

Administration of the National Broadband Network Satellite Support Scheme

nbn co limited

Department of Communications and the Arts

Department of Finance

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Canberra ACT

28 November 2017

Dear Mr President

Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in nbn co limited, the Department of Communications and the Arts, and the Department of Finance titled *Administration of the National Broadband Network Satellite Support Scheme*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. 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

A handwritten signature in black ink, reading 'Grant Hehir', is positioned above the printed name and title.

Grant Hehir
Auditor-General

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

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, 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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Summary and recommendations

Background

1. nbn co limited (nbn), a wholly owned Commonwealth company, was established in 2009 to design, build and operate Australia's first national wholesale-only broadband network.¹ The National Broadband Network is expected to be completed by 2020. As at 30 June 2017, nbn had 6000 employees and the Commonwealth Government has committed up to \$49 billion in funding to the company.²
2. Satellite services are part of the Multi-Technology Mix model that is being used to deliver the National Broadband Network. In April 2014, the Government announced that a subsidy scheme, the National Broadband Network Satellite Support (NSS) Scheme, would be established to allow up to 9000 new retail customers (end users) to access satellite services in the period before the rollout of nbn's long-term satellite service (Sky Muster). Potential users of the NSS Scheme included residents, small businesses and Indigenous communities in rural and remote Australia. The NSS Scheme commenced in July 2014 and is to last until December 2018, or until the final NSS Scheme user disconnects their service. nbn expended \$4.62 million on the NSS Scheme and subsidised the services of 2018 end users.

Audit objective and criteria

3. The objective of this audit was to assess whether nbn effectively administered the NSS Scheme.
4. To form a conclusion against the audit objective, the Australian National Audit Office (ANAO) adopted the following high-level criteria:
 - the NSS Scheme was effectively established;
 - nbn effectively promoted the NSS Scheme and accurately determined applicants' eligibility to apply for the scheme; and
 - the NSS Scheme contract to deliver wholesale satellite services was effectively managed by nbn.

Conclusion

5. nbn effectively administered the NSS Scheme to deliver subsidised satellite services to a limited number of end users for a fixed period of time.
6. During the establishment of the NSS Scheme in 2013 and 2014 nbn provided timely and appropriate advice to its two Shareholder Ministers and their respective Departments (Communications and Finance). Both Departments in turn provided appropriate advice to their respective Ministers during the establishment of the NSS Scheme.

1 nbn is a company established by the Commonwealth under the *Corporations Act 2001* and is classified as a Government Business Enterprise. nbn's Government Shareholder Ministers are the Minister for Communications and the Minister for Finance.

2 The number of nbn employees does not include temporary staff, that is, on-hire personnel. nbn co limited, *Corporate Plan 2018–21*, pp. 25 and 32.

7. nbn managed demand for the capped NSS Scheme by monitoring how actively the subsidy scheme was promoted by the satellite wholesaler and retail service providers, and by applying clearly defined criteria to accurately determine applicants' eligibility for access to the NSS Scheme.

8. nbn's management of the contract between nbn and IPSTAR Australia Pty Ltd (IPSTAR) to deliver the NSS Scheme was largely consistent with indicators of the contract's mid-range value, risk and complexity. nbn adequately monitored the performance of IPSTAR in delivering the agreed service levels outlined in the contract, and made payments to IPSTAR in accordance with the provisions outlined in the contract.

Supporting findings

Establishing the scheme

9. nbn provided timely and appropriate advice to its Shareholder Ministers and their Departments about the development of the NSS Scheme in 2013 and 2014. In consultation with its shareholders, nbn identified that its existing satellite capacity would be unable to provide coverage to all targeted users during the period of the roll-out, proposed options to address this and executed a timely solution in the form of the NSS Scheme. nbn's reporting on the implementation of the NSS Scheme addressed the expectations of the Shareholder Ministers.

10. Both the Department of Communications (Communications) and the Department of Finance (Finance) provided appropriate advice to their respective Ministers about the establishment of the NSS Scheme during 2013 and 2014. Communications was the lead Shareholder Minister's Department during developmental discussions with nbn to establish the NSS Scheme.

11. The NSS Scheme was effectively established by nbn in a short timeframe during which a major procurement was completed. nbn launched the NSS Scheme in July 2014, three months after the scheme was first announced publicly in April 2014. However, the absence of a consolidated risk assessment for the procurement of wholesale satellite services under the NSS Scheme was not in accordance with the requirements in the *NBN Co Procurement Manual* (2014).

Applications for the scheme

12. nbn provided advice about the application process to potential end users and monitored the promotional activities undertaken for the NSS Scheme by the satellite services wholesaler and the retail service providers that sold plans to end users.

13. nbn used an existing Broadband Service Locator tool (obtained from Communications), and other criteria, to reliably determine an applicant's eligibility for the NSS Scheme. nbn staff assessed a total of 4191 applications for the NSS Scheme: most of the applicants that were found eligible (88 per cent) were in residential premises. The applications resulted in a total of 2018 activations of satellite services.

14. Monitoring by nbn of the experience of end users for the NSS Scheme indicated positive satisfaction results in relation to the delivery of the scheme. nbn also had appropriate processes for applicants to the NSS Scheme to challenge unfavourable eligibility decisions and/or make

complaints about the scheme. The total number of challenges to eligibility assessments and complaints recorded while the NSS Scheme was open for applications was 157. After applications closed, two further complaints were received. The 159 records represented 31.6 per cent of the unsuccessful applications made (by 503 people) for access to the scheme.

Contract management for satellite support services

15. nbn did not formally define the value, risk and complexity of the contract for the NSS Scheme service provider in relation to the company's larger scale initiatives and in terms of its broader contracting environment. However, nbn's practical management of the contract was largely consistent with indicators of the contract's mid-range value, risk and complexity.

16. Given the size and nature of the Contract, nbn adequately monitored the performance of the contractor, IPSTAR. The primary process to monitor and assess contractor performance was through monthly reporting produced by IPSTAR. nbn also engaged a third party external provider to independently verify the NSS Scheme service speeds at selected end user premises and nbn reviewed end user experience data gathered directly by nbn for the scheme.

17. nbn accurately made payments to IPSTAR under the Contract to deliver the NSS Scheme. This included that procedural elements of nbn's internal payment process were followed, and a subsidy payment was made for each eligible service that was connected by IPSTAR.

Recommendation

Recommendation no.1

Paragraph 2.34

If a variation from the requirements contained in nbn's Purchasing Rules is needed, nbn staff should document the reasons the variance is necessary and seek approval from the delegate specified in the nbn Delegation of Authority Policy.

nbn's response: *Agreed.*

Department of Communications and the Arts' response: *Agreed.*

Summary of entity responses

18. The proposed audit report was provided to nbn, the Department of Communications and the Arts, and the Department of Finance. An extract from the proposed audit report was provided to IPSTAR.

19. Formal responses to the proposed audit report were received from nbn, the Department of Communications and the Arts, and the Department of Finance. The summary responses are provided below, with the full responses provided at Appendix 1.

nbn

nbn welcomes the ANAOs' review of the NSS Scheme, which was an important element of **nbn's** efforts to make broadband services available to rural and remote end users prior to the availability of our long-term satellite service, Sky Muster. These end users are important to **nbn** and it is appropriate that the effectiveness of programs designed for them should be the subject of independent review.

nbn welcomes the many positive conclusions in the Report, particularly those which reflect upon the end user experience for Australians living in rural and remote locations. These include findings that:

- **nbn** effectively administered the NSS Scheme
- **nbn** provided timely and appropriate advice to its two Shareholder Ministers during the establishment of the NSS Scheme
- the NSS Scheme was effectively established by **nbn** in a short timeframe during which a major procurement was completed
- **nbn** effectively managed demand for the capped NSS scheme by applying clearly defined criteria to accurately determine applicants' eligibility
- **nbn** had appropriate processes for applicants to challenge eligibility decisions and/or make complaints about the NSS Scheme
- **nbn** adequately monitored the performance of its contractor, IPSTAR Australia Pty Ltd (**IPSTAR**) and made payments in accordance with the contract
- end users reported positive satisfaction results in relation to the delivery of the NSS Scheme

nbn considers that our agility in establishing and implementing this scheme contributed to the positive outcomes noted by the ANAO. **nbn** agrees that we can improve by more explicitly recognising that there will be occasions where our values of decisiveness and urgency may support an informed decision to vary from our internal Purchasing Rules, and that we should document such a variance when it occurs.

Department of Communications and the Arts

The Department of Communications and the Arts (the Department) welcomes the ANAO's conclusions that **nbn**'s administration of the National Broadband Network Satellite Support (NSS) Scheme has been effective and that during the establishment of the NSS Scheme both Shareholder departments provided appropriate advice to their Ministers. The Department also notes the ANAO's conclusion that **nbn** provided timely and appropriate advice during the establishment of the NSS Scheme, managed demand for the capped NSS Scheme appropriately, and adequately monitored the performance of IPSTAR under the contract between **nbn** and IPSTAR for delivery of services under the NSS Scheme.

Department of Finance

Finance supports the findings and key learnings of this report regarding the *Administration of the National Broadband Network Satellite Support Scheme*.

Key learnings for all Australian Government entities

20. Below is a summary of key learnings and opportunities for improvement identified in this audit report that may be considered by other Commonwealth entities, and Government Business Enterprises, when establishing and implementing government funded schemes.

Establishing schemes

- When establishing a scheme, clearly defining roles and responsibilities, budget, duration, outcomes, and monitoring and reporting arrangements, will lead to better results.

Implementing schemes

- A lack of documentation makes it difficult for entities to manage risk effectively and demonstrate how the implementation of a scheme is being monitored.
- Adapting existing guidelines/criteria for eligibility, or making use of previously reliable assessment tools, can assist entities when implementing new schemes and avoid the need to develop additional resources.

Audit findings

1. Background

Introduction

1.1 The National Broadband Network is a national wholesale-only broadband network and is expected to be completed by 2020. It is being deployed by nbn co limited (nbn), which is a Commonwealth Government owned company. The deployment is based on a Multi-Technology Mix model that combines a range of fixed line, fixed wireless and satellite technologies.

