions of the determination. However, EMA has not adopted a consistent approach to informing states of errors in claims. In a continuous improvement context, the absence of an effective and consistent ‘feedback loop’ inhibits the ability of states to adjust their own processes to prevent similar errors being made in the future, and increases the risk that NDRRA payments will be made in error (where EMA does not detect similar errors in subsequent claims).

**3.31** For example, the 2012–13 certified and audited claim form from Tasmania was amended by EMA to reduce the amount claimed as eligible expenditure by \$5.2 million to \$31.599 million. The difference comprised:

- \$5.0 million incurred in the reconstruction of an essential public asset (rebuilding of the Dunalley Primary School) which was recovered through insurance in relation to the bushfires that occurred in the LGAs of: Central Highlands; Circular Head; Derwent Valley; Glamorgan-Spring Bay; Sorell; and Tasman on 4 January 2013<sup>79</sup> [AGRN 537]. EMA

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79 The four main fires that presented a serious threat to life and property were the: Forcett Fire, Lake Repulse Fire; Bichen Fire; and Montmana Fire.

advised the approving delegate that this amount ‘was erroneously left in’ the claim (notwithstanding that consultation between the Tasmanian Audit Office and EMA identified this as ineligible expenditure prior to submission of the claim<sup>80</sup>); and

- \$202 103 included for Category C community recovery fund expenditure associated with the January 2013 bushfires. No community recovery fund had been requested by Tasmania for cost-sharing with the Commonwealth (hence there was no approval by the Prime Minister, which is a requirement for Category C funding eligibility). Accordingly this expenditure should not have been claimed.

**3.32** In May 2014, EMA approved the amount of \$13 773 424 for payment to Tasmania (in comparison to \$13 793 000 in the state’s certified and audited claim). However, unlike EMA’s earlier practice in relation to an adjustment made to another jurisdiction’s claim (see paragraph 3.34), EMA did not inform the state audit office of the adjustment, or the rationale.

**3.33** Similarly, in July 2011 EMA had amended Western Australia’s 2006–07 and 2007–08 audited claims to reduce the amount claimed by \$286 181 (the largest component represented about 1.1 per cent of the 2006–07 claim). The reduction reflected EMA’s view that ineligible expenditure had been included. Specifically, the expenditures of \$122 823 and \$3910 claimed in 2006–07 and 2007–08 respectively for the May/June 2005 flood in the Great Southern Region [AGRN 179]; and \$159 438 claimed in 2006–07 for Cyclone Emma and associated flooding that affected the Shires of: Carnarvon; Upper Gascoyne; Meekatharra; Murchison; Northampton; and Ashburton in February/March 2006 [AGRN 217], did not reach the Small Disaster Criterion of \$240 000.<sup>81</sup>

**3.34** By way of comparison, in December 2012 the WA Department of Fire and Emergency Services and WA Audit Office were informed that, following a ‘high level review’ of amounts claimed and EMA’s checking of ‘calculations’, the state’s 2011–12 claim was being reduced by \$425 543. This was because EMA had identified that \$425 543 of expenditure claimed in 2011–12 was incurred in 2010–11. This amount related to a tropical low and flood event that

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80 Tasmania also did not seek approval from EMA, which is a NDRRA eligibility requirement for the reconstruction of any asset expected to cost \$1 million or more.

81 As state expenditure did not reach the first threshold in either 2006–07 or 2007–08, the 2006–07 reimbursement was reduced by 28 per cent (from \$8325 to \$6013) and the 2007–08 reimbursement remained unchanged at \$170 520.

occurred in February 2009 and affected the Town of Port Hedland and the Shires of Ashburton; Roebourne; and East Pilbara [AGRN 341].

**3.35** EMA had queried the inclusion of this expenditure in Western Australia's 2011–12 claim because the allowable time limit for claims relating to this event had expired (on 30 June 2011), and no extension had been requested or approved.

**3.36** An EMA internal note prepared in June 2014 commenting in relation to some \$5.73 million in expenditures claimed in 2012–13, but incurred in earlier years, appears to have dismissed this as a problem on the incorrect grounds that 'WA has been exceeding [the] 2<sup>nd</sup> threshold in all three years [2010–11 to 2012–13] so the amount of assistance would not be affected'. However, Western Australia did not exceed the first threshold or the second threshold in 2010–11. The total expenditure claimed was \$22.4 million and the first threshold for that year was \$43.6 million. Further, the submission seeking approval to pay Western Australia's 2012–13 claim did not inform the delegate that EMA staff had identified that some \$5.73 million had been claimed in the incorrect year.<sup>82</sup>

## Record keeping to support accountability

**3.37** Accountability involves individuals and organisations being answerable for their plans, decisions, actions and results. Accountability is dependent on the proper maintenance, awareness and availability of appropriate documentation and processes. Record keeping is therefore a key component of good governance and accountability.

**3.38** The NDRRA determination requires that states provide an audited financial statement in support of claims and that they also be able to support their claims by providing EMA, on request, with information that demonstrates the claim is in accordance with the principles and guidelines outlined in the determination. However, the determination does not include any more specific obligations in relation to the records that are required to exist before a claim is made, or the records that are to be maintained in support of a claim that has been made.<sup>83</sup>

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82 EMA only became aware of this expenditure because WA provided a spreadsheet listing items that it discovered had been omitted from earlier claims.

83 States have only been required to be able to provide evidence of Commonwealth recognition.



**3.39** For a selection of claims across the three sampled states, the ANAO sought access to relevant supporting documentation. In the context of control systems typically in place within public sector organisations, the ANAO informed each state that it was expected that the material sought for the purpose of the ANAO audit should be able to be drawn from the material used to prepare, and support, the selected claims.<sup>84</sup> However, it was relatively common for there to be long delays in relevant supporting material being able to be located and provided to the ANAO.

**3.40** For example, following extensive engagement with NSW in relation to the scope of the ANAO audit (see paragraph 1.14), in early April 2014 the ANAO met with relevant state agencies to discuss the scope of the performance audit and the ANAO's approach. Due to difficulties state delivery agencies informed the ANAO that they would have providing a timely and cost-effective response in respect to the original audit sample<sup>85</sup>, it was decided that the ANAO audit would focus on a single disaster event [AGRN 421]. This involved a \$293.5 million claim relating to November 2010 flooding, with expenditure claimed in relation to the years ended 30 June 2011, 2012 and 2013. Although the expenditure had occurred some years earlier, the relevant amounts were included as part of five years of NSW claims that were received relatively recently by EMA (on 31 March 2014), and paid on 30 June 2014.

**3.41** The relevant state coordinating agency (NSW Treasury) promptly provided the ANAO with information that identified the relevant state agencies that were responsible for amounts included in the state claim. Shortly thereafter (on 7 April 2014), the ANAO sought transaction listings in respect to this claim from five of the eight state agencies to select a sample of expenditure items for audit analysis. Table 3.1 outlines the timeframe over which information was subsequently provided to the ANAO. It also includes an assessment of the adequacy of the supporting documentation provided by the relevant state agencies.

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84 In particular, the ANAO requested that delivery agencies provide, where relevant, documentation that outlined the nature of the works involved, location of the works, amounts, tender documentation, contracts let for reconstruction work, tax invoices, general ledger extracts, timesheets, payroll record extracts, plant records, photographs of damages arising from the relevant disaster events and other supporting documentation.

85 Initially, the ANAO had envisaged examining claims made by NSW in relation to five natural disasters (two floods, two bushfires and one storm).

