

Effectiveness of Monitoring and Payment Arrangements under National Partnership Agreements

Across Entities

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Canberra ACT

24 May 2018

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit across entities titled *Effectiveness of Monitoring and Payment Arrangements under National Partnership Agreements*. 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



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. The 2009 *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement) established the overarching framework for Australia's federal financial relations. It recognised that while state and territory governments (States) have constitutional responsibility for many areas of service delivery, coordinated action may be desirable to address Australia's economic and social challenges. The framework was intended to provide the States with flexibility to deliver services, while increasing governments' accountability to the public through a combined focus on the achievement of outcomes, clearer specification of roles and responsibilities, and enhanced performance reporting.
2. A key to achieving the aims of the Intergovernmental Agreement is in the design of National Partnership Agreements, which outline agreed policy objectives in areas of nationally significant reform or for service delivery improvements. Commonwealth payment is tied to achieving outcomes and outputs, which requires well-defined performance measures and deliverables that are clearly linked to the outcomes and outputs of the National Partnership Agreements.
3. National Partnership Agreements are administered by Commonwealth portfolio departments that approve payments on assessment that States have met the performance measures and milestones outlined in agreements, while the Commonwealth Department of the Treasury is responsible for making payments.

Audit approach

4. The ANAO selected National Partnership Agreements for audit because of the risk associated with the transfer of significant Commonwealth funding to the States (on average \$16 billion per year) through these agreements under the Intergovernmental Agreement. The Intergovernmental Agreement established a new framework designed to improve the transparency and accountability of National Partnership Agreements with a clearer focus on the delivery of specified outcomes. The audit aims to provide assurance that National Partnership Agreements have been developed and implemented in line with the transparency, funding and performance requirements of the Intergovernmental Agreement.
5. The objective of the audit was to examine the effectiveness of monitoring and payment arrangements under National Partnership Agreements. The audit criteria were to assess the extent to which:
 - monitoring and payment arrangements for National Partnership Agreements have been developed in line with the principles and design requirements of the *Intergovernmental Agreement on Federal Financial Relations*;
 - monitoring of the performance of the states and territories by portfolio departments has been conducted in line with National Partnership Agreements; and
 - the Department of the Treasury has made payments in line with the financial requirements of National Partnership Agreements and the advice of the administering portfolio departments.

6. The audit assessed 17 of 71 National Partnership Agreements funded as at 1 July 2016. These 17 agreements involved the transfer of 55 per cent of funding under National Partnership Agreements to the States. The ANAO targeted high risk, high value agreements in the selection process, with a quarter of the sampled agreements randomly selected. The selected National Partnership Agreements were administered by five Commonwealth Departments—Prime Minister and Cabinet; Treasury; Agriculture and Water Resources; Health; and Infrastructure, Regional Development and Cities.

Conclusion

7. Strong frameworks have been established for designing the monitoring and payment arrangements under National Partnership Agreements, but implementation has been mixed. For 30 per cent of agreements examined, implementation has been effective, with suitable performance measures that track progress towards well specified outputs and outcomes, portfolio departments' conducting sound assessments to verify that milestones have been met, and the Department of the Treasury making payments accordingly. More commonly, there have been weaknesses in some aspects of the monitoring and payment arrangements of National Partnership Agreements, particularly specifying outcome measures, obtaining sufficient evidence to verify all milestones have been met and publicly reporting the results achieved.

8. The National Partnership Agreements examined are largely consistent with the principles and design requirements of the Intergovernmental Agreement, but there was mixed adherence to the performance and funding requirements of the Intergovernmental Agreement. While listing National Partnership Agreements on the Council on Federal Financial Relations' website provides transparency of the intent of the agreements, there is no public reporting of performance on that website and there is disparate reporting elsewhere, which weakens transparency and accountability about the value of the agreements.