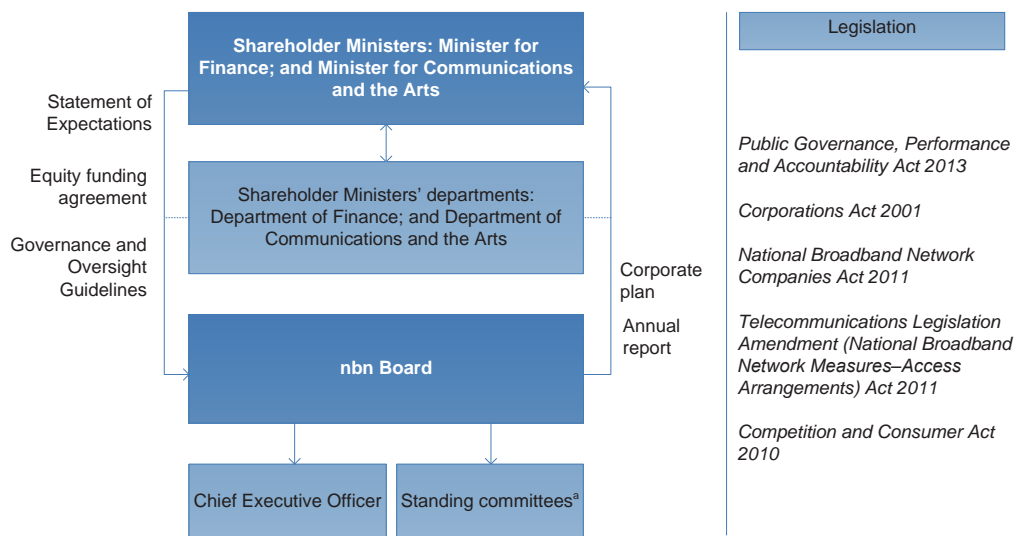
1.2 Satellite technology is to be used where other broadband technology is unavailable or too costly to provide. Under the Multi-Technology Mix model, nbn estimates that around 400 000 Australian premises (three per cent) will be able to connect to the National Broadband Network via satellite.

nbn co limited

1.3 In 2009, nbn was established to design, build and operate the National Broadband Network. nbn’s key objective is to ensure all Australians have access to fast broadband, as soon as possible, at affordable prices and at least cost.³ In 2011, the Commonwealth and nbn entered into an equity funding agreement that has since provided a total of \$29.5 billion in funding for the rollout of the network. The equity funding is expected to be exhausted in 2017–18 and the Government has loaned nbn up to an additional \$19.5 billion to complete the rollout.

1.4 A high-level representation of nbn’s governance arrangements is presented in Figure 1.1.

Figure 1.1: nbn co limited governance



Note a: The standing committees are: Audit and Risk; Nominations; and People and Remuneration.

Source: ANAO representation of nbn governance documents.

3 nbn co limited, *Annual Report 2015–16*, p. 3.

Legislative and policy context

1.5 nbn is a company established by the Commonwealth under the *Corporations Act 2001* and is classified as a Government Business Enterprise (GBE).⁴ Legally separate from the Commonwealth, a GBE is usually linked to implementing government policy where intervention is deemed appropriate due to: high barriers to entry; market failure (or no market); infrastructure investments with lower rates of return; and/or other policy considerations of government.

Shareholder Ministers

1.6 All of the nbn's company shares are owned by the Commonwealth of Australia. The Commonwealth's ownership interest in each GBE is represented by two Shareholder Ministers: the Responsible Minister (that is the Minister responsible for the policy portfolio associated with the GBE) and the Finance Minister, who is responsible for administering the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). nbn's Shareholder Ministers are the Minister for Communications and the Minister for Finance. The Ministers are supported by the Department of Communications and the Arts, and the Department of Finance respectively. As required by the PGPA Act⁵, nbn is to keep the Shareholder Ministers informed of its operations.⁶

1.7 nbn's Shareholder Ministers have issued four successive Statements of Expectations to nbn since the company's inception. A Statement of Expectations is intended to guide nbn to ensure its strategic direction aligns with the Government's objectives for delivery of the National Broadband Network. The Statements of Expectations are updated as required to reflect future decisions by the Government. Box 1 describes the relationship between the Government and its GBEs.

Box 1: Relationship between the Australian Government and GBEs

Department of Finance guidance states that the Australian Government's relationship with GBEs is similar to the relationship between a holding company and its subsidiaries, features of which include:

- a strong interest in the performance and financial returns of the GBE;
- reporting and accountability arrangements that facilitate active oversight by the shareholder;
- action by the shareholder in relation to the strategic direction of its GBEs where it prefers a different direction from the one proposed;
- management autonomy balanced with regular reporting of performance to shareholders; and
- boards that are accountable to shareholders for GBE performance, and shareholders that are accountable to the Parliament and the public.

4 GBEs may be established as an entity under a specific Act of Parliament (a Corporate Commonwealth Entity), or incorporated as a company under the *Corporations Act 2001*.

5 And the former *Commonwealth Authorities and Companies Act 1997*.

6 Department of Finance, *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*, 2015 version, pp. 14–16; and 2011 version, pp. 18–19.

1.8 The Department of Finance maintains a Resource Management Guide for GBEs in relation to board and corporate governance, financial governance and planning and reporting.⁷

Internal governance

1.9 As shown in Figure 1.1, nbn has a Board of Directors (the Board), which is its primary governance body. The Board has responsibility for: approving the strategic direction of nbn; engaging with Shareholder Ministers on Australian Government policy requirements; supervising nbn management in the implementation of the strategic direction, corporate planning and compliance with the legal and regulatory obligations of nbn; and approving and supervising the implementation of an internal governance framework for nbn.

1.10 The Board has delegated many of its powers to nbn's Chief Executive Officer (CEO). The CEO is responsible for implementing strategic objectives, policies, the corporate plan and budget of nbn as approved by the Board. The Board has established a range of standing committees to assist it to discharge its responsibilities.

National Broadband Network satellite services

1.11 The National Broadband Network satellite program includes interim and long-term satellite services. In July 2011, nbn established the Interim Satellite Service (ISS) to provide a broadband service for users in rural and remote Australia who were unable to access broadband services comparable to those available in metropolitan areas. In December 2013, the ISS reached capacity and nbn ceased accepting new orders for the service.

1.12 In April 2014, the Government announced that nbn would spend more than \$34 million to improve the broadband service for users on the ISS and provide new satellite services before the rollout of the long-term satellite service, which was completed in May 2017 (see Figure 1.2). Part of this announcement included the establishment of the National Broadband Network Satellite Support (NSS) Scheme.

National Broadband Network Satellite Support Scheme

1.13 The NSS Scheme was established to bridge the gap between the ISS and nbn's long-term satellite service. Specifically, the NSS was a subsidy scheme to allow new retail customers (end users) to access satellite services in the period before the rollout of nbn's long-term satellite service (Sky Muster). nbn subsidised the installation of equipment in the premises of eligible end users.⁸

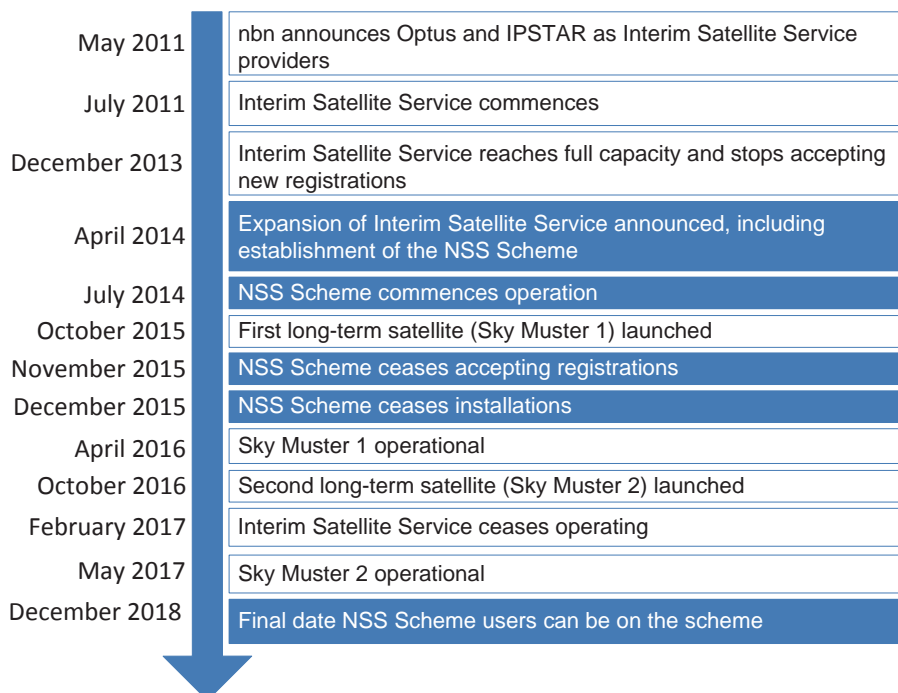
1.14 IPSTAR Australia Pty Ltd (IPSTAR) was engaged by nbn as the wholesaler for the NSS Scheme. IPSTAR is responsible for providing the satellite service through eight retail service providers. For each eligible end user who registered and connected under the NSS Scheme, nbn made a subsidy payment to IPSTAR. This can be contrasted with the ISS, where nbn leased satellite capacity itself and acted as the wholesaler of the satellite services.

7 Department of Finance, *Resource Management Guide No. 126, Commonwealth Government Business Enterprise Governance and Oversight Guidelines* [Internet], Finance, available from <<http://www.finance.gov.au/resource-management/governance/gbe/>> [accessed 28 June 2017].

8 See Chapter 3 for details of the eligibility criteria for accessing the NSS Scheme.

1.15 Following the commencement of the NSS Scheme, nbn's role was to assess eligibility and oversee the performance of the scheme via the contract with IPSTAR. The NSS Scheme commenced operations in July 2014, ceased accepting registrations in November 2015 and ceased installations in December 2015. A timeline of key events leading up to and surrounding the cessation of the NSS Scheme is at Figure 1.2.

Figure 1.2: Timeline of key events: establishment of the NSS Scheme



Note: Events with background shading are those directly relevant to the NSS Scheme.

Source: ANAO analysis of documents.

1.16 nbn budgeted costs of \$19.05 million (GST exclusive) for the NSS Scheme to service a maximum of 9000 end users. In actuality, nbn spent \$4.62 million on the scheme and subsidised the services of 2018 end users.

Audit approach

1.17 The audit objective was to assess whether nbn effectively administered the NSS Scheme.

1.18 To form a conclusion, the Australian National Audit Office adopted the following high-level criteria:

- the NSS Scheme was effectively established;
- nbn effectively promoted the NSS Scheme and accurately determined applicants' eligibility to apply for the scheme; and
- the NSS Scheme contract to deliver wholesale satellite services was effectively managed by nbn.

1.19 In 2017, fieldwork for the audit involved:

- reviewing nbn documents and interviewing key staff from nbn;
- reviewing information from the Department of Communications and the Arts, and the Department of Finance;
- analysing data relevant to the administration of the NSS Scheme; and
- engaging with key external stakeholders about the NSS Scheme.

1.20 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of approximately \$271 000.

1.21 The team members for this audit were Paul Bryant and Nathan Callaway.

2. Establishing the scheme

Areas examined

This chapter examines how effectively the National Broadband Network Satellite Support (NSS) Scheme was established by nbn co limited (nbn), the Department of Communications (Communications)^a, and the Department of Finance (Finance).