**Table 3.1: Timeliness of receipt of NSW supporting documentation**

Agency	Time period over which information was provided to the ANAO	Comment
Public Works	19 May–26 June 2014	Detailed costings not all provided
Roads and Maritime Services	15 May–21 Aug 2014 (Some Guidelines also provided on 1 September)	Detailed costings not all provided
Rural Assistance Authority	14 April–5 May 2014	Sufficient information provided
Rural Fire Service	11 April–13 May 2014 (advised 28 May that two requested items were not available)	Information on overtime and payroll tax was not readily available from a legacy IT system
Treasury Managed Fund	15 May 2014	Sufficient information provided

Source: ANAO analysis of NSW claims and supporting documentation provided.

**3.42** Similarly, in mid-January 2014, information was sought from VicRoads relating to its expenditures for reimbursement of three shire councils in relation to the December 2006 Great Divide bushfire complex [AGRN 255]. Following reminders to VicRoads in mid-February and mid-March, the relevant documentation was subsequently received by the ANAO on 31 March 2014.

**3.43** However, also in relation to the December 2006 Great Divide bushfire complex [AGRN 255], the Victorian Country Fire Authority (CFA) was unable to provide all of the information in support of selected elements of its \$22.8 million claim, which was initially requested by the ANAO in late-February 2014.<sup>86</sup> This included \$815 216 which the CFA advised was likely to consist of oncosts (which are ineligible for NDRRA reimbursement). Other requested supporting documentation was provided by the CFA between 25 April and 18 August 2014. In February 2015, DTF advised the ANAO that:

The ANAO should note that all efforts have been made by relevant state departments and agencies to provide the requested information in a timely manner.

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<sup>86</sup> The CFA claim was based on the difference between the agency's budgeted and actual costs, as incorporated in the calculations for the 'Treasurer's Advance' provided to the then Department of Sustainability and Environment. This included \$814 428 for salaries of permanent CFA employees. It also included NDRRA-ineligible capital purchases for two vehicles costing \$36 364.

It appears that some of these amounts are ineligible in nature and at the time claimed inadvertently by DTF in the NDRRA acquittal for that financial year. This was not queried by EMA with reimbursement of the overall NDRRA acquittal provided to DTF.

**3.44** Delays were also experienced with various councils providing the ANAO with information to support amounts they had claimed under NDRRA. For example, in respect to Wellington Shire Council in Victoria, the ANAO's sample included the:

- 2006–07 wildfires which were the longest in the state's recorded history at 69 days. Several smaller fires caused by lightning strikes merged in what was known as the 'Great Divide Fire Complex' which burnt approximately 1.2 million hectares with 51 houses lost. Ten LGAs were affected, with \$869 859 claimed by Wellington for the restoration of essential public assets, as part of a total state claim of nearly \$150.5 million. [AGRN 255]. EMA approved the relevant claims for payment in January 2009 and June 2010; and
- flooding associated with rainfall received in late June 2007 across the Gippsland area that had resulted in seven rivers bursting their banks. In total, six LGAs were affected. The total claim was \$42.5 million and was approved for payment by EMA in June 2010. [AGRN 278].<sup>87</sup>

**3.45** Supporting documentation was first sought from Wellington in early January 2014. For reasons advised to the ANAO including the age of the relevant records and further fires being experienced at the time of the ANAO's request, documentation was received from late-March through to early August 2014, when Wellington advised the ANAO that it was unable to locate any further documentation in relation to the replacement of two suspension bridges that cross the Dargo River and the Wonnangatta River respectively. In February 2015, Wellington advised the ANAO that it 'took many learnings from this period, and have since implemented improved document retention processes for natural disasters, which occur all too frequently in our municipality'. In March 2015, Wellington further advised the ANAO that the

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<sup>87</sup> The amount included in the state's claim in relation to Wellington was not identifiable from the documentation provided to the ANAO. Wellington also provided documentation supporting its claim for the February 2007 Gippsland (Licola) flood (declared as a disaster affecting only the Wellington shire) [AGRN 259]. Victoria's 2006–07 claim included \$2 150 950 for this flood event.

difficulty in locating its records was not due to the age of the relevant records, rather it was because:

Council had only recently archived these records (which were six and a half years old) with a records management company located in Melbourne. It was necessary for very detailed instructions to be given for retrieval of each and every invoice, and this took time to compile. Had these records still been located in our own, local facilities, retrieval would have been much simpler and more timely.

**3.46** In relation to Western Australia, information sought from the Carnarvon Shire Council in mid-March 2014 supporting its claims for the December 2010 monsoonal low and floods [AGRN 418] was not provided, notwithstanding follow-up by the ANAO in mid-April 2014. Part of the requested documentation was subsequently accessed during, or was provided following, the audit fieldwork conducted at Carnarvon in mid-May 2014. As noted at paragraph 3.48, no supporting documentation was provided in response to the ANAO's request to the WA Shire of Wandering.<sup>88</sup>

### **Delivery agency record-keeping**

**3.47** Against this background, it is evident that there was inadequate supporting documentation for various amounts included in the NDRRA claims examined by the ANAO. For example, Western Australia claimed \$9 496 606 in relation to a severe thunderstorm that crossed the Wheatbelt region of Western Australia on 29 January 2011 with 20 shires disaster declared [AGRN 427]. The amount claimed included \$406 836<sup>89</sup> for storm clean-up work undertaken on behalf of the Shire of Wandering (Wandering) by the Shire of Williams (Williams).

**3.48** As part of this performance audit, the ANAO requested that Wandering and Williams each provide supporting documentation for the

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88 The ANAO was advised that due to attendance at an interstate conference, a representative of the shire would not be available to meet during the scheduled ANAO fieldwork in Western Australia.

89 The claim comprised approximately \$234 000 charged for work performed by Williams employees and over \$173 000 charged for use of equipment owned by Williams. Charges were based on \$45 per ordinary time hour and \$75 per hour for equipment used, which the shire considered to be the 'same level or slightly higher than private service providers providing the same service' (whereas the ANAO noted ordinary time wages for council workers in WA were generally in the range of \$20 to \$30 per hour). In its 2011–12 annual report, Williams outlined that assisting Wandering with the clean-up had assisted it to purchase new plant which would otherwise have been delayed as well as also allowing other projects to 'get off the ground'.

NDRRA claim. Wandering did not provide any documentation. Williams provided a range of documentation but this did not include any contracts or details of the private road works undertaken. In this context, the documentation that was provided and other publicly available information (such as council meeting minutes) indicated that roadworks were already being undertaken by Williams for Wandering prior to the storm event, with the NDRRA claim amount including the cost of work undertaken prior to the natural disaster occurring.<sup>90</sup>

**3.49** The absence of any prescribed minimum documentation standards has adversely affected the ability of state auditors, EMA and the ANAO to examine whether amounts claimed are eligible for NDRRA funding assistance. For example, states have not been required to document damage assessments or to maintain records of where work was done; who performed the work; when it was undertaken; what work was done; what resources (such as materials, plant and equipment) were used; and why that work relates to a claimed disaster event. States also have not been required to maintain photographic records of the pre-disaster condition of assets, the damages sustained and the repairs subsequently effected. Documentation need not be voluminous but should be sufficient to justify the claims by the states under NDRRA and provide a reasonable basis for EMA to be able to approve the expenditure of Commonwealth funds in the knowledge that there will be the capacity to undertake pre- and/or post-payment assurance activities (see further at paragraphs 3.14 to 3.25).

## **Payment of actual costs that have been accurately claimed**

**3.50** It is a mandatory requirement under clause 5.11 of the determination that the amount of Commonwealth assistance claimed in a financial year is based on 'state expenditure' incurred in that financial year on 'eligible disasters'. However, the ANAO's analysis of documentation that was available in relation to a sample of claims identified that adherence to these requirements is quite variable, and that the claim material relied upon by EMA

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90 The claim submitted to the state coordinating agency by Wandering included amended dates to those invoiced by Williams, such that it was not possible to determine from this documentation that the claim included costs of works performed prior to the date of the disaster.

has not, in certain instances, provided a reliable basis for the payment of NDRRA funding.