9. There was mixed performance by the five portfolio departments examined in assessing performance against prescribed performance measures/milestones of National Partnership Agreements, with milestones being assessed as met without sufficient supporting evidence in 31 per cent of projects examined. Once assessments are made, the departments have sufficient controls to ensure accurate payment information is provided (with the required approval) to the Department of the Treasury via the Federal Payments Management System, and the Department of the Treasury has implemented sufficient controls to gain assurance over the accuracy and timeliness of payments.

Supporting findings

Developing National Partnership Agreements

10. The National Partnership Agreements examined are consistent with the principles of the Intergovernmental Agreement, relating to clarifying responsibilities, providing flexibility in service delivery and enhancing accountability to the public. The 17 agreements examined are also consistent with the design requirements of the Intergovernmental Agreement. Where there was some inconsistency, this was virtually always because the design requirement did not apply at the time of signing or to the type of agreement. The high level of consistency across National Partnership Agreements reflects central oversight and common processes introduced by the

Department of the Prime Minister and Cabinet and the Department of the Treasury following the introduction of the Intergovernmental Agreement.

11. Although the last existing agreement with reward payments recently ceased, these agreements remain a feature of National Partnership Agreements. While not urgent, the Intergovernmental Agreement should be updated to reflect the current role of the Productivity Commission in assessing performance benchmarks for reward payments, rather than reflecting the previous arrangements involving the abolished COAG Reform Council.

12. The National Partnership Agreements examined have mixed adherence to the performance and funding requirements of the Intergovernmental Agreement—a performance framework with payments linked to progress against outcomes or outputs, based on clear and precise measures of performance. Eight of the 17 agreements examined (47 per cent) did not have both an outcome-focused performance framework and sound payment design:

- five agreements (29 per cent) did not have an outcome-focused performance framework with payments linked to progress against outcomes, and outputs based on clear and precise measures of performance such as performance benchmarks or milestones;
- two agreements (12 per cent) did not have sound payment design, where payments were linked to the achievement of performance milestones; and
- one agreement did not have either an outcome-focused performance framework or a sound payment design.

13. Public reporting under National Partnership Agreements does not provide adequate accountability and transparency. While expected outcomes and outputs for all National Partnership Agreements are listed on the Council on Federal Financial Relations website, the extent to which outcomes and outputs have been successfully achieved is not reported on the website. There is some reporting on performance achieved through agreements on portfolio departments' websites and annual reports, which has typically focused on the major agreements. More consistent, centralised public reporting of achievement of outcomes and outputs under all National Partnership Agreements is required to meet the transparency and accountability objectives of the Intergovernmental Agreement.

Assessing performance and authorising payment

14. All five portfolio departments examined by the ANAO had assessed State performance against prescribed performance measures/milestones of National Partnership Agreements, although the adequacy of evidence used to assess performance varied across agreements. In five of 16 projects examined for 2015–16 and 2016–17, the departments had not assessed sufficient evidence to fully verify if milestone requirements of the agreements had been met. Two of these were for National Partnership Agreements that facilitate reform. Portfolio departments usually had a stronger evidence base for assessing achievement against performance milestones for those projects examined that had been assigned a high risk rating by the Department of the Treasury than those with a medium or low risk rating, which is appropriate.

15. The five portfolio departments examined have adequate controls over the payment approval process. The departments have adopted a range of payment approval processes, although a number of standard controls are also in place. As part of auditing 2016–17 financial statements, the ANAO confirmed that in all five departments National Partnership Agreement

payments had been correctly approved by authorised delegates. Also, the information submitted by these departments to the Department of the Treasury via the Federal Payments Management System had been in accordance with the certified payments and the requirements of National Partnership Agreements.

16. The Department of the Treasury has implemented sufficient controls to gain assurance over the accuracy and timeliness of National Partnership Agreement payments. While the Department of the Treasury places some reliance on assessments undertaken by portfolio departments in certifying payments, it performs standard quality assurance checks before authorising final payment. Moreover, the Department of the Treasury performs additional checks for payments for National Partnership Agreements that have been rated as high risk.