Conclusion

During the establishment of the NSS Scheme in 2013 and 2014 nbn provided timely and appropriate advice to its two Shareholder Ministers and their respective Departments (Communications and Finance). Both Departments in turn provided appropriate advice to their respective Ministers during the establishment of the NSS Scheme.

Area for improvement

The ANAO recommends that nbn staff undertaking procurements document for the delegate approving an agreement the reasons for any variances from key requirements contained in the nbn Purchasing Rules.

Note a: The Department of Communications existed from September 2013 to September 2015.

Did nbn co limited provide appropriate advice to Shareholder Ministers and their Departments about the establishment of the National Broadband Network Satellite Support Scheme?

nbn provided timely and appropriate advice to its Shareholder Ministers and their Departments about the development of the NSS Scheme in 2013 and 2014. In consultation with its shareholders, nbn identified that its existing satellite capacity would be unable to provide coverage to all targeted users during the period of the roll-out, proposed options to address this and executed a timely solution in the form of the NSS Scheme. nbn's reporting on the implementation of the NSS Scheme addressed the expectations of the Shareholder Ministers.

Australian Broadband Guarantee program and nbn satellite program

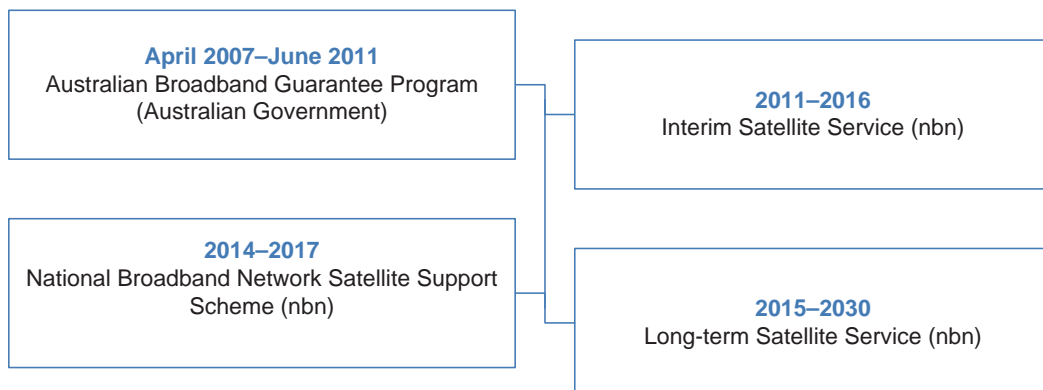
2.1 From April 2007–June 2011, the Government's Australian Broadband Guarantee program provided subsidised access to broadband services for residences and small businesses in regional, rural and remote areas of Australia pending the rollout of major infrastructure initiatives, including the National Broadband Network.⁹ In July 2011, nbn launched an Interim Satellite Scheme (ISS) to assist with the transition from the Australian Broadband Guarantee program to nbn's long-term satellite service, which was expected to be available in 2015.¹⁰ The interim and long-term satellite services were consistent with the Government's 2012 Statement of Expectations issued to nbn in order to implement the National Broadband Network policy.

2.2 Figure 2.1 presents a timeline for the Australian Broadband Guarantee program and nbn's satellite program.

9 Most of the subsidies paid under the program were for satellite broadband connections. ANAO Audit Report No.28 2010–11 *Management of the Australian Broadband Guarantee Program*, pp. 14–15 and 17.

10 nbn's long-term satellite service is known as Sky Muster.

Figure 2.1: Timeline of the Australian Broadband Guarantee program and nbn satellite program, 2007 to 2030



Source: ANAO Audit Report No.28 2010–11 *Management of the Australian Broadband Guarantee Program*, p. 14, and ANAO analysis of an nbn document from July 2014.

2.3 Following discussions early in 2013 with staff from Communications, in September 2013 nbn formally advised its Shareholder Ministers and their Departments that the ISS was approaching the limits of available satellite capacity. The service had been designed and budgeted by nbn to support a maximum of 48 000 activations. nbn anticipated that a total of 48 000 orders for satellite services would be received by early 2014, which would mean that no new connections could be added and service providers would need to cease marketing and sales activities for the scheme. nbn undertook to continue to support the service until end users could be migrated to nbn’s long-term satellite service.

Ministerial request and nbn response

2.4 In keeping its Shareholder Ministers informed about the progress of the ISS and associated challenges to capacity, nbn’s actions were consistent with the Government’s expectations for the operation of Government Business Enterprises.¹¹ The Minister for Communications and the Parliamentary Secretary to the Minister met with nbn in November 2013 to discuss the ISS. At that meeting nbn was requested to provide options to address the issues identified, including the need for access to additional satellite capacity to enable new services to be offered to end users.

2.5 In December 2013, nbn provided Communications with an evaluation of six options that were designed to address the capacity issues with the ISS. The options, which ranged in estimated cost from \$33 million to \$131 million and from zero increase to up to 17 000 additional end users, included an assessment of the impact and cost, maximum installations, and improvement to service quality. nbn also considered the eligibility criteria that would be necessary for a subsidy program and the impact (that is, increased risk) on migration plans of additional end users moving from the ISS to the long-term satellite service. nbn nominated two preferred options: improving the end user experience for existing customers of the ISS; and establishing a separate subsidy program to enable additional end users to be connected to a satellite service.

11 Department of Finance and Deregulation *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*, 2011.

2.6 Communications requested further clarification of the options from nbn, which nbn provided to the Department in a meeting in January 2014. Communications and nbn were not able to locate records of the outcomes from this meeting. There are also no records available for when Communications and nbn settled on a maximum of 9000 end users for the NSS Scheme. nbn records after the scheme had been announced in March 2014 (refer paragraph 2.7) show that the basis for the scheme's cap on numbers was: the estimated cost of a subsidy of \$2000 per end user; and nbn's capacity to deliver services to up to 500 eligible end users per month for a period of 12 months from the scheme's launch, which was an initial 6000 end users (refer paragraph 2.9). nbn has no records showing how the subsidy cost of \$2000 per end user was estimated.

Scheme announcements

2.7 In March 2014, the Minister for Communications announced in the Parliament measures that would be undertaken to better support end users of the ISS, and indicated that additional measures to provide new services were being developed with nbn. In an April 2014 media release, the Minister for Communications announced that nbn would spend more than \$34 million to provide end users on its ISS with adequate broadband speeds, and introduce new satellite services for up to 9000 additional end users across Australia.

2.8 Before the NSS Scheme was launched in July 2014, nbn wrote to its Shareholder Ministers in June 2014 with an update on its progress in implementing the NSS Scheme, and seeking confirmation that the proposal was consistent with the Ministers' expectations and the Government's policy objectives.

2.9 The Shareholder Ministers' joint letter of response to nbn, in July 2014, confirmed the key features of the scheme including that:

- the estimated cost of the reforms to the ISS and the introduction of the NSS Scheme totalled approximately \$36 million, which would be allocated from nbn's existing internal budget;
- nbn would subsidise the equipment and installation for satellite services for an initial 6000 end users, with the potential to add a further 2000 to 3000 end users if needed; and
- under the proposed eligibility criteria, the NSS Scheme would only be available to end users that could not access a commercially available broadband service and had not previously received a subsidised service under the former Australian Broadband Guarantee program or the ISS.¹² (See Chapter 3 for details of the eligibility criteria.)

2.10 The Shareholder Ministers also requested that nbn provide further advice about the progress of the NSS Scheme in nbn's regular monthly reports to the Departments and Ministers, and to identify if the reforms were to cost materially more than the estimated \$36 million following the finalisation of contracts for the NSS Scheme.

12 Commercial broadband services, as defined by nbn, included: an nbn fixed wireless or fixed line service; traditional broadband services such as ADSL or ADSL 2+; mobile wireless service in hand held areas or with the addition of an external antenna; and listed commercial fixed wireless services.

2.11 The details of the NSS Scheme, and opening of the scheme for applications, were announced on the same day in July 2014 in media releases by the Minister and Parliamentary Secretary for Communications and by nbn.

Monthly reporting on scheme implementation

2.12 nbn sends reports monthly to its Shareholder Ministers’ Departments, which in turn report to their respective Ministers on the implementation of the National Broadband Network. Table 2.1 presents an analysis of references in the shareholder monthly reports to nbn’s progress in implementing the NSS Scheme from July 2014 to January 2016.

Table 2.1: NSS Scheme content in shareholder monthly reports prepared by nbn, July 2014 to January 2016

Categories of reporting	Number of reports by category	Detail
Timing details	4	<ul style="list-style-type: none">Initial reports from July to October 2014.
Budget impact	18	<ul style="list-style-type: none">All reports after the scheme’s launch in July 2014.
Measuring customer experience	8	<ul style="list-style-type: none">October 2014 to May 2015.
Customer take-up rate	10	<ul style="list-style-type: none">November 2014 to August 2015.Not included in new shorter report format that began in September 2015.

Source: ANAO analysis of 19 monthly shareholder reports prepared by nbn, July 2014 (NSS Scheme start) to January 2016 (one month after the scheme closed).

2.13 In addition to the content provided by nbn in the monthly reports, Communications also requested ad hoc reports from nbn during the NSS Scheme period about the number of end user registrations and activations. Finance advised that it did not refer to the NSS Scheme in quarterly briefings to its Minister. Rather, references to the NSS Scheme were included in the monthly reports from nbn that were attached to those briefings.

2.14 The Shareholder Ministers requested that nbn report on the progress of the NSS Scheme. nbn’s reporting was commensurate with the small scale of the activity when compared to other nbn operational activities.

Did the Departments provide appropriate advice to Shareholder Ministers about the establishment of the National Broadband Network Satellite Support Scheme?

Both Communications and Finance provided appropriate advice to their respective Ministers about the establishment of the NSS Scheme during 2013 and 2014. Communications was the lead Shareholder Minister’s Department during developmental discussions with nbn to establish the NSS Scheme.

2.15 As described in Chapter 1, the Shareholder Ministers’ Departments work together with nbn to implement the Government’s National Broadband Network policy. Communications was the lead Department working with nbn during the development of the NSS Scheme.

2.16 Communications' briefings to its Minister included reporting and analysis of nbn's advice in relation to topics such as the impact of changes to the ISS on the broader satellite program that could affect the migration of end users between the two services. Table 2.2 summarises the key written briefings provided by Communications to its Minister about the NSS Scheme in 2013 and 2014.