**3.51** These characteristics were evident in relation to Victoria's 2006–07 and 2007–08 NDRRA claims that were lodged with EMA on 12 November 2008 and 30 November 2009 respectively, and approved for payment by EMA in December 2008 and June 2010 respectively. The amounts included \$165.381 million in respect to 2006–07 and \$62.69 million in respect to 2007–08 relating to what the state refers to as 'Treasurer's Advances'.

**3.52** In respect to the 2006–07 claim, there were eight declared disaster events in Victoria in that year comprising four fires, three floods and one storm. The NDRRA claim lodged by Victoria included four events, two of which had occurred in earlier years. In respect to the 2006–07 disaster events, the 2006–07 claim included one fire (the Great Divide bushfire complex [AGRN 255]) and one flood (the February 2007 Gippsland (Licola) flood [AGRN 259]). However, the ANAO's analysis was that costs associated with declared disaster events other than the Great Divide bushfire complex and the Gippsland flood were included within the claimed amounts for those two disasters. For example, the costs for the North West Victorian bushfires [AGRN 272] that occurred a week or so before the Great Divide bushfire complex and in a different part of the state (near the South Australian border), were included within the claim for expenditure on the Great Divide bushfire complex. For example, this included:

- \$19 835 to the West Wimmera Shire Council for labour and plant between 21 and 28 November 2006; and
- \$75 990 to Glenelg Shire for graders, water tankers and mechanical services and vehicles between 21 November and 2 December 2006.

**3.53** For a state to be reimbursed, expenditure on an eligible disaster must exceed the 'small disaster criterion'. Accordingly, there is a risk that the inclusion of amounts relating to other natural disasters within the amount claimed for the Great Divide bushfire complex has resulted in EMA reimbursing to Victoria a greater amount than that to which it was entitled. As a minimum, aggregating amounts relating to a number of natural disasters within the amount claimed for one particular disaster reduces EMA's visibility over the cost of declared natural disasters.



**3.54** In addition, the amounts of the Treasurer's Advances were based on the difference between the various delivery agencies' 'base budget' and actual expenditures for the year rather than the NDRRA claimed amounts reflecting the quantified cost of NDRRA eligible expenditure on an eligible natural disaster event. In this respect, for 2006–07 Victoria claimed eligible NDRRA expenditure of \$151.4 million. The majority (\$145.381 million or 96 per cent) related to the then state Department of Sustainability and Environment (now the Department of Environment, Land, Water and Planning) and was claimed as relating to the Great Divide bushfire complex. The amount of \$145.381 million was calculated as the difference between actual expenditure and the 'base budget' for the year across a range of departmental activities.<sup>91</sup>

**3.55** The single largest element of this Treasurer's Advance involved the claiming of the \$42.192 million difference between the \$1.137 million budget for 'External Plant' and actual expenditure against this budget element of \$43.329 million. The ANAO sought from the state supporting documentation for a sample of 25 items totalling \$3.08 million. Documentation was able to be provided in respect to 10 of the sampled items (40 per cent) to the value of \$649 378 (21 per cent). No supporting documentation was able to be provided to the ANAO in respect to the majority of the sampled expenditure items, including the five largest items.

**3.56** One of the items for which documentation was available related to an earthmoving company that supplied equipment such as dozers and a low loader. The various invoices included a lower hourly rate when the machines were not being used (referred to as 'standby') than when they were operating.<sup>92</sup> DTF advised the ANAO that the hourly rates for the use of externally contracted items of plant during fire suppression activity are set by the Civil Contractors Federation. By way of comparison, the rates charged by a state government entity that also provided heavy equipment was the same for

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91 In February 2015, the Victorian Department of Treasury and Finance (DTF) confirmed to the ANAO that: 'Victoria provides DELWP with an annual base (core) budget for fire suppression activities. It is only once this budget is exhausted that supplementary funding is sought from DTF. Only expenditure above the base budget level has been included in the claim.' However, under NDRRA, it is only eligible expenditure on eligible disasters that should be claimed, not all of an entity's expenditure above a base budget.

92 For example, the rate charged for a Transtar 4700 Low Loader was \$159 per hour when on standby, some 40 per cent lower than the operating rate of \$265 per hour. Similarly, the standby rate for a Dresser TD 25 dozer and a Dresser TD 20 dozer was 17 per cent and eight per cent lower when on standby (at \$158 and \$120 respectively per hour) compared with the operating rate of \$190 and \$130 respectively per hour.



its equipment irrespective as to whether it was on standby or operating (at hourly rates well above those charged by the private contractor, noting the invoices did not identify the specifications of the equipment that was hired). In this respect, one of the areas of the NDRRA framework that the Inspectorate has concluded would benefit from clarification is the use of state government entities to 'deliver reconstruction work with the associated risk of cost shifting and the charging of internal profits to the Commonwealth'.

**3.57** Another of the more significant elements of this Treasurer's Advance was \$24.746 million which reflected the difference between the base budget of \$6.380 million and actual costs of \$31.126 million for 'Aircraft'. This was described as:

1 IR Scanning Aircraft -16 (W) stand by-maintenance of equipment, 11 Fixed Wing Bombers - 12(W) stand by; 5 Medium Helicopters 14(W) stand by; 7 Light Helicopters 14(W) stand by; 1 Light Fixed Aircraft 14(W) stand by; 2 High Volume Helicopters 1x10(W) stand by; 1x12(W) stand by; 2 Type 2 Helicopters 12(W) stand by; passenger transport costs, State Aircraft Unit management costs, fuel stocks and hire of refuelling vehicle; maintenance of DSE owned bulk fuel tanker; costs associated with hiring additional aircraft above base fleet.

Hire - Air crane (Malcolm) and support helicopter

Early Hire (by 2 months) of Elvis Air crane

Aircraft Specialists and Liaison Officers from USA

Extension of existing contracted stand by aircraft contracts

Additional air capabilities

Operating costs for extension of aircraft contracts

Additional Contract aircraft (including Mil 8)

To meet expenditures in excess of budget for standing charges and flying costs across the expanded fleet. Fuel costs, and passenger transport charges over base budget.

**3.58** The ANAO's audit methodology included seeking supporting documentation for this amount and three other amounts included in the claimed eligible expenditure of \$145.381 million. The material that was able to be provided (in a number of instances, supporting documentation for the amounts claimed was unable to be provided to the ANAO for analysis) indicated that only a small proportion of the 2006–07 'Aircraft' expenditure of

\$31.126 million related to the use of aircraft in response to the Great Divide bushfire complex.<sup>93</sup> Various amounts related to aircraft being available but not actually being used in relation to any fire, whereas other amounts related to fires before or after the Great Divide bushfire complex and in different parts of the state.<sup>94</sup>

**3.59** In this context, DTF advised the ANAO in February 2015 that Victoria's approach involves:

Flying hours are directly charged to the fire or emergency event they participate in. The base budget funds the standing charge for the minimum level of aircraft. The required level for the season is based on bushfire risk and discussions occur with the National Aerial Fire Fighting Centre (NAFC).

**3.60** By way of comparison, NSW Treasury advised the ANAO that:

NSW notes that provision for aerial firefighting is already subject to separate Australian Government cost-sharing arrangements.<sup>95</sup> NSW only claims the extraordinary costs of aerial firefighting, for example extraordinary costs over and above what's currently provided for, under the NDRRA.