Recommendations

Recommendation no.1

Paragraph 2.12

The Department of the Prime Minister and Cabinet and the Department of the Treasury recommend to the Council of Australian Governments, through the Council on Federal Financial Relations, that the 2009 *Intergovernmental Agreement on Federal Financial Relations* and associated documents be amended to remove reference to the abolished COAG Reform Council and refer to the Productivity Commission as appropriate.

Department of the Prime Minister and Cabinet and Department of the Treasury responses: *Agreed.*

Recommendation no.2

Paragraph 2.29

The Department of the Treasury, through the Council on Federal Financial Relations website, facilitates improved public reporting on the outcomes and impact of National Partnership Agreements.

Department of the Treasury response: *Agreed.*

Summary of entity responses

17. A summary of entities' responses is provided below, with full responses provided at Appendix 1.

Department of the Prime Minister and Cabinet

The Department agrees with the recommendations of the report.

The management of funding agreements with the States and Territories is important for the Department and the broader Commonwealth due to the amount of expenditure they cover and the important outcomes they are trying to achieve. This report provides useful insights into how we can continue to improve the operation of these agreements.

The Department works with the Treasury and relevant portfolio departments during the development of National Partnership Agreements to ensure they are consistent with the Intergovernmental Agreement on Federal Financial Relations. The Department and the Treasury will continue to ensure National Partnership Agreements have robust accountability and transparency mechanisms.

Department of the Treasury

Treasury welcomes the report, which recognises that the *Intergovernmental Agreement on Federal Financial Relations* provides a robust framework for the development and implementation of Commonwealth payments to the states and territories. The report also identifies opportunities to strengthen and enhance existing processes, especially with regard to reporting and transparency. Treasury will continue to work with the Department of the Prime Minister and Cabinet, portfolio agencies and the states and territories to deliver on these objectives. Treasury agrees with both recommendations in the report.

Department of Agriculture and Water Resources

The department agrees with the performance review report's two Recommendations aimed at improving the transparency and accountability of National Partnership Agreements through consistent, public reporting on outcomes achieved, and amending the 2009 *Intergovernmental Agreement on Federal Financial Relations* to reflect current practice.

The department notes the report's findings regarding agreements it administers. The ANAO found that two of these agreements are weakened in that they do not contain outcome-focused performance frameworks in accordance with the Conceptual Framework for Performance Reporting endorsed by COAG in February 2011.

The department notes that one of these agreements, on *Water for the Future - Sustainable Rural Water Use and Infrastructure*, predates the COAG-endorsed framework for performance reporting and all the projects under it have been completed. The second agreement, on *Implementing Water Reform in the Murray-Darling Basin*, was negotiated in 2013–14, concludes in 2019–20, and would require the agreement of five other jurisdictions to change. However, the department is re-considering the criteria it uses to assess progress against the agreement milestones based on the ANAO findings and recommendations from the department's mid-term review of the agreement, completed in August 2017.

The department notes this performance audit draws in part on the ANAO's Assurance Review report on *New South Wales' protection and use of environmental water under the National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin*. The department has published its response to this Assurance Review at www.agriculture.gov.au/about/media-centre/on-the-record/response-anao-assessmentmurraydarling.

Department of Health

The Department of Health was one of five portfolio departments with management responsibility for a number of the 17 National Partnership Agreements assessed by the ANAO. As the manager of a large number of National Partnership Agreements (14 Agreements), the Department of Health notes the ANAO conclusion that Agreements were generally sound in design and demonstrated sufficient controls around payment approval processes.

The Department agrees with the key learnings identified in the Report, focussing on a need for increased discipline in policy and program design, implementation and performance measurement. The Department continues to look at how it can improve the frameworks it uses to support better performance measurement and reporting, and enhance the organisational emphasis on program assurance and successful program delivery. The learnings identified in the ANAO Report will support this work.