Table 2.2: NSS Scheme key Departmental briefings to the Minister for Communications, 2013 and 2014

Written briefing	Advice to the Minister
April 2013	<ul style="list-style-type: none"> Capacity and quality of service issues with the ISS. Satellite usage figures and the expected cost of purchasing additional satellite capacity to address the issues.
October 2013	<ul style="list-style-type: none"> Presented five options—developed with nbn—to address the impact of the capacity issues identified with the ISS. Each option included an analysis of the: expected outcome; cost; implementation timing; benefits; risks; and method required to implement the option.
January 2014	<ul style="list-style-type: none"> Analysis and discussion of options to address issues impacting on the ISS. The Department indicated which options it supported and why.
July 2014	<ul style="list-style-type: none"> Status of upgrades to the ISS and implementing the NSS Scheme. Appropriateness of the proposed eligibility criteria for the NSS Scheme. Draft letter from Shareholder Ministers to nbn.

Source: ANAO analysis of Ministerial submissions provided by Communications.

2.17 In its October 2013 briefing to the Minister, Communications presented five non-mutually exclusive options that had been discussed with nbn and were similar to those provided later in December 2013 by nbn to the Department. The October 2013 options were accompanied by a commentary about the potential risks for each option.

2.18 Communications did not record in departmental briefings to the Minister whether any formal consultation was undertaken with Finance during the detailed development of the NSS Scheme (Table 2.2, April 2013 to January 2014). Separate briefings by Communications and Finance to their respective Ministers in July 2014, which accompanied the draft joint Shareholder Ministers' letter to nbn, stated that consultation took place at that later stage between Finance, Communications and nbn.

Was the National Broadband Network Satellite Support Scheme effectively established by nbn co limited?

The NSS Scheme was effectively established by nbn in a short timeframe and a major procurement was completed. nbn launched the NSS Scheme in July 2014, three months after the scheme was first announced publicly in April 2014. However, the absence of a consolidated risk assessment for the procurement of wholesale satellite services under the NSS Scheme was not in accordance with the requirements in the *NBN Co Procurement Manual* (2014).

Procurement process

2.19 The establishment of the NSS Scheme required nbn to enter into two contracts: a larger contract for the wholesale supply of satellite services (estimated maximum value of \$12.9 million (GST exclusive)); and a smaller contract (\$480 000 (GST exclusive)) to support the determination of eligibility for applicants to the scheme (see Chapter 3 for details).

Background

2.20 The nbn Board is ultimately responsible for the company's procurement policy and expenditure of public money.¹³

2.21 The *Commonwealth Procurement Rules* represent the Australian Government's policy framework in this regard, and set down the rules for the procurement of goods and services by government entities. As a Government Business Enterprise there is no legislative requirement for nbn to comply with the *Commonwealth Procurement Rules* when performing duties related to procurement.¹⁴ However, nbn voluntarily agreed to use these rules as the basis for the *NBN Co Procurement Manual* (January 2014) (the Procurement Manual), which outlines the responsibilities of nbn staff in carrying out procurement activities.¹⁵

2.22 The Procurement Manual seeks to comply with the same principles of fairness, transparency, competition and value for money that is required of other government entities that apply the *Commonwealth Procurement Rules*. The ANAO referred to nbn's own manual when assessing the procurement of wholesale satellite services for the NSS Scheme.

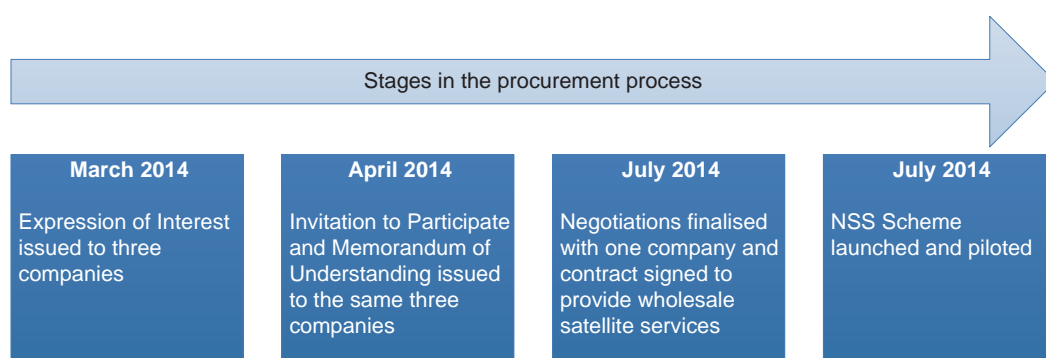
Procurement of wholesale satellite services

2.23 The main steps in the procurement of wholesale satellite services for the NSS Scheme in 2014 are shown in Figure 2.2. Details of the NSS Scheme were first announced publicly in April 2014.

13 In addition, nbn is required to comply with the terms and conditions for procurements contained in a Special Access Undertaking given by nbn to the Australian Competition and Consumer Commission under section 152CBA(2) of the *Competition and Consumer Act 2010* (Cth). However, the Special Access Undertaking did not apply to the NSS Scheme because—as a subsidy scheme—nbn did not provide any services on the National Broadband Network.

14 Department of Finance and Deregulation, *Commonwealth Procurement Rules*, 2012, p. 11.

15 The *NBN Co Procurement Manual* (January 2014) was 67 pages in total and addressed the requirements of four major nbn processes that were undertaken during a procurement's lifecycle: Strategic Supply Planning; Source to Contract; Purchase to Pay; and Supplier Relationship Management and Contract Management.

Figure 2.2: nbn procurement process for the NSS Scheme, 2014

Source: ANAO analysis of the procurement of satellite services for the NSS Scheme in 2014.

2.24 The NSS Scheme pilot referred to in Figure 2.2 was undertaken from mid to late July 2014 involving 40 applicants, and functioned as a soft launch of the eligibility checks and registration processes to be used for the scheme.

2.25 In addition to the main steps shown in Figure 2.2, nbn undertook the following activities for the NSS Scheme, which were consistent with the guidance in the Procurement Manual:

- drafting a Sourcing Strategy (March 2014), which outlined the market strategy and sourcing approach;
- using an Expression of Interest to identify suppliers that had the capacity to meet nbn's requirements for the delivery of the NSS Scheme. Under the Procurement Manual this was an acceptable alternative sourcing approach for a high value procurement that would otherwise require a 10-Step Strategic Sourcing Approach¹⁶; and
- an evaluation of the three responses to the Expression of Interest before issuing the Invitation to Participate further in the procurement process.

2.26 Of the three potential satellite infrastructure providers that nbn approached about the NSS Scheme, only IPSTAR Australia Pty Ltd (IPSTAR) accepted nbn's Invitation to Participate in the next stage of the procurement. Following the completion of contract negotiations to establish that IPSTAR could meet nbn's business requirements—including agreement of an acceptable price and delivery timeframe for the NSS Scheme—a contract was signed in early July 2014.¹⁷ This contract was not exclusive—nbn retained the right to enter into similar agreements with other parties. The purpose of this non-exclusivity was to enable nbn to better achieve value for money from the contract by:

- if required, using other service providers to deliver elements of the NSS Scheme; and
- providing nbn with options if the introduction of the nbn long-term satellite service was delayed.

¹⁶ High value procurements exceed \$100 000.

¹⁷ The term and other details of the contract are described in Chapter 4.

Risk management during establishment and procurement

2.27 The focus of nbn's *Risk Management Policy* (2014) was to implement a risk management framework that allowed for the proactive identification, assessment and management of material risks. The policy outlined nbn's compliance with its regulatory obligations in respect of managing risk, and was also directly related to the conduct of nbn procurements.

2.28 According to the Procurement Manual, the NSS Scheme was a high value procurement—having an expenditure level greater than \$100 000 (GST exclusive).¹⁸ All high value procurements required a risk assessment to be undertaken in accordance with nbn's *Risk Management Policy*.

2.29 nbn did not complete the Procurement Risk Assessment template linked to the Procurement Manual, or give the procurement an overall risk rating. According to the manual, if an overall risk rating for a procurement was *medium*, *high* or *extreme*, details for the key risks were to be included in the Corporate Risk Register for monitoring purposes. In 2017, nbn advised the ANAO that the NSS Scheme was considered to have an overall risk rating of 'low'.

2.30 Table 2.3 presents an analysis of the key risk management documents prepared in 2013–14 before the launch of the scheme.

Table 2.3: Key risk management documents for the NSS Scheme, 2013–14

nbn risk management document	ANAO assessment of whether this constituted a formal risk assessment	ANAO observation
Evaluation of six options to address issues with the ISS (December 2013)	No	This briefing notes the impact (increased risk) on migration plans of additional end users moving from the ISS to the long-term satellite service. However, there is no further detail on risk related items.
Risk Register (April–June 2014)	Yes	Mostly complete assessment using nbn corporate template, however, this was not maintained through the life of the project.
Project Management Plan Satellite Subsidy Scheme. Project Initiation Document (May 2014)	Partial	A draft document that includes seven 'key project risks', however, provides limited details.
Long Form Contract Summary: NBN Co Satellite Support Scheme (May 2014)	Partial	Lists six 'other risks or relevant matters' and their proposed mitigations, however, provides limited details.
NBN Co Privacy Impact Assessment (June 2014)	Partial	Draft assessment using an nbn corporate template, however, the content was incomplete.

Note: The potential risks identified by nbn included risks relating to: the project's implementation; contract establishment and management; potential for future migration between satellite services; and privacy matters.

Source: ANAO analysis of nbn corporate documents and specific NSS Scheme documents.

¹⁸ The major supply contract for wholesale satellite services under the NSS Scheme had an estimated maximum value of \$12.9 million (GST exclusive).

2.31 In Table 2.3, the Risk Register (April–June 2014) that was completed during the establishment and pre-launch phases contained the most complete risk assessment that was undertaken for the NSS Scheme, however, this register contains only one entry in early April 2014 and there was no evidence that it was actively maintained through to the end of the procurement phase and/or to the end of the major contract. Overall, the risk assessment documents could have been improved by:

- including an appropriate level of detail in the risk descriptions;
- including appropriate detail in risk responses (treatments) to mitigate the risks;
- assessing the adequacy or effectiveness of the risk responses (controls);
- maintaining consistency in the risks referred to throughout the life of the project; and
- including the potential impact of the NSS Scheme on migration plans for the long-term satellite service, and identifying elements such as the contract and relationship with the contractor for wholesale satellite services as potential sources of risk.

2.32 While no contemporary records are available, in 2017 nbn advised that the following range of risk management activities were undertaken in 2014 during the establishment of the NSS Scheme:

- a risk assessment was undertaken at an early project team meeting and rated the NSS Scheme, after mitigation, as being ‘low’ risk;
- internal legal advisors were involved and external legal advisors were also engaged to develop the contract with IPSTAR;
- briefing sessions with nbn business and corporate teams were held during which risks for the NSS Scheme were discussed. The nbn teams that were consulted included: health, safety and environment; risk and insurance; treasury; engineering; operations and products; and
- during the contract negotiations with IPSTAR, the project team consulted with other subject matter experts within nbn to ensure that risk matters were being considered and addressed before the contract was approved and signed.