**3.61** Another example involved Western Australia including 2010–11 expenditures in its 2011–12 claim. Documentation made available to the ANAO indicated that some \$39.465 million for expenditures incurred on five declared disaster events during 2010–11 (a year in which the claimed total state eligible expenditure did not reach the second threshold) was claimed as incurred in the following year (see Table 3.2).

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93 Similarly, the claimed eligible expenditure of \$145.381 million included a range of other items that were not demonstrably related to the Great Divide bushfire complex.

94 The Commonwealth also provided funding to Victoria under the National Aerial Firefighting Program, which included funding for standing charges for some aircraft. It also provides funding for the Erickson Airplane. The documentation supporting the NDRRA claims did not outline to what extent these amounts were excluded from the NDRRA claim.

95 Specifically, the NAFC (a joint company formed by the states and territories in association with the Australasian Fire and Emergency Service Authorities Council Inc) is responsible for the national coordination of resources and sharing of aerial firefighting equipment between jurisdictions. As aerial firefighting resources are expensive and highly specialised, the NAFC allows for improved performance and economies of scale that could not be achieved if individual states and territories were to purchase and manage their own aerial firefighting assets. Under a funding agreement administered by the Attorney-General's Department, the Australian Government contributes some \$14.5 million per year for the leasing, standing and positioning of the aircraft, with a total budgeted cost of more than \$59 million across 2014–15 and the forward years.

**Table 3.2: Examples of Western Australia expenditure incurred in 2010–11 but claimed as 2011–12**

Disaster Event	Claimant	\$
Carnarvon Flood 15 Dec 2010 (AGRN 418)	Department for Child Protection; Department of Agriculture and Food; Shires of: Carnarvon; Murchison; Upper Gascoyne; and Yalgoo	10,108,234
Wheat Belt Storm 29 Jan 2011 (AGRN 427)	Department for Child Protection; Main Roads Western Australia; Shires of: Beverley; Brookton; Cuballing; Goomalling; Narrogin; Northam; Pingelly; Toodyay; Victoria Plains; Wagin; Wandering; Williams; and York	3,012,576
Kimberley Monsoonal Flood & Trough 10 Mar 2011 (AGRN 440)	Building Management and Works; Department for Child Protection; Department of Housing; Department of Parks and Wildlife; Main Roads Western Australia; WA Country Health Service; Shires of: Derby West Kimberley; Halls Creek; and Wyndham East Kimberley	26,195,688
Severe Thunderstorm 19 Feb 2011 (AGRN 436)	Shire of Yalgoo	120,631
West Coast Storm 22 Mar 2010 (AGRN 384)	Town of Narrogin and Shire of West Arthur	27,786
<b>TOTAL</b>		<b>39,464,915</b>

Source: ANAO analysis of WA claims and supporting documentation.

**3.62** The ANAO calculated that this overstatement of 2011–12 expenditure meant that WA received a payment of \$52 645 062, compared to a payment of \$23 046 678 that would have been received for that year had this expenditure not been included (a difference of \$29 598 686).

**3.63** Had this expenditure been claimed in the correct year, WA would have received a total of \$16 367 907 for its 2010–11 claim (being \$15 049 668 more than the \$1 318 239 actually claimed). Accordingly, due to the operation of the second threshold, by claiming expenditure in a different year to when it was incurred the state increased its net NDRRA reimbursement across the two years 2010–11 and 2011–12 by \$14 549 019.

**3.64** Similarly, as discussed at paragraph 3.36, by including \$5.73 million of expenditure from earlier years in its 2012–13 claim, WA received \$4 297 500

more in reimbursement than it would have for that year had this expenditure not been included.

**3.65** In respect to its claiming practices, in January 2015 the WA Department of Premier and Cabinet advised the ANAO that:

Until the 2013/14 claim all claims from this State were undertaken on a cash basis, that is that claims paid in the financial year formed the basis of the reimbursement request. NDRRA Advice 1/2012 (which was received after this State had completed the 2012/2013 claim<sup>96</sup>) showed that an accrual basis was required.

**3.66** Further, analysis of sample documentation supporting the claims for the November 2010 NSW floods, which involved significant flooding of inland rivers and affected 66 LGAs and a the 'Unincorporated Area' [AGRN 421], revealed that:

- expenditures of \$1 802 555 incurred in 2010–11 and claimed through NSW Public Works by Dubbo, Wagga Wagga and Warren councils was claimed by the State as incurred in 2011–12; and
- 'Emergency Works' expenditures of \$2 948 961 claimed through RMS by Boorowa, Goulburn, Mid Western, Palerang, Upper Lachlan and Wagga Wagga councils; and a further \$322 088 claimed through NSW Public Works by Dubbo, Wagga Wagga and Warren councils; was claimed by the State as 'Restoration of Essential Public Assets'.<sup>97</sup>

**3.67** Due to the operation of the thresholds, the above incorrectly claimed amounts on their own would not have affected the net reimbursement by EMA to NSW for those years. However, cumulatively this may not be the case if similar misclaiming has occurred in other elements of the NSW claims for the November 2010 NSW floods and the other 62 disaster events included in the state's NDRRA reimbursement claims for 2010–11 and 2011–12 (and noting that NSW claims also included ineligible day labour costs). At a minimum, such misclaiming and misclassification reduces EMA's visibility over the cost

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96 The NDRRA accounting advice was provided to WA in August 2012, well in advance of WA's 2012–13 claim being received by EMA in February 2014.

97 All RMS expenditure (\$128 845 464) and all Public Works expenditure (\$5 716 612) for this event was claimed by NSW as 'Restoration of Essential Public Assets', notwithstanding that information was available within these two agencies that would enable the 'Emergency Works' component to be identified and correctly claimed by the state as CDOs.

of different categories of NDRRA eligible measures and the timing of actual expenditures by the states on specific disaster events.

## Conclusion

**3.68** There are significant weaknesses in the current processes for verification and assurance of NDRRA claims. Significant reliance is placed by the Attorney-General's Department on states accurately calculating the amounts to be claimed, with the provision to the department of an audited financial statement to acquit expenditure. However:

- as outlined in the previous chapter, the NDRRA governance framework does not promote understanding of, and compliance with, the NDRRA Determination;
- the NDRRA claim forms provide the Attorney-General's Department with little in the way of useful information for claims analysis. For example, they do not require the states to provide any project level information. Instead, the department places undue weight on the audited financial statements submitted by the states; and
- there are no requirements specified in relation to the records that are required to exist before a NDRRA claim is made, or the records that are to be maintained in support of a claim that has been made. In this respect, it was common for there to be long delays in state delivery agencies and councils being able to provide the ANAO with information to support amounts they had claimed under NDRRA, or for them to be unable to produce any supporting documentation for the amounts they had claimed.

**3.69** For some time there has been evidence<sup>98</sup> available to the Attorney-General's Department that adherence to the NDRRA framework is less than ideal. However, the department has not taken effective steps to address this situation. For example, the claiming arrangements have not been improved and the department has not made any use of the power it has had since December 2012 to undertake project level reviews. In addition, on those relatively few occasions where the department has detected issues with claimed amounts, its

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98 This evidence has included, in particular, the work of the Australian Government Reconstruction Inspectorate.

response has been quite ineffective and/or inconsistent approaches have been adopted.

## Recommendation No.2

**3.70** To provide improved oversight and assurance in its administration of the Natural Disaster Relief and Recovery Arrangements, the ANAO recommends that the Attorney-General's Department:

- (a) obtain project level information from states and territories to enable more informed analysis of claim amounts; and
- (b) implement a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects.

**3.71** The ANAO considers that this recommendation remains relevant even if the Productivity Commission approach of paying on the basis of estimates is implemented. This is because it will continue to be important that project level information is obtained and analysed by EMA irrespective of whether payments are made on the basis of actual project costs, or estimated project costs.