Department of Infrastructure, Regional Development and Cities

The Department of Infrastructure, Regional Development and Cities (the Department) welcomes the audit's overall conclusions and findings. The Department acknowledges that there is merit in strengthening the performance framework of the National Partnership Agreement on Land Transport Infrastructure Projects (the Agreement). The Agreement expires on 30 June 2019 and the Department will take into consideration the ANAO's comments in this report in negotiating a new agreement.

Key learnings for improvement for all Australian Government entities

18. Below is a summary of key learnings and areas of good practice identified in this audit report that may be considered by other Commonwealth entities when managing partnership agreements.

Policy/program design

- In refining or redesigning partnership agreements, coordinating entities should review the effectiveness of existing agreements to establish areas for improvement, including any significant non-adherence to key terms by participating entities.

Policy/program implementation

- To support compliance with key terms of partnership agreements, entities should develop risk-based arrangements to obtain assurance about the ongoing level and nature of non-adherence to key terms.
- On completion of projects subject to partnership agreements, final payment should not be made until evidence is provided of successful completion.

Performance and impact measurement

- Where agreements have outcome measures, entities should ensure that these measures are clearly aligned to well-specified output measures and to suitable performance milestones that are based on valid and reliable data.
- Where there is consolidated reporting of the objectives and success measures for sets of agreements, such as on a particular website, there should also be consolidated reporting of performance achieved against those objectives and measures.

Audit findings

1. Background

Introduction

1.1 The 2009 *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement)¹ established the overarching framework for Australia's federal financial relations. It recognises that while state and territory governments (States) have constitutional responsibility for many areas of service delivery, coordinated action may be desirable to address Australia's economic and social challenges. The framework, and its principles, was intended to provide the States with flexibility to deliver services, while increasing governments' accountability to the public through a combined focus on the achievement of outcomes, clearer specification of roles and responsibilities, and enhanced performance reporting.

1.2 The Intergovernmental Agreement provides for three categories of funding transfer from the Commonwealth to the States:

- general revenue assistance, including the ongoing provision of goods and services tax (GST) payments, to be used by the States for any purpose;
- National Specific Purpose Payments to be spent in the key service delivery sectors including schools, health care, housing and disability services; and
- National Partnership Payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

The Intergovernmental Agreement is to operate indefinitely from 1 January 2009 unless revoked through unanimous agreement of the signatories.

1.3 A key feature of the framework is centralised payment. Under these arrangements, all payments are processed centrally by the Commonwealth Department of the Treasury and paid directly to each state treasury. State treasuries are responsible for distributing the funding within their jurisdictions. Having state treasuries distribute Commonwealth sourced funding to state portfolio agencies helps reinforce that state agencies are primarily accountable to their respective parliaments and public for their service delivery performance, including their delivery of programs for which the Commonwealth provides a financial contribution. In the Commonwealth, the Treasurer is accountable for the appropriations, estimates and payments under the framework.