2.33 nbn further advised that these activities reflect that risk was considered at an operational level during the development and implementation of the NSS Scheme. However, a formal consolidated risk assessment was not prepared and used consistently throughout the project. Further, by not formalising an overall risk rating at the time of the procurement, key risks and mitigation strategies were potentially not recorded in the Corporate Risk Register.

Recommendation no.1

2.34 If a variation from the requirements contained in nbn's Purchasing Rules is needed, nbn staff should document the reasons the variance is necessary and seek approval from the delegate specified in the nbn Delegation of Authority Policy.

nbn's response: *Agreed.*

Department of Communications and the Arts' response: *Agreed.*

2.35 *The Department notes that nbn now has in place a new Delegation of Authority Policy and considers that this governance practice will ensure that appropriate documentation is maintained in future to support effective risk management and measurement of value for money.*

2.36 The procurement of wholesale satellite services for the NSS Scheme was completed in mid-2014. The Procurement Manual has since been replaced by the nbn Purchasing Rules. In September 2017, following a review, revision and approval by the nbn Board, a new Delegation of Authority Policy was issued within the company. The revision aimed to align the Policy (23 pages) to the current nbn organisational structures and job titles.

3. Applications for the scheme

Areas examined

This chapter examines how effectively nbn co limited (nbn) promoted the National Broadband Network Satellite Support (NSS) Scheme and accurately determined applicants' eligibility for the scheme.

Conclusion

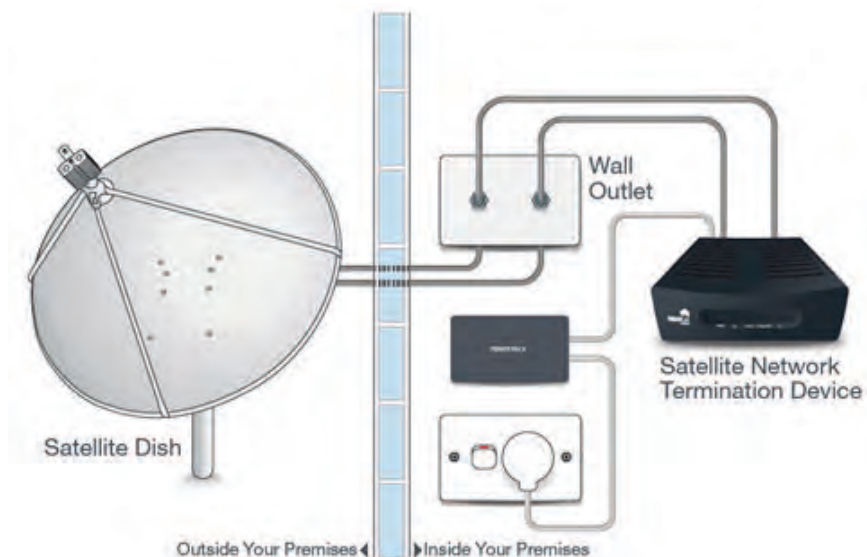
nbn managed demand for the capped NSS Scheme by monitoring how actively the subsidy scheme was promoted by the satellite wholesaler and retail service providers, and by applying clearly defined criteria to accurately determine applicants' eligibility for access to the NSS Scheme.

How was the National Broadband Network Satellite Support Scheme promoted to potential users?

nbn provided advice about the application process to potential end users and monitored the promotional activities undertaken for the NSS Scheme by the satellite services wholesaler and the retail service providers that sold plans to end users.

3.1 The NSS Scheme was designed and operated as a capped scheme with subsidies available for the installation of equipment at premises for up to 9000 end users. Figure 3.1 shows the satellite equipment installed at end users' premises under the scheme.

Figure 3.1: Satellite equipment installed at end users' premises



Source: nbn document.

3.2 As discussed in Chapter 2, nbn established a contract with IPSTAR Australia Pty Ltd (IPSTAR) to deliver wholesale satellite services for an initial maximum number of 6000 end users.

nbn relied on the wholesaler (IPSTAR) and a series of retail service providers to promote the NSS Scheme and sell services to end users. nbn communicated the NSS Scheme publicly using the following methods:

- announcing the scheme's launch in a media release that included a description of the process for applications and the eligibility criteria (July 2014);
- publishing detailed information about the eligibility criteria on the nbn website; and
- publishing a Fact Sheet for the scheme on the nbn website.

3.3 Media articles also appeared in July 2014 that reported on the NSS Scheme's introduction. Retail service providers that participated in the NSS Scheme issued information about the scheme for potential end users. While there were no requirements in IPSTAR's contract with nbn for promotion of the NSS Scheme, claims for payment could only be made by IPSTAR after an eligible end user had activated a service under the scheme. Therefore, how best to promote the NSS Scheme was a commercial decision for IPSTAR.

3.4 During 2014 and 2015, nbn monitored the take-up of the NSS Scheme by end users as well as promotional activities for the scheme.

Did nbn co limited accurately determine applicants' eligibility to apply for the National Broadband Network Satellite Support Scheme?

nbn used an existing Broadband Service Locator tool (obtained from the Department of Communications (Communications)), and other criteria, to reliably determine an applicant's eligibility for the NSS Scheme. nbn staff assessed a total of 4191 applications for the NSS Scheme: most of the applicants that were found eligible (88 per cent) were in residential premises. The applications resulted in a total of 2018 activations of satellite services.

Eligibility criteria

3.5 nbn developed the eligibility criteria for access to the NSS Scheme in consultation with Communications. Box 2 is a summary of the eligibility criteria.

Box 2: Eligibility criteria for the National Broadband Network Satellite Support Scheme

An end user will be eligible if they meet the following criteria:

- do not have access to a commercial broadband service (according to the Broadband Service Locator tool (refer paragraph 3.8);
- have never had a previous nbn Interim Satellite Service or subsidised satellite service provided under the former Australian Broadband Guarantee program;
- are within the coverage and line of sight of the wholesale service provider's satellite (which was to be confirmed during a site visit to the premises); and
- nbn determines that they are either:
 - a Residential End User;
 - a Small Business End User;
 - an Indigenous Community Organisation;

Box 2: Eligibility criteria for the National Broadband Network Satellite Support Scheme

- a Not-For-Profit Organisation;
- an Education Facility;
- a Health Facility; or
- a Local Government Facility.

Source: nbn, Satellite Support Scheme Eligibility Criteria.

3.6 The eligibility criteria ensured that the NSS Scheme could only be accessed by new end users at a specified type of premises. The criteria helped nbn to manage the available satellite capacity and service levels that could be provided under the NSS Scheme. nbn maintained use of the original eligibility criteria throughout the period that the scheme was in operation.

3.7 In October 2015, nbn updated its website to advise that registrations for the NSS Scheme would cease from 15 November 2015, and that the installation of equipment would cease from 15 December 2015. Future satellite services were to be delivered by nbn's long-term satellite service.

Broadband Service Locator tool

3.8 Prior to the introduction of the National Broadband Network, the first step for potential customers seeking a service under the former Australian Broadband Guarantee program (as described in Chapter 2) was to register with the then Australian Government Department of Broadband, Communications and the Digital Economy. Based on the information provided by the potential customer, a web-based tool known as the Broadband Service Locator (BSL) that was hosted on the Department's website was used to assess a potential customer's eligibility for a subsidised service.

3.9 nbn entered into a contract with Communications from 30 June 2014 to 30 September 2017 for provision of the BSL tool, associated data and related support services to enable nbn to undertake eligibility assessments for the NSS Scheme.¹⁹ The total fees for the contract were set at \$480 000 (GST exclusive) over three years. However, the actual cost of the tool for the NSS Scheme was \$330 000 (GST exclusive).²⁰

3.10 Starting in 2014, nbn used the BSL tool to determine an applicant's eligibility for the NSS Scheme. A previous ANAO performance audit confirmed that the: 'BSL [tool] reliably allocated customers to the correct category [of service]' based on the location of premises and coverage maps of broadband services that were loaded into the BSL tool.²¹ Communications managed commercial-in-confidence data from third party fixed line and wireless providers and could not provide that data to nbn. However, nbn had access to that data, via the BSL tool, to validate eligibility based on the location's address. Since the ISS, there were well established processes

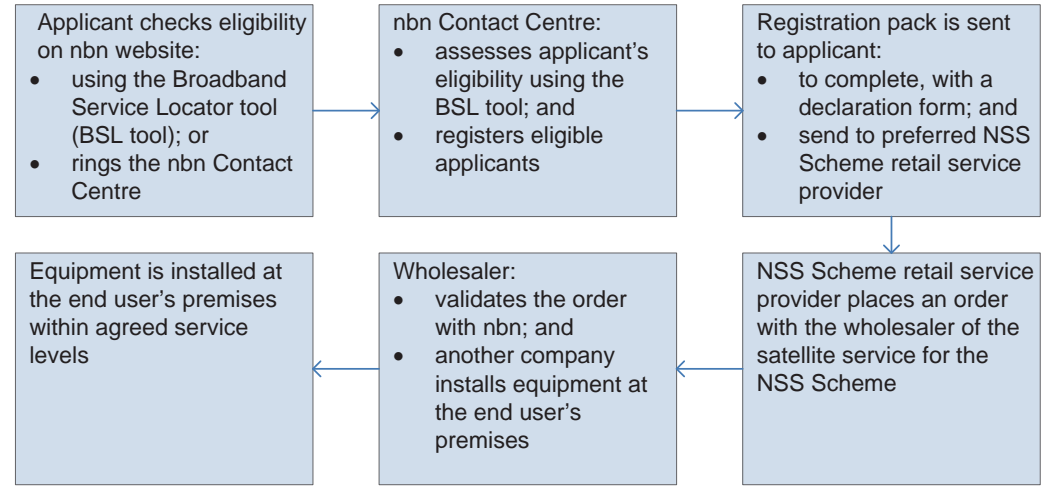
19 nbn had previously accessed the BSL tool for the ISS under a separate contract with Communications.

20 nbn did not use the BSL tool for the NSS Scheme after applications ceased in November 2015. The BSL tool was used for activities associated with the ISS until February 2017 when the service was switched off and replaced with nbn's long-term satellite service. The final cost of the full contract to nbn was \$430 000.

21 ANAO Audit Report No.28 2010–11 *Management of the Australian Broadband Guarantee Program*, pp. 66 and 68.

that allowed nbn to query any potential errors back to Communications. Figure 3.2 shows the application to installation process for an end user of the NSS Scheme.

Figure 3.2: NSS Scheme application to installation process



Source: ANAO analysis of nbn documents.

3.11 As an additional means of managing the limited capacity for the NSS Scheme, nbn informed potential applicants that after a successful registration process with nbn they had up to four months to place an order for services with their chosen participating retail service provider. After four months, the registration validity would expire and the applicant would then need to re-register. The number of registrations that expired during the NSS Scheme was 1023.