### AGD's response

**3.72** *Agreed with qualification. The department acknowledges that it needs to take action to improve accountability in relation to states' claims under the current NDRRA. The department has commenced re-writing the 2012 NDRRA determination to address those principles and measures for which definitions are subjective and remain open to interpretation. A department-initiated independent audit in 2014 found that the lack of definition and opportunity for subjective interpretations would likely inhibit the ability of state auditors to develop measurable criteria. Consequently, this would increase the risk of qualified audit findings or confusion and conflict in assurance judgments. The audit recommended that re-writing the NDRRA determination to address the above matters would substantially decrease the risk of ineligible expenditure being erroneously included in state claims. The department will also examine alternative compliance options to those proposed by the ANAO. Options arising from this work will need to be considered by Government together with the ANAO's recommendations.*

**3.73** *As noted above, the Productivity Commission has recommended a move to an up-front model rather than reimbursing state expenditure. Should the Government pursue such reforms, the department will work closely with the ANAO to develop*

*accountability requirements to ensure appropriate measures are in place to validate states' estimated reconstruction costs.*

### **ANAO comment**

**3.74** Notwithstanding the department's intention of re-writing the determination, the ANAO considers that, while the current arrangements are in place, the department should implement a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects, as envisaged in the 2012 amendment to the determination.<sup>99</sup> Any project-level scrutiny by AGD would be a significant improvement over the department's current approach, but would still involve significantly less scrutiny than is being applied by either the:

- Queensland Reconstruction Authority, which reviews all project submissions from local government and state delivery agencies for eligibility and/or value for money, as part of its progressive review of projects as they proceed from initial estimates to delivery and acquittal; or
- the Australian Government Reconstruction Inspectorate, which uses a Cumulative Monetary Amount sampling methodology to examine a selection of projects using a three-tiered review process.<sup>100</sup>

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Ian McPhee

Canberra ACT

30 April 2015

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99 The ANAO understands that the states were consulted by the Commonwealth in 2012 prior to amending the determination.

100 See further in ANAO Audit Report No.8, 2013–14, *The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Queensland Reconstruction Projects*, Canberra, 6 November 2013.



# Appendices



## **Appendix 1: Australian Government Entity Responses**

1. Formal responses received by the ANAO from Australian Government agencies following circulation of the draft report have been reproduced in the following pages. It should be noted that the report has been amended in some places following analysis of the comments received.



**Australian Government**  
**Attorney-General's Department**

Secretary

13/13786

✍ April 2015

Mr Ian McPhee AO PSM  
Auditor-General for Australia  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601  
AUSTRALIA

Dear Mr McPhee

**Response to proposed audit report on the Administration of the Natural Disaster Relief and Recovery Arrangements**

The NDRRA was established around 40 years ago following Cyclone Tracy in 1974. It recognises the primacy states and territories ('states') have in relation to disaster management. The NDRRA was intentionally designed with a view to providing states with a high level of flexibility to decide the level and means of recovery support required in responding to a disaster. This flexibility was intended to help quick implementation of recovery strategies for disaster-affected communities, by providing certainty around the level of Australian Government support that would be available.

In the last five years, Australia has endured an increasing frequency and magnitude of natural disasters. This has resulted in significant costs to individuals, communities and governments. Before 2009-10, Commonwealth NDRRA payments to states in any given financial year did not exceed \$280 million (which included an advance payment, rather than a claim, of \$220 million to Victoria for the 2009 bushfires). Natural disaster events from 2010-11 to 2013-14 have increased the Commonwealth's disaster recovery liability by around \$10 billion—a scale of expenditure never envisaged when the NDRRA was first conceived.

The huge increase in the scale and magnitude of claims arising from these disasters has seen an increase in ineligible expenditure that has been claimed and, in some cases, reimbursed to states by successive Australian governments. In response, since 2010, the department has been systematically addressing ambiguity in the NDRRA to reduce the incidence of ineligible claims being processed.

The Department commissioned a number of audits and reviews of the NDRRA (including the 2012 *Review of the Insurance Arrangements of State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements*) that have led to significant changes in the department's administrative practices, including improved monitoring and examination of state expenditure. However, these measures have had the effect of moving the tactical decision-making

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away from the states and those best-placed to understand and manage the local issues, and drawn the Australian Government into protracted negotiations over state expenditure.

Both the 2014 National Commission of Audit and the 2014 draft report from the Productivity Commission on natural disaster funding arrangements have noted that current practice has reduced state autonomy to manage their constitutional responsibilities, and has driven overly-complex administration. In particular, the Productivity Commission noted that the funding arrangements have become unnecessarily prescriptive and resulted in red tape and wasteful spending.

Both of these reviews have recommended the provision of up-front recovery grants to states based on estimates of future expenditure, rather than a reimbursement of actual state expenditure. The Productivity Commission noted that such reform would reduce the need for increased oversight of state expenditure. The Government is currently considering the Productivity Commission's final report, and will respond in due course. Should the Government seek to progress such reforms, the department will work closely with the ANAO to determine efficient measures to validate projected costs.

### Response to the recommendations

The ANAO provided the following recommendations:

1. The ANAO recommends that the Attorney-General's Department significantly improve the administration of disaster relief and recovery funding by:
  - (a) Adopting more timely processes for developing, finalising and promulgating disaster funding guidelines and advisories, and
  - (b) Implementing administrative arrangements that provide it with greater details of the amounts included in claims, including project specific information.
2. To provide improved oversight and assurance in its administration of the NDRRA, the ANAO recommends that AGD:
  - (a) Obtain project level information from states and territories to enable a more informed analysis of claim amounts, and
  - (b) Implement a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects.

The department acknowledges these recommendations and provides the following responses.

The department:

- **agrees** with recommendation 1(a), and
- **agrees with qualifications**, recommendations 1(b) and 2.

**Recommendation 1(a):** Over the past two years, the department has implemented arrangements that address this recommendation. Since the issue of the current NDRRA determination on 18 December 2012 ('2012 NDRRA determination'), the department in collaboration with all states has negotiated and issued six new detailed NDRRA guidelines on eligibility and undertaken revisions of five other guidelines requiring minor to major reform. In 2013 and 2014, nine formal

Response to proposed audit report on the administration of the Natural Disaster Relief and  
Recovery Arrangements  
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eligibility advisories were also developed and issued. These have reduced the number of eligibility questions from states.

Additionally, the department has formalised the process for states to seek eligibility advice, and has established time limits for it to respond. For example, clarification of, or activity-specific advice on, questions of eligibility will only be provided through amendments to the NDRRA determination and its guidelines, or through formal advisories delivered in response to formal enquiries from states. Formal enquiries from states can only be requested using the eligibility enquiry form. Importantly, eligibility advice will not be provided on an 'ad-hoc' basis nor will it be provided verbally or in written format without suitable authority.

The department also committed to provide eligibility guidance within five working days of receipt of the request. In 2014 alone, over 100 applications from states were received seeking eligibility advice on essential public assets valued over \$1 million, as required in the 2012 NDRRA determination. All responses were delivered within the mandated five days from receipt of the request.

The administrative and governance arrangements implemented by the department are subject to continuous evaluation and improvement processes. Further improvements will be achieved with the automation of additional information to states through the department's dedicated, web-based, incident management system to which states have access—this work is underway.

The department's ability to deliver more timely advice will also most significantly be aided by enhancing the transparency and auditability of the NDRRA Determination (see below).

**Recommendations 1(b) and 2:** The department acknowledges the ANAO's view that more rigorous oversight arrangements and value-for-money assessments, such as those in place for Queensland and Victoria under the joint *National Partnership Agreement for disaster reconstruction and recovery (NPA)*, would likely provide the Government with a greater level of assurance over state spending.