3.12 Table 3.1 provides an overview of the outcome of applications made for the NSS Scheme and the location of end users' premises.

Table 3.1: Outcome of applications for the NSS Scheme, 2014 and 2015

Location of premises (Australian state/territory)	Eligible applications	Ineligible applications
New South Wales	1429	152
Victoria	390	89
Queensland	958	125
Western Australia	359	41
South Australia	160	41
Tasmania	166	36
Australian Capital Territory	1	0
Northern Territory	225	8
Not recorded	0	11
Total	3688	503

Source: ANAO analysis of nbn documents and data for the NSS Scheme.

3.13 Table 3.1 shows that a total of 4191 applications were received for the NSS Scheme. Of the applications made, 88 per cent were successful and 12 per cent were unsuccessful.

3.14 As part of the eligibility criteria, and to manage the potential number of end users, nbn specified the type of end user that the NSS Scheme was designed to support. Table 3.2 sets out the number of eligible applications for each type of premises (this exceeds the total number of actual end users as not all applicants went on to select a retail provider for broadband services, install equipment and activate a service). The total number of end users for the NSS Scheme—with a successful application and activation of services—was 2018.

Table 3.2: Type of eligible end user premises

Type of premises	Number	Percentage (%)
Residential	3182	86.3
Small Business	413	11.2
Education Facility	37	1
Not-For-Profit Organisation	29	0.8
Indigenous Community Organisation	17	0.5
Local Government Facility	7	0.2
Health Facility	3	0.1
Total	3688	100^a

Note a: Total does not equal 100 per cent due to rounding.

Source: ANAO analysis of nbn data for the NSS Scheme.

nbn Contact Centre operations

3.15 The assessment of an applicant's eligibility for the NSS Scheme, using the BSL tool, was made by staff in the nbn Contact Centre in Queensland. nbn employed and trained approximately six (full-time equivalent) staff in the Contact Centre for dedicated work on the NSS Scheme.

3.16 The role of the Contact Centre staff with potential applicants for the NSS Scheme was to answer telephone calls and:

- confirm the applicant's assessment of eligibility by using the BSL tool to locate their premises (using latitude and longitude coordinates) and confirm the lack of another commercially available broadband service at the premises;
- ask questions to determine the type of end user, for example, residential or small business;
- record the information and outcome in nbn's Community Relationship Management system; and
- issue an identification number from the BSL tool and an application pack.

3.17 nbn advised that the process would typically take about 20 minutes to complete with each caller.

3.18 nbn provided the following support for Contact Centre staff working on the NSS Scheme:

- a two-day induction and training course covering key procedures such as eligibility and the handling of objections;
- a range of Quick Reference Guides tailored to the NSS Scheme;
- a set of Frequently Asked Questions for the NSS Scheme; and
- five separate step-by-step procedural guides for undertaking key activities for the NSS Scheme.

3.19 The training and documents provided for the NSS Scheme were in sufficient quantity and detail to support nbn Contact Centre staff to accurately assess applicants' eligibility for the scheme.

Were applicants and end users satisfied with the National Broadband Network Satellite Support Scheme?

Monitoring by nbn of the experience of end users for the NSS Scheme indicated positive satisfaction results in relation to the delivery of the scheme. nbn also had appropriate processes for applicants to the NSS Scheme to challenge unfavourable eligibility decisions and/or make complaints about the scheme. The total number of challenges to eligibility assessments and complaints recorded while the NSS Scheme was open for applications was 157. After applications closed, two further complaints were received. The 159 records represented 31.6 per cent of the unsuccessful applications made (by 503 people) for access to the scheme.

Challenging an eligibility determination and making a complaint

3.20 Together with the eligibility criteria for the NSS Scheme, nbn published information about the process for challenging determinations if an application was deemed to be ineligible. The nbn Contact Centre recorded complaints for the NSS Scheme in the Community Relationship Management system.

3.21 Table 3.3 shows the challenges to eligibility decisions and complaints received by nbn and the Minister for Communications for the NSS Scheme in 2014–15 and 2015–16.

Table 3.3: Challenges to eligibility decisions and complaints for the NSS Scheme

Type of activity	2014–15	2015–16
Complaints (including challenges to eligibility decisions) recorded by nbn Contact Centre	53 ^a	102 ^b
Complaints referred to nbn by the Telecommunications Industry Ombudsman	3	0
Correspondence to the Minister for Communications	1	0
Total	57	102

Note a: The NSS Scheme was launched in July 2014 and the first complaint received by nbn was in August 2014.

Note b: Applications for the NSS Scheme ceased in mid-November 2015 and the last complaint received by nbn was in late November 2015.

Source: ANAO analysis of nbn documents.

3.22 The total number of challenges to eligibility assessments and complaints recorded for the NSS Scheme was 159, which represented 31.6 per cent of the total number of unsuccessful applications made for access to the scheme (503 people in Table 3.1).²²

3.23 nbn provided the ANAO with the 155 complaints for the NSS Scheme that were received by nbn between August 2014 and November 2015, and that were broadly classified as being about eligibility applications. The qualitative notes made by staff in the nbn Contact Centre show that, in accordance with nbn's *Complaints Management Policy*, information was given to try to resolve the complaint at the first point of contact.

3.24 In 2014, a total of three complaints were received by nbn from the Telecommunications Industry Ombudsman. All three complaints challenged the eligibility criteria used for the NSS Scheme, and in each instance a response was sent by nbn to the complainant in the following month.

3.25 In 2014–15, the Minister for Communications responded to a complaint from an applicant for the NSS Scheme: the applicant had complained that they were ineligible for the scheme because of their previous access to the Australian Broadband Guarantee program.

Stakeholders' views

3.26 In 2017, the ANAO invited a total of 25 potential stakeholders (groups and individuals) to contribute to the audit of the NSS Scheme. The ANAO received verbal feedback on the NSS Scheme from two organisations on behalf of some of their members. The feedback received stated that:

- NSS Scheme end users were satisfied with the service available;
- some broadband users under the Australian Broadband Guarantee program that did not access the ISS were frustrated that they could not access the NSS Scheme; and
- the NSS Scheme was not promoted enough and, in a few instances, people only became aware of the scheme just after it had closed.

3.27 The feedback received represents only a small number of end users' experiences with the NSS Scheme.

Monitoring satisfaction levels

3.28 nbn executive committees routinely received reports about the scheme and could monitor the experience of end users. For example, nbn conducts a bi-annual survey with end users of its products. A product scorecard was developed for the NSS Scheme. Table 3.4 shows key elements of the product scorecard results for NSS Scheme end users who had a satellite service activated between August to November 2014, and were surveyed in December 2014.

22 The total number of challenges and complaints may contain multiple complaints from a single source made to more than one organisation.

**Table 3.4: Elements of the nbn product scorecard for the NSS Scheme:
December 2014 results**

nbn survey metrics	Overall satisfaction (out of 10)	Product experience (out of 10)	Support & resolution (out of 10)
Satellite Support Scheme	7.5	7.4	6.7

Note: The number of end users surveyed for each metric was 66.

Source: nbn data.

3.29 In Table 3.4, the NSS Scheme survey showed generally positive results. While nbn had contracted out the provision of wholesale satellite services for the NSS Scheme, the initiative was part of the delivery of the National Broadband Network and therefore nbn remained responsible for the scheme.

4. Contract management for satellite support services

Areas examined

This chapter examines nbn co limited's (nbn's) management of the contract for satellite support services delivered through the National Broadband Network Satellite Support (NSS) Scheme. The focus is on whether key aspects of contract management were effectively performed, including adequate monitoring of service standards and accurate processing of payments.

Conclusion

nbn's management of the contract between nbn and IPSTAR Australia Pty Ltd (IPSTAR) to deliver the NSS Scheme was largely consistent with indicators of the contract's mid-range value, risk and complexity. nbn adequately monitored the performance of IPSTAR in delivering the agreed service levels outlined in the contract, and made payments to IPSTAR in accordance with the provisions outlined in the contract.

4.1 The aim of contract management is to ensure that all parties to the contract meet their obligations. It includes managing the contractual relationships and ensuring that deliverables are provided to the required standard, within the agreed timeframe. It also includes making payments for goods and services in accordance with the contract.

Was nbn co limited's management of the contract consistent with the contract's value, risk and complexity?

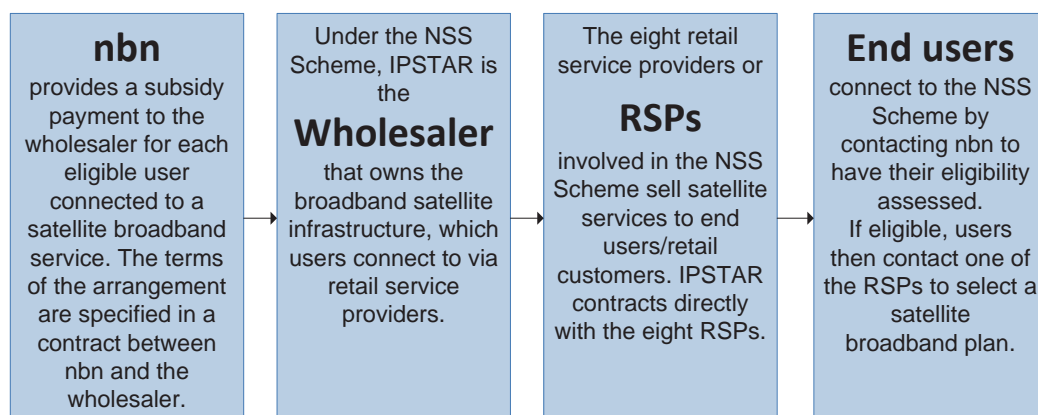
nbn did not formally define the value, risk and complexity of the contract for the NSS Scheme service provider in relation to the company's larger scale initiatives and in terms of its broader contracting environment. However, nbn's practical management of the contract was largely consistent with indicators of the contract's mid-range value, risk and complexity.

Contract overview

4.2 nbn entered into a contract with IPSTAR (the Contract) to deliver wholesale satellite broadband services for the NSS Scheme. Under the Contract, nbn made a subsidy payment to IPSTAR for each eligible end user connected to satellite broadband services. IPSTAR then entered into contracts with retail service providers to deliver the NSS Scheme. The retail service providers in turn offered plans to end users.

4.3 An overview of the operation of the NSS Scheme is presented in Figure 4.1.

Figure 4.1: Overview of the NSS Scheme



Source: ANAO analysis of nbn documents.

4.4 The Contract came into effect on 9 July 2014 and is to last until December 2018 (or until the final NSS Scheme user disconnects their service). In September 2017, there were 268 users still connected via an NSS Scheme subsidised service. The Contract specified that the maximum number of users under the scheme would be 6000, unless increased by nbn²³, and that the scheme would cease making activations in December 2015.