A decision to implement a similar arrangement nationally would require extensive consultation between governments—noting that delivery of the NPA has been at a cost to the Government of approximately \$10 million and to the Queensland Government of over \$95 million.

The department acknowledges that it needs to take action to improve accountability in relation to states' claims under the current NDRRA. The department has commenced re-writing the 2012 NDRRA determination to address those principles and measures for which definitions are subjective and remain open to interpretation. A department-initiated independent audit in 2014 found that the lack of definition and opportunity for subjective interpretations would likely inhibit the ability of state auditors to develop measurable criteria. Consequently, this would increase the risk of qualified audit findings or confusion and conflict in assurance judgments. The audit recommended that re-writing the NDRRA determination to address the above matters would substantially decrease the risk of ineligible expenditure being erroneously included in state claims. The department will also examine alternative compliance options to those proposed by the ANAO. Options arising from this work will need to be considered by Government together with the ANAO's recommendations.

As noted above, the Productivity Commission has recommended a move to an up-front model rather than reimbursing state expenditure. Should the Government pursue such reforms, the

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department will work closely with the ANAO to develop accountability requirements to ensure appropriate measures are in place to validate states' estimated reconstruction costs.

The department thanks the ANAO for the delivery of the performance audit into the department's administration of the NDRRA. The audit findings are timely and provide valuable input to inform the department's future arrangements in delivering disaster recovery funding to states and territories. As requested in the ANAO's letter of 3 March 2015, a summary of this letter and editorial comments are attached for inclusion in the report Summary.

Yours sincerely



Chris Moraitis PSM

Response to proposed audit report on the administration of the Natural Disaster Relief and  
Recovery Arrangements  
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Australian Government  
Reconstruction Inspectorate

31 MAR 2015  
09:30

Chair

Ms Barbara Cass *BM*  
Group Executive Director *21/3/2015*  
Performance Audit Services Group  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Cass

I am writing in response to your letter of 3 March 2015 and the attached copy of the Australian National Audit Office proposed audit report on the *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*.

The audit is timely given the focus on natural disaster arrangements at this time of the year and I note the report raises issues which have been reported previously by the Australian Government Reconstruction Inspectorate. The references to these issues in the report accurately reflect the Inspectorate's position.

Thank you for the opportunity to comment.

Yours sincerely

The Hon John Fahey AC

26 March 2015

GPO Box 803 Canberra ACT 2601

## **Appendix 2: State and Local Government Entity Responses**

1. Formal responses received by the ANAO from state and local government entities following circulation of the draft report have been reproduced in the following pages. It should be noted that the report has been amended in some places following analysis of the comments received.

31 March 2015

Ms Barbara Cass  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office (ANAO)  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Cass

**Performance Audit of the Administration of the Natural Disaster Relief and Recovery Arrangements (NDRRA)**

Thank you for providing us the opportunity to respond to the extract of the proposed audit report. ANAO's clarification (paragraph 1.15) that the audit is about the performance of Commonwealth agencies and not States is important as it puts the findings in the proper context.

NSW has participated voluntarily in the Audit in the interest of identifying improvements in the administration of the NDRRA for the State as well. I note the ANAO concerns about the time taken for the State to provide information as requested. As previously advised, the broad range of data requested, its varying sources at State and local level, the time elapsed between the event (a 2010 event in the case of NSW) and the audit, all required considerable time and resources. Please be assured the request was actioned as quickly as possible.<sup>101</sup>

It is unfortunate that the report recommendations were removed from the copy provided to the States. Even though these are for consideration by the Commonwealth agencies, particularly Emergency Management Australia (EMA), these may have

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<sup>101</sup> **ANAO comment:** *At the time the NSW Treasury agreed to provide the ANAO with information relating to its claim for the 2010 event (in early April 2014), the state had only lodged its claim with EMA some five days earlier on 31 March 2014 (see paragraph 3.40). The ANAO only sought records that would or should have been readily available in order for the state to submit its NDRRA claim.*

strategic, operational and financial implications for the States. I believe a review of these recommendations by the States would have added value given the ability of States to articulate the implications of recommendations on small councils and provide alternative processes that are less onerous and make better use of existing State capabilities.

### Interpretation - Day Labour

NSW agrees with the key audit finding that the NDRRA is vague and needs clarity and welcomes EMA's continuing efforts to clarify the application of the NDRRA. The complex and ambiguous nature of the NDRRA is the major factor behind the State developing its own set of implementation guidelines. These have been designed as easy to understand and practical guidelines to help State recovery personnel make clear decisions in the field while remaining focused on the appropriate response to changing stages of an evolving natural disaster.

These guidelines were completed in 2010 based on concepts in the 2007 Determination. These required the interpretation of certain ambiguous NDRRA concepts into implementable provisions. Subsequently the 2012 Determination and further guidance and advisories released by EMA in 2014 have clarified the application of these concepts. It is therefore not surprising that some of these early interpretations were not exactly aligned with the updated guidance.<sup>102</sup>

For example, in respect of the Audit's finding on the eligibility of day labour cost for non-road asset restoration activities claimed by local councils, NSW's interpretation prior to EMA's current advisory was that the cost of council resources diverted for asset restoration activities was extraordinary, as asset restoration following natural disasters was seen as non-core council business. However, the cost of council resources diverted for response and clean-up operations were and continue to be ineligible. NSW has since revised its implementation guidelines following the release of EMA's advisory.

On this matter I would like to note the Productivity Commission's finding regarding the ineligibility of day labour. The Commission noted (Draft Finding 2.4) that *"prescriptive requirements in the NDRRA limit the scope for cost shifting but also impose administrative cost. ... Restriction on reimbursement for inputs for reconstruction (such as restrictions on reimbursing the use of "day labour" leads to wasteful spending"*.

### Application of the Appropriate Determination

A number of the review's findings relate to the application of new requirements under the 2012 Determination to a 2010 event governed by the 2007 Determination. This includes States not acknowledging the Commonwealth's financial assistance for disasters, later claimed by the State after the end of the year.

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102 **ANAO comment:** *The NSW guidelines enabled state and local government entities to claim for 'day labour', notwithstanding that the state was aware that these costs were ineligible (see paragraph 2.53).*

While the 2012 Determination contained stricter requirements for acknowledgement, the response to the 2010 event was governed by the 2007 Determination which accepted many forms of acknowledgement including letters to the beneficiaries of assistance, on assistance websites, in recovery centres, etc.<sup>103</sup> NSW has since revised its processes to accommodate the new requirements.

## Value for Money/Betterment

The Audit finds that the Tuena Bridge restoration works is a betterment work (paragraph 2.33). NSW Public Works engineers took the view that the bridge needed to be restored to current engineering standards, requiring compliance with the Building Code of Australia (for safety) and the Disability Discrimination Act (access). The original bridge was constructed of timber in 1894. A replacement bridge would have cost significantly more than the replacement steel bridge as the trades and materials for such are no longer readily available and would have required lengthy on-site construction with considerable labour costs.<sup>104</sup> The State's action has delivered far better value for money and a much lower cost overall, an approach which has been subsequently endorsed by the adoption of section 6.8 of the 2012 Determination (assessing projects based on value for money).<sup>105</sup>

ANAO also found that NSW road restoration claims included the installation of rock protection, culverts and causeways (paragraph 2.37), which are considered beyond pre-disaster standard. As project details were not provided, NSW was unable to investigate.

## Eligibility of Expenses

The ANAO has identified the following errors in claims submitted by NSW:

- **NSW Self Insurance:** The ANAO report indicated that NSW erroneously claimed for asset restoration expenses funded out of the self-indemnity scheme managed by the NSW Self Insurance Corporation (paragraph 3.19). The State's

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103 **ANAO comment:** As discussed at paragraphs 2.63 to 2.65, NSW did not provide EMA with evidence that it had met the requirements for acknowledging Commonwealth assistance in relation to the majority of the events claimed. These acknowledgement requirements were introduced in 1996 and remained unchanged until strengthened in December 2012 (for example, by introducing an additional requirement for issuing joint media releases). There are no findings in the ANAO report that relate to the application of the 2012 Determination. All of the sampled NSW claims were assessed by the ANAO against the requirements of the determination in operation at the time of the relevant disaster event. Further, as stated at paragraphs 2.64 and 2.65, EMA also assessed that 'the condition concerning Commonwealth recognition was not met' and EMA also 'formally raised the issue of non-compliance with NSW'.

104 **ANAO comment:** NSW has not provided any evidence that it ascertained the costs of repairing the damage to the bridge and/or that such costs would have exceeded the costs of replacing the damaged bridge with a new bridge. As stated at paragraph 2.34, rather than repairing the bridge, Council decided to build a new and higher bridge 'to provide more protection from future floods'.

105 **ANAO comment:** From a Commonwealth NDRRA perspective, value for money can only be a consideration in relation to expenditures that are eligible for NDRRA reimbursement. Section 6.8 of the determination relates to AGD undertaking assurance activities in relation to NDRRA claims and acquittals (see paragraph 3.14). It does not abandon or negate all other NDRRA eligibility requirements.

view is that these payments are eligible under the NDRRA, as asset restoration expenses below the self-indemnity scheme's retention level are funded directly by the State budget and therefore represent expenses directly incurred by the State, not external insurance arrangements. Expenses beyond the retention level are covered by commercial reinsurers and therefore do not form part of the eligible NDRRA expenses claimed by the State.<sup>106</sup>

- **Delay in claiming:** ANAO found that not all expenses were claimed in the year incurred. As relayed in the State's response to the Issues Paper, there are significant factors constraining complete adherence to accrual accounting. In the case of council expenditures for example, disaster assistance coordinating agencies first need to assess the eligibility of the expenses. Expenses incurred close to the end of the year, the volume of expenses to assess, complexity of expenses, and early accounting closure periods are some of these factors.<sup>107</sup>
- **Certification:** ANAO noted that delivery agencies only certify claims for adherence to State guidelines and not to NDRRA. This is not correct. State agencies do certify claims for adherence to State guidelines when filing for reimbursement of expenses eligible under the State's disaster contingency fund. They also certify for NDRRA eligibility their Annual Expenditure Breakdown Report submitted at the end of the year. This agency report is the basis for the State's NDRRA claim. ANAO did not ask and was not provided with a sample of this agency report as ANAO audited specific expenses for a sample event.<sup>108</sup>

## Improvements in NSW Arrangements

In closing, may I note the various improvements NSW has implemented, aside from the updating of State guidelines mentioned earlier, which contribute to the better governance of natural disaster expenses:

- It has implemented an Integrated Planning and Reporting framework for local government improving asset planning and condition reporting;
- Roads and Maritime Service (RMS) has established Regional Local Government Program Coordinators, one of whose responsibilities is to provide advice on eligibility and adherence to NDRRA requirements;
- It is strengthening expenditure control, audit and reporting as recommended by the

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106 **ANAO comment:** Clause 5.2.5 of the NDRRA determination specifically excludes any amounts recoverable from any other source, including insurance payouts.

107 **ANAO comment:** In relation to NSW expenditures claimed in a year other than the year in which the expenses were incurred, the audit found that such claims were made by state entities (see paragraph 3.66). As also discussed at paragraph 2.63, NSW submitted five years of claims (2008–09 to 2012–13) on 31 March 2014. This would appear to be adequate time in which to overcome any 'significant factors constraining complete adherence to accrual accounting'.

108 **ANAO comment:** In November 2013, the ANAO specifically requested documentation supporting the state's NDRRA claims. This included 'documentation used to prepare and support the claims' (also see paragraph 3.39). NSW did not provide and has subsequently not provided any certifications regarding NDRRA eligibility other than the Treasury certification referred to at paragraph 3.26. Also see paragraphs 3.27 and 3.28 in relation to the limited reliance that can be placed on both delivery agency and state certifications regarding compliance with NDRRA funding requirements.

Natural Disaster Expenditure and Governance Review jointly led by the NSW Treasury and the Ministry for Police and Emergency Services.

Thank you once again.

Yours sincerely

A handwritten signature in black ink, appearing to be 'P. Gaetjens', written in a cursive style.

Philip Gaetjens  
Secretary





## Department of Treasury and Finance

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Ms Barbara Cass  
Group Executive Director  
Performance Audit Service Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

01 APR 2015

Dear Ms Cass

### **PERFORMANCE AUDIT OF THE ADMINISTRATION OF THE NATURAL DISASTER RELIEF AND RECOVERY ARRANGEMENTS**

Thank you for the opportunity to review and formally respond to the relevant extracts from the Audit Report. I note that this letter provides a response on behalf of all Victorian Departments and agencies which were involved in this audit.

With respect to some of the issues raised in the Audit Report regarding the claiming of costs associated with the provision of low interest concessional loans, at the time that the relevant Natural Disaster Relief and Recovery Arrangements (NDRRA) acquittals were prepared, the Department of Treasury and Finance (DTF) understood that the costs sought for reimbursement were accurate. However, following the provision of further information on how interest rate subsidies should be claimed, DTF will re-examine this further with Emergency Management Australia (EMA), if necessary and appropriate, to work out the relevant mechanism for reimbursing the Commonwealth in future acquittals.

In recent years, the State has moved to significantly strengthen its relationship and collaboration efforts with EMA to improve its processes relating to the eligibility and claiming of expenditure under the NDRRA including the development of various guidance materials. In addition, Victoria is now an active participant on the NDRRA Stakeholders Working Group with representatives from my Department as well as the Department of Premier and Cabinet.

More recently, DTF has moved to implement some further key reforms by consolidating the natural disaster recovery functions of policy and administration (which includes the preparation of the NDRRA acquittals) within one group. The previous separation of responsibilities I understand, was inefficient, and led to some confusion as to what expenditure was eligible for reimbursement under the NDRRA.



DTF has also recently updated its website on natural disaster financial assistance for councils and Catchment Management Authorities to further clarify what assistance is available following a natural disaster. DTF's new Automated Claims Management System (ACMS) has also recently been rolled out to all councils, Catchment Management Authorities, VicRoads and other relevant State Departments and agencies. These changes to the website and the rollout of the ACMS have also provided an opportunity to refresh these agencies on the eligibility criteria of expenditure.

I note that this continuous improvement focus by Victoria has resulted in the Australian Government Reconstruction Inspectorate stating in their seventh report to the Prime Minister on *2010-11 Flood Reconstruction Progress in Queensland and Victoria*, that both the Victorian and Commonwealth Governments have "worked collaboratively to ensure appropriate governance and coordination mechanisms were in place to deliver ... assistance effectively and efficiently to communities in need and to ensure that value-for-money is being achieved in the reconstruction programme."

The Inspectorate also advised that "Victoria is providing more in-depth programme-level reporting on the progress of reconstruction and recovery than has ever previously been provided. This level of reporting on disaster reconstruction progress is unprecedented". Additional reporting included a process mapping exercise on best practice principles involving the Commonwealth National Disaster Recovery Taskforce, the Victorian Secretaries' Flood Recovery Group (which included representation from DTF and VicRoads) as well as three Victorian local regional councils.