4.5 nbn did not formally define the Contract in terms of value, risk and complexity within its broader contracting environment, which included larger scale initiatives. The ANAO identified a number of indicators that could be used to assess the value, risk and complexity of the Contract, including:

- a *Contract Management Framework* (2012) that identified six contract segments within nbn. Wireless and satellite services were identified as having very high risk and medium/high value with a notable feature of these contracts being that there is dependence on a few critical strategic partners providing complex network services;
- advice from nbn that the Contract was one of the more simple (and low risk) contracts for the organisation because, among other features, it did not include the building of any broadband infrastructure; and
- the scheme was relatively small scale compared to other nbn services.²⁴

4.6 These indicators suggest that the Contract is most likely around the mid-range for the company in terms of value, risk and complexity.

Contract management plan

4.7 A contract management plan can be a useful tool for managing risks to the success of contracts, and for ensuring that what is negotiated as value for money is delivered. Even for

²³ Up to a maximum of 9000 users.

²⁴ The nbn long-term satellite service is an investment of \$2 billion.

relatively low-value and low-risk contracts, a contract management plan (or simple checklist) helps ensure that key obligations are not overlooked and the intent of the contract is achieved.²⁵

4.8 The *NBN Co Procurement Manual* (January 2014) (Procurement Manual) outlines an approach to contract management. The manual states that contract management is a process that includes managing the delivery of operational contract outcomes against set key performance indicators and administering the mechanics of the agreement. The manual also includes the requirement that a contract management plan be in place to monitor supplier performance. nbn has developed a Contract Management Plan template, which is attached to the Procurement Manual.

4.9 nbn developed a 'Satellite Support Scheme: Agreement Overview' for the Contract. The document provides an overview of the operation and content of the Contract, including the schedules, but does not include all of the elements of a contract management plan that are required in nbn's Contract Management Plan template. Some key elements not included are:

- a definition of roles and responsibilities, including strategies for managing and communicating with stakeholders;
- an outline of the performance monitoring process, including data collection, analysis methods and key responsibilities;
- a risk assessment and management strategy; and
- a list of all documentation relating to the contract.

4.10 For the NSS Scheme, there was no evidence that the absence of a comprehensive Contract Management Plan impeded nbn's operational management or practical delivery of the Contract.

Contract management governance

4.11 The management of a contract involves establishing clear oversight arrangements and effective management of the relationship with the contractor.

4.12 Practical arrangements for the management of the Contract were divided into two phases, the:

- implementation phase covering pre-roll out and deployment until December 2014; and
- business-as-usual and post-implementation phase from January 2015.

4.13 During the implementation phase, monthly meetings occurred between the nbn contract manager and IPSTAR. nbn provided an example of a meeting record that covered aspects such as: NSS Scheme reporting; documentation for the scheme; and a clarification around elements of the Contract. nbn could not readily provide records of the other meetings without requesting them from IPSTAR. nbn also provided other documents relating to these meetings such as emails and presentations produced by IPSTAR. Oversight of the contract deliverables was undertaken as part

25 ANAO Better Practice Guide—*Developing and Managing Contracts: Getting the right outcome, achieving value for money*, February 2012, p. 36, available from <<https://www.anao.gov.au/work/better-practice-guide/developing-and-managing-contracts-getting-right-outcome-achieving-value>> [accessed 5 October 2017].

of these meetings and through the monthly Service Level Agreement reporting produced by IPSTAR (refer paragraph 4.19).

4.14 During the business-as-usual and post-implementation phase, monthly Service Level Agreement reports were provided to nbn. nbn reviewed those reports when verifying the monthly payment claims submitted to nbn by IPSTAR.

4.15 The governance arrangements adopted for the Contract were adequate. However, nbn's records of communications, particularly of key meetings and briefings with IPSTAR, were not readily accessible.

Management of contract risks

4.16 Risks may be identified during the procurement phase that flow through to the development and management phases of a contract, and are then considered and reviewed throughout the life of the contract. Risks may relate to areas such as: resourcing; contract deliverables; contract performance measurement; contract payments; conflicts of interest; stakeholder relationships; and other contractual provisions.

4.17 The Procurement Manual states that contract management involves continuous risk analysis, assessment and implementation of mitigation strategies. To support the management of risks throughout the contract lifecycle, nbn has developed two templates: a contract risk assessment; and contract risk and issues register. Neither template was completed for the Contract.

4.18 nbn stated that the monthly meetings held with the contractor demonstrate the ongoing management of risks throughout the Contract. However, nbn was only able to provide limited documentation relating to these meetings.

Did nbn co limited adequately monitor the contractor's performance?

Given the size and nature of the Contract, nbn adequately monitored the performance of the contractor, IPSTAR. The primary process to monitor and assess contractor performance was through monthly reporting produced by IPSTAR. nbn also engaged a third party external provider to independently verify the NSS Scheme service speeds at selected end user premises and nbn reviewed end user experience data gathered directly by nbn for the scheme.

4.19 The Contract clearly defines the required performance levels via a Service Level Agreement that includes five key service level targets. It also outlines the approach to be taken to the calculation of performance against the service level targets. Each month, IPSTAR produces two key reports for nbn against the service level targets. These reports are the:

- *Monthly Service Level Agreement Report*—this provides reporting on results directly against the five service level targets; and
- *NSS - NBN Satellite Support Scheme Delivery Report*—in spreadsheet format, this provides reporting on performance, financial information and the completion of NSS Scheme jobs.

4.20 Service level agreement reporting is provided through a portal developed by IPSTAR for the NSS Scheme that is accessible for nbn officers in real time.²⁶

4.21 The service level targets and results from August 2014 to December 2015, when subsidy payments were being made to IPSTAR, are outlined in Table 4.1.

Table 4.1: Service level targets and results, August 2014 to December 2015

Service level target	Results
Eligible Service Speed —service speed must be at least 65 per cent of the service's access speed for at least 85 per cent of the time ^a , reported on a weekly basis.	This target was achieved in all instances during the 12 months where reporting was available. ^b
Network Utilisation —utilisation must be below 90 per cent for more than 90 per cent of the time, reported on a weekly basis.	This target was achieved every month. During the 17 months of reporting, there were only 23.5 hours where network utilisation was above 90 per cent utilisation.
Eligible Service Availability —service must be available more than 99.7 per cent of the time, measured on a quarterly basis.	This target was achieved every month. During the 17 months of reporting, the average availability was 99.96 per cent.
Installation Time —from the receipt of a valid service order issued by a satellite retailer must not exceed 30 calendar days, unless pre-approved by nbn.	This target was achieved in 13 of the 17 months. In the four months where this target was not achieved, installation time was exceeded in 13 cases.
Adds, Moves and Changes —must be completed within two business days if no site visit is required, or within ten business days if a site visit is required reported on a monthly basis.	This target was achieved every month. Across five months there were a total of 59 Adds, Moves and Changes that were not completed within ten business days, and where site visits were required. Monthly reporting by IPSTAR indicates that relevant extensions of time were granted by nbn for all 59 cases.

Note a: This is equivalent to achieving a minimum download speed of 2.6 Mbps for 20.4 hours per day.

Note b: Reports were available from January 2015 to December 2015.

Source: ANAO analysis of nbn documents.

4.22 In Table 4.1, the Eligible Service Speed target was independently monitored: nbn has engaged a third party external provider to verify the service speeds of users of the NSS Scheme. Monitoring devices were installed at the premises of approximately 20 NSS Scheme end users, and the results of the third party assessment are included in the Monthly Service Level Agreement reports.

4.23 It was IPSTAR's responsibility to produce monthly performance reporting, and nbn maintained the right to validate this performance reporting, for example, through audit. nbn did not deem it necessary to conduct extra checks on the performance reporting produced by IPSTAR because of the operational effectiveness of the NSS Scheme and the positive experience of end

26 Outlined in the Contract was the requirement for IPSTAR to provide a secure, password protected, internet accessible service management portal to enable the effective delivery and support of eligible services and Service Level Agreement compliance.


users. Reporting was discussed and examined as part of the regular meetings between nbn and IPSTAR.

4.24 Given the nature of the NSS Scheme and the indications that users were satisfied with the performance of the scheme, nbn's performance monitoring of the Service Level Agreement outlined in the Contract was appropriate.

Service speed targets and performance for nbn satellite activities

4.25 Table 4.2 shows the nbn service speed target for the current NSS Scheme.

Table 4.2: NSS Scheme: nbn service speed target


Activity	Time period	Service speed target	Description	nbn result
NSS Scheme	January 2015 to December 2015	Service speed must be at least 65 per cent of the service's access speed for at least 85 per cent of the time.	This is equivalent to achieving a minimum download speed of 2.6 Mbps for 20.4 hours per day.	Achieved 

Source: ANAO analysis of nbn documents.

4.26 Table 4.3 shows the performance measure for service speed applied by nbn to retail service providers for the former Interim Satellite Service (ISS). The measure was in place for retail service providers from July 2014, when nbn remediated the service's performance (refer paragraph 1.12), to February 2017 when the service was decommissioned by nbn. The measure was not the sole or leading performance indicator used by nbn to monitor the performance of retail service providers for the ISS.

4.27 nbn advised that there is no direct comparison between the NSS Scheme, ISS and long-term satellite service (Sky Muster) performance metrics.

Table 4.3: Interim Satellite Service: retail service provider performance measure for service speed

Activity	Time period	Service speed measure	Description	Retail service provider result
Interim Satellite Service	January 2015 to December 2015	Service speed must be at least 60 per cent of the service's access speed for at least 85 per cent of the time.	This is equivalent to achieving a minimum download speed of 3.6 Mbps for 20.4 hours per day.	Partially achieved  Met in: March; April; August; September; and December 2015.

Source: ANAO analysis of nbn documents.

4.28 The results in Table 4.3 show that retail service providers met the service speed measure for five months (42 per cent) in a 12 month period.

4.29 For both the ISS and Sky Muster, nbn advised that retail service providers can influence the end user's experience of service speed through the retail plans they offer and how they manage their services purchased from nbn, that is, broadband capacity.²⁷ For NSS Scheme end users, their service speed was determined solely by the performance of the wholesale service provider and service credits (a payment penalty) could be applied if the wholesaler fell short of the contracted performance targets (refer Table 4.4).

Were contract payments accurately made by nbn co limited?

nbn accurately made payments to IPSTAR under the Contract to deliver the NSS Scheme. This included that procedural elements of nbn's internal payment process were followed, and a subsidy payment was made for each eligible service that was connected by IPSTAR.

4.30 Accurate contract payments are those that are made in accordance with the provisions of the contract. To support accurate payments, sufficient records (such as invoices or other expenditure statements) and the necessary authorisations and approvals should be obtained before making payment.