DTF is committed to continual improvement in its processes and understanding of the NDRRA Determination and guidelines. As such, DTF will continue its collaboration with EMA on the preparation of the NDRRA Acquittals to ensure that they are prepared in accordance with requirements under the NDRRA and in improving our understanding of the guidelines to ensure greater accuracy of Victoria's claim for reimbursement.

Should you have any queries regarding this matter please do not hesitate to contact Iain Bramley on (03) 9651 2542 or via email at [iain.bramley@dtf.vic.gov.au](mailto:iain.bramley@dtf.vic.gov.au).

Yours sincerely



David Martine  
Secretary



31 March 2015

Ms B Cass  
Group Executive Director  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Cass,

## **PERFORMANCE AUDIT OF THE ADMINISTRATION OF THE NATURAL DISASTER RELIEF AND RECOVERY ARRANGEMENTS**

Thank you for your letter of 3 March 2015 in which you provide an extract of the proposed audit report on the Administration of the Natural Disasters Relief and Recovery Arrangements and offer an opportunity for us to formally comment on the content of the report.

In response, we are generally happy with the comments that have been included in the report, however, we make the following observations:

### **Section 2.35- Barkly River Bridge**

As previously stated, the replacement structure was built in line with minimum Australian Standards, and although built out of concrete, did not vary significantly in vertical or horizontal alignment, span length or abutment position.<sup>109</sup> The primary focus when replacing the structure was to re-establish access to residents and farms that had no alternate vehicular access to their properties. While this also allowed a secondary benefit for timber harvesting operators to access forests, it was not the

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109 **ANAO Comment:** *As discussed at paragraph 2.35, the ANAO considers that the replacement bridge was a significant enhancement, being an undisclosed amount but significantly higher than the original bridge, 30 per cent longer (as necessitated by the increased height of the bridge), 50 per cent wider and with a 175 per cent increase in its load capacity. Further, Council and VicRoads jointly agreed in 2007 that the bridge was being enhanced.*

primary reason for re-establishing access, as inferred in the draft report. The following text that was provided in our initial response was not included in the draft report, and we would like this included in the final report along with our previous comments as part of our formal response:

*Although there were considerable timber salvage operations occurring post fire event within relatively close proximity to the Barkly Bridge site, this road was not utilised for related traffic. The bridge structure and approach road alignment was not designed or modified in any special way as to cater for these requirements or timber industry related traffic generally.<sup>110</sup>*

Please note also a typographical error in the first paragraph: 'The replacement structure was built in line with minimum Australian and Austroads Standards for bridge design including load capacity (TFF)-this should read (T44).


### **Section 3.44- Supporting documentation**

This section states that the difficulty in sourcing the supporting documentation was 'the age of the relevant records', when this was not the case. As Council had only recently archived these records (which were six and a half years old) with a records management company located in Melbourne, it was necessary for very detailed instructions to be given for retrieval of each and every invoice, and this took time to compile. Had these records still been located in our own, local facilities, retrieval would have been much simpler and more timely.

The following text was also included in our initial response, and we would like this to be included in our formal response:

While Council was not able to locate correspondence specific to the replacement of two suspension bridges, evidence was provided regarding the expenditure and the original claim, which was discussed in detail with VicRoads and ultimately approved prior to seeking reimbursement.

Should you have any further enquiries, please do not hesitate to contact me on 1300 366 244.

Yours sincerely,  
  
**DAVID MORCOM**  
Chief Executive Officer

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<sup>110</sup> **ANAO Comment:** *The report does not infer that the primary reason for re-establishing access was for timber harvesting operators to access forests. Rather, documentation provided by Wellington Shire Council to ANAO clearly stated that this was the reason for the upgrading of the replacement bridge (see paragraph 2.35).*



**Government of Western Australia**  
**Department of the Premier and Cabinet**

Your ref:

Our ref:

Ms Barbara Cass  
Group Executive Director, Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Cass

Thank you for your letter dated 3 March 2015, and extract of the proposed report in respect of the ANAO's audit of the effectiveness of the Attorney-General's Department's administration of the Natural Disaster Relief and Recovery Arrangements (NDRRA).

Please note below Western Australia's formal response to the extract of the proposed report. It would be appreciated if these comments would be included in the final audit report.

The report refers to management of relief and recovery arrangements in Western Australia being the responsibility of the Department of the Premier and Cabinet (DPC), however, for the period covered by the audit, responsibility rested with the Department of Fire and Emergency Services. Responsibility transferred to DPC on 31 March 2014.

Western Australia has always worked openly and cooperatively with Emergency Management Australia (EMA) to ensure that the assistance measures provided by the State were both appropriate and eligible under the NDRRA Determination. The State continuously liaises with EMA seeking their expert advice and guidance to ensure that its application of assistance measures is consistent with EMA's current interpretation of the disaster relief and recovery arrangements. The State continually adjusts to the changing interpretation of the Commonwealth to its Determination.

The audit report commented on delays in notification of eligible disasters by the State to the Commonwealth. The Determination requires that when a natural disaster occurs and the relevant state knows, or expects, the disaster to be an eligible disaster, the state must notify the Secretary of the Attorney-General's Department of that fact as soon as practicable. It appears that the auditors consider the date of the impact of the event to be the date at which the State should contact the Commonwealth. This suggests a lack of understanding of the assessment process used in Western Australia

to determine whether an event satisfies the criteria as required under Clause 5.4 of the Determination.<sup>111</sup>

The event must satisfy the meaning of a 'natural disaster' specified under Clause 2.1, and the meaning of the 'small disaster criterion' as specified under Clause 5.5 which requires the costs to the State of eligible costs to exceed \$240,000.

Western Australia is a sparsely populated State with many communities living in remote locations and this complicates the assessment process preceding the activation of the relief and recovery arrangements. In the Kimberley for example, communities such as Kalumburu Aboriginal Community can be cut off by road for 5 to 7 months per year depending on the length of the wet season. Heavy rainfall and subsequent flooding, usually during the wet season, can mean that assessment of road damage for example, can take many months as access to the affected roads is not possible due to the floodwaters from the event.

Western Australia experiences many thousands of events related to defined natural hazards each year with only a handful of these events satisfying the required criteria for the event to be proclaimed a natural disaster for the purposes of the NDRRA. For example, in financial year 2012/13, the Department of Fire and Emergency Services stated that there were more than 3,800 bushfires across the State. Of these, only one satisfied the required criteria under the NDRRA and was subsequently proclaimed an eligible natural disaster (i.e., AGRN585 South West Bushfires of 12 February 2013).

Western Australia promptly advises the Commonwealth when it is clear that the criteria for the proclamation of a natural disaster event have been met. The report finds that there is an average lag of 34 days between the date of the events impact and the date the State notifies the Commonwealth of the activation of the assistance for the natural disaster. State records however indicate that notification to the Commonwealth, once the impacts are known, is on average three days.<sup>112</sup>

Yours sincerely



Peter Conran  
**DIRECTOR GENERAL**

31 MAR 2015

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111 **ANAO comment:** *The ANAO has a reasonable understanding of the assessment processes used in WA (and other states) to determine whether an event satisfies the criteria for declaration as a natural disaster. The audit found that states do not notify AGD 'as soon as practicable'.*

112 **ANAO comment:** *These state records were not made available to the ANAO. WA has not indicated the events it included nor the period over which this 'average three days' was calculated. An examination of state disaster declarations published by WA indicates that there are delays in notifying the Commonwealth.*

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Public Sector Audit Committees: Independent assurance and advice for Accountable Authorities	Mar. 2015
Successful Implementation of Policy Initiatives	Oct. 2014
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Administering Regulation: Achieving the right balance	June 2014
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