Payment process

4.31 nbn has developed a transaction process for making payments after the preferred supplier has been selected. Under the NSS Scheme, a total of 15 monthly payments were made to IPSTAR. In accordance with the requirements of its internal payment process, nbn created a:

- Purchase Requisition specifying the services required under the Contract and recording a series of electronic approvals, including by the Chief Financial Officer, and ending with the Chief Executive Officer; and
- Purchase Order for the Contract.

4.32 Invoices submitted by IPSTAR to nbn include due dates for payment, which are generally 30 days after the date of the invoice. nbn paid 13 of the 15 invoices on time—one invoice was paid 10 days after the due date and the other seven days after the due date.

Accuracy of payments

4.33 Under the NSS Scheme, payments to IPSTAR were made for each eligible service activated, that is, equipment has been installed at the premises and the end user has in place a satellite broadband service. Payments commenced at \$2150 per service (GST exclusive) for the first 1000 end users and were reduced incrementally to a maximum payment of \$1800 per service as additional services were activated.

4.34 An overview of the ANAO's analysis in relation to the accuracy of payments to IPSTAR is presented below in Table 4.4. The key considerations were whether payments were made in accordance with the Contract and within the approved NSS Scheme budget.

²⁷ nbn can take action if retail service provider activities materially impact on other retail services providers and their end users.

Table 4.4: Accuracy of payments—overview of ANAO analysis

Assessment criterion	Description and result	
Subsidy payments were made in accordance with the Contract.	Achieved ✓	The Contract includes a schedule of payments. The amount of the payment reduces as more users are added onto the NSS Scheme. Subsidy payments were materially in accordance with the Contract. ^a The subsidy paid for the first 1001 end users was \$2150 (GST exclusive), less service credits (payment penalties) where applicable, and for users from 1002 to 2018, \$2100 was paid.
The contract spend was within the approved contract budget.	Achieved ✓	The approved budget for the value of payments under the Contract was \$18.9 million (GST exclusive). Total expenditure on the Contract payments was \$4.29 million (GST exclusive).
Subsidy payments were only made for eligible user connections.	Achieved ✓	The ANAO's analysis found that payments were only made for eligible services. The ANAO did not find any instances where a subsidy was paid for the same Broadband Service Locator tool identification number more than once.
Invoices from IPSTAR were consistent with payments made by nbn.	Achieved ✓	Payments made to IPSTAR were consistent with the invoices.
Service credits were applied where the wholesaler fell short of performance targets.	Achieved ✓	Under the Contract, service credits (an amount owed to nbn where the contractor has fallen short of the agreed performance standards) can be applied to an invoice where the contractor does not meet the service level targets. In total, there were five service credits included in invoices at a value of \$367.50. Payments to IPSTAR were reduced by this amount.
Invoices were paid only once.	Achieved ✓	Data from nbn's financial management system demonstrates that all 15 invoices were only paid once.

Note a: A subsidy of \$2150 was paid for the 1001st user. Under the Contract, \$2100 should have been paid, which is a difference of \$50.

Source: ANAO analysis of nbn data and documents.

4.35 As outlined in Table 4.4, the ANAO found that nbn accurately made payments to IPSTAR for the NSS Scheme. This included that payments were made in accordance with the Contract and within the approved NSS Scheme budget.




Grant Hehir
Auditor-General

Canberra ACT
28 November 2017

Appendices

Appendix 1 Entity responses



10 November 2017

Mr Grant Hehir
Auditor-General for Australia
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir,

Performance audit of Administration of the National Broadband Network Satellite Support Scheme

I am writing on behalf of nbn co limited (**nbn**) to respond to the Australian National Audit Office (**ANAO**) Report on Administration of the National Broadband Network Satellite Support Scheme (**NSS Scheme**) (**Report**).

The ANAO's work has always been instructive for **nbn**. **nbn** values and appreciates the ANAO's work on the Report, the audit of a program primarily administered by us, and your constructive engagement with us during the audit and the preparation of the Report.

As you know, the NSS Scheme was established to make broadband services available to communities located in rural and remote Australia before the rollout of our long-term satellite service, Sky Muster. Many of the end users located in these communities are now transitioning to Sky Muster. The need for the NSS Scheme arose from our projections that the **nbn** Interim Satellite Service (**ISS**) would reach capacity in late 2013.

The provision of broadband services to rural and remote Australia is important to **nbn**. Accordingly, we proactively sought and implemented a solution to the ISS capacity gap through the NSS Scheme. In administering the scheme, it was also important to us that all end users and applicants were treated consistently and fairly, and that our review and complaints processes were respectful and responsive.

We therefore welcome the many positive conclusions in the Report, particularly those which reflect upon the end user experience for Australians living in rural and remote locations. We are delighted that a number of these findings demonstrate our values in action, including that:

- **nbn** effectively administered the NSS Scheme
- **nbn** provided timely and appropriate advice to its two Shareholder Ministers during the establishment of the NSS Scheme
- the NSS Scheme was effectively established by **nbn** in a short timeframe during which a major procurement was completed
- **nbn** effectively managed demand for the capped NSS scheme by applying clearly defined criteria to accurately determine applicants' eligibility
- **nbn** had appropriate processes for applicants to challenge eligibility decisions and/or make complaints about the NSS Scheme

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- The NSS Scheme was a program with a very tight timeframe affecting a relatively small (but extremely important) group of end users. In a comparative sense, it was a lower cost and lower risk procurement for us, particularly because it was a funding scheme and did not involve installations, which were performed by IPSTAR. We were very aware that a gap in offering satellite services for these end users was not an option. We also wanted to achieve a value for money outcome and manage our risk. The ANAO has noted where we did not comply 'to the letter' with our own Internal Purchasing Rules in respect to formalising documentation, reflecting the fact that, on occasion, we needed to appropriately prioritise agility over formality in establishing and effectively managing this scheme. In doing so, we never compromised the effectiveness of the NSS Scheme (as, indeed, the Report concludes). Our agility was an advantage in meeting the needs of these end users in a timely, cost-effective way, which we achieved with high end user satisfaction.

On behalf of **nbn**, I would like to thank the ANAO for its thoroughness, objectivity and constructive approach.

[Signature]

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Attachment

Summary of response

nbn welcomes the ANAO's review of the NSS Scheme, which was an important element of **nbn**'s efforts to make broadband services available to rural and remote end users prior to the availability of our long-term satellite service, Sky Muster. These end users are important to **nbn** and it is appropriate that the effectiveness of programs designed for them should be the subject of independent review.

nbn welcomes the many positive conclusions in the Report, particularly those which reflect upon the end user experience for Australians living in rural and remote locations. These include findings that:

- **nbn** effectively administered the NSS Scheme
- **nbn** provided timely and appropriate advice to its two Shareholder Ministers during the establishment of the NSS Scheme
- the NSS Scheme was effectively established by **nbn** in a short timeframe during which a major procurement was completed
- **nbn** effectively managed demand for the capped NSS scheme by applying clearly defined criteria to accurately determine applicants' eligibility
- **nbn** had appropriate processes for applicants to challenge eligibility decisions and/or make complaints about the NSS Scheme
- **nbn** adequately monitored the performance of its contractor, IPSTAR Australia Pty Ltd (**IPSTAR**) and made payments in accordance with the contract
- end users reported positive satisfaction results in relation to the delivery of the NSS Scheme

nbn considers that our agility in establishing and implementing this scheme contributed to the positive outcomes noted by the ANAO. **nbn** agrees that we can improve by more explicitly recognising that there will be occasions where our values of decisiveness and urgency may support an informed decision to vary from our internal Purchasing Rules, and that we should document such a variance when it occurs.

Response to Recommendation

Agreed.

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Australian Government

Department of Communications and the Arts

Secretary

PDR ID: EC17-000396

Ms Lisa Rauter
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

By email: OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Ms Rauter

Australian National Audit Office (ANAO) Proposed Report on Administration of the National Broadband Network Satellite Support (NSS) Scheme

Thank you for providing the Department of Communications and the Arts (the Department) with the opportunity to comment on the Australian National Audit Office's (ANAO's) 'Proposed Report under S.19 of the Auditor-General Act 1997: Administration of the National Broadband Network Satellite Support Scheme'.

The Department has policy responsibility for the National Broadband Network, and the Minister for Communications acts as one of the Shareholder Ministers for NBN Co Limited (nbn) and, consequently the Department has a strong interest in the administration of the National Broadband Network Satellite Support (NSS) Scheme by nbn. The Department welcomes the report and notes the ANAO's conclusion that nbn effectively administered the NSS Scheme.

The Department agrees with the ANAO's only recommendation which is directed at the internal processes and governance arrangements that nbn had in place at the time the NSS Scheme was established. The Department notes that nbn has revised its practices and now has in place a new Delegation of Authority Policy.

Attachment A to this letter details the overall response to the proposed report and the ANAO's recommendation.

If you would like further information on the Department's response, please do not hesitate to contact, Ms Nadine Williams, First Assistant Secretary, Infrastructure and Consumer Division, on 02 6271 1393 or by email to nadine.williams@communications.gov.au.

Yours sincerely

Mike Mrdak AO

1 November 2017

Attachment A

Summary of entity response

The Department of Communications and the Arts (the Department) welcomes the ANAO's conclusions that nbn's administration of the National Broadband Network Satellite Support (NSS) Scheme has been effective and that during the establishment of the NSS Scheme both Shareholder departments provided appropriate advice to their Ministers. The Department also notes the ANAO's conclusion that nbn provided timely and appropriate advice during the establishment of the NSS Scheme, managed demand for the capped NSS Scheme appropriately, and adequately monitored the performance of IPSTAR under the contract between nbn and IPSTAR for delivery of services under the NSS Scheme.

Response to recommendation

Recommendation 1

If a variation from the requirements contained in nbn's Purchasing Rules is needed, nbn staff should document the reasons the variance is necessary and seek approval from the delegate specified in the nbn Delegation of Authority Policy.

Department response:

The Department agrees to the recommendation.

The Department notes that nbn now has in place a new Delegation of Authority Policy and considers that this governance practice will ensure that appropriate documentation is maintained in future to support effective risk management and measurement of value for money.



Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

SEC0014956

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
ACT 2601

Dear Mr Hehir

Grant

I refer to the Australian National Audit Office's (ANAO's) correspondence dated 12 October 2017, providing the proposed section 19 Audit Report, *Administration of the National Broadband Network Satellite Support Scheme*, and seeking the Department of Finance's (Finance's) response.

Thank you for the opportunity to respond to the matters raised in the proposed report. Finance's response to the draft report is:

Finance supports the findings and key learnings of this report regarding the *Administration of the National Broadband Network Satellite Support Scheme*.

Finance will continue to examine opportunities to support the adoption and implementation of best practice monitoring and governance arrangements for Commonwealth entities, including Government Business Enterprises. The findings of this audit will be an important input to support this process.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Rosemary Huxtable', written over a horizontal line.

Rosemary Huxtable
Secretary

29 October 2017