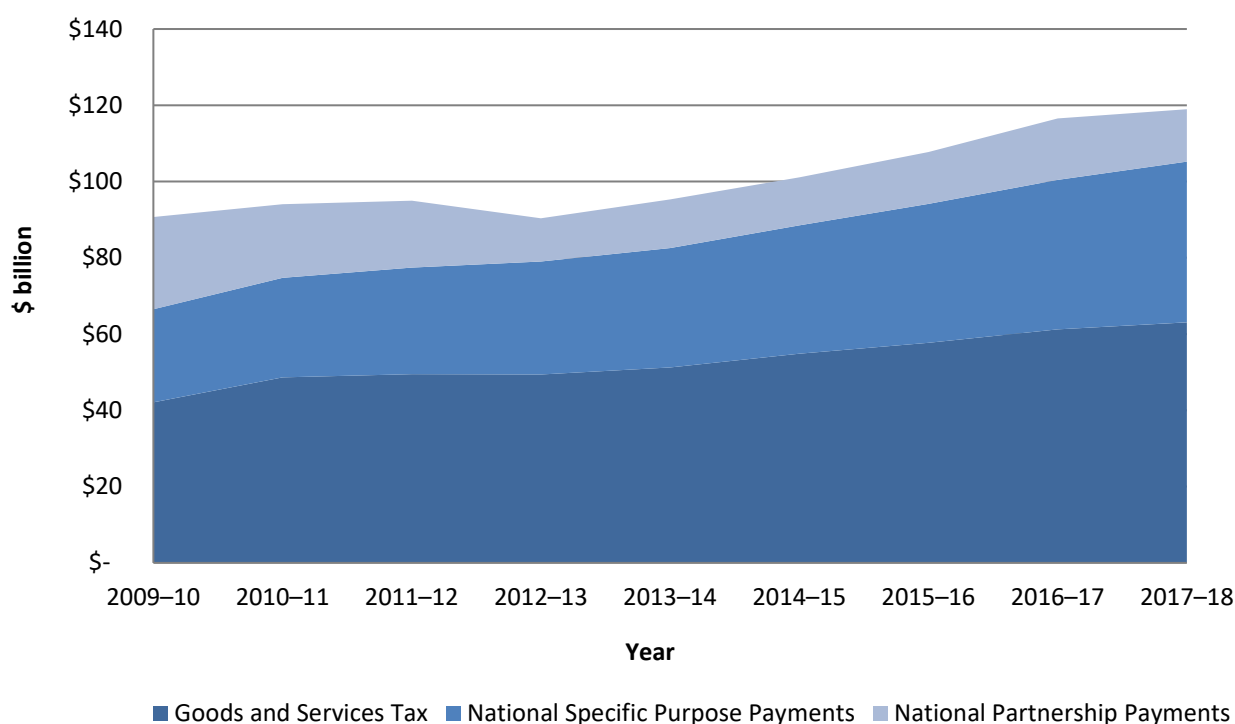
1.4 In 2017–18, the Commonwealth provided the States \$119 billion in total payments, with \$63.1 billion (53 per cent) provided for GST and general revenue assistance, \$42.2 billion (35 per cent) for National Specific Purpose Payments and \$13.7 billion (12 per cent) for National Partnership Payments.² As Figure 1.1 shows, over the first eight years of the Intergovernmental Agreement, overall spending increased at 3.9 per cent average annual growth. Within this overall spend, funding for National Partnership Payments varied significantly with the greatest payment

1 COAG, *Intergovernmental Agreement on Federal Financial Relations* (2009), available from http://www.federalfinancialrelations.gov.au/content/intergovernmental_agreements.aspx [accessed 23 November 2017].

2 Australian Government, *Commonwealth Budget Paper No. 3, 2017–18*, available from <http://www.budget.gov.au> [accessed 30 October 2017].

transfer (\$24.2 billion) in 2010–11 in response to the global recession and the Council of Australian Governments (COAG) reform agenda, and the smallest payment transfer (\$11.4 billion) in 2012–13.

Figure 1.1: Commonwealth payments to state/territory governments, 2009–10 to 2017–18



Source: Commonwealth Budget Papers No. 3, 2009–10 to 2017–18.

1.5 The Intergovernmental Agreement is an agreement of COAG.³ Although COAG is the key decision-making body with respect to the implementation of the Intergovernmental Agreement, it has delegated responsibility for general oversight and operation of the agreement to the Council on Federal Financial Relations. The Council is comprised of the Commonwealth Treasurer as Chair and the state Treasurers. The Council generally meets biannually, however it can meet more frequently if required.

National Partnership Agreements

1.6 Payments under National Partnership Agreements differ from National Specific Purpose Payments in that they are time limited and linked with reform activities or projects. Under the Intergovernmental Agreement, the two types of National Partnership Agreements are those that:

- facilitate reforms or reward those jurisdictions that deliver on nationally significant reforms; and
- support the delivery of specific outputs or projects, including Project Agreements that are for low value and/or low risk projects.

³ Established in 1992, COAG is the peak intergovernmental body in Australia. It is comprised of the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association.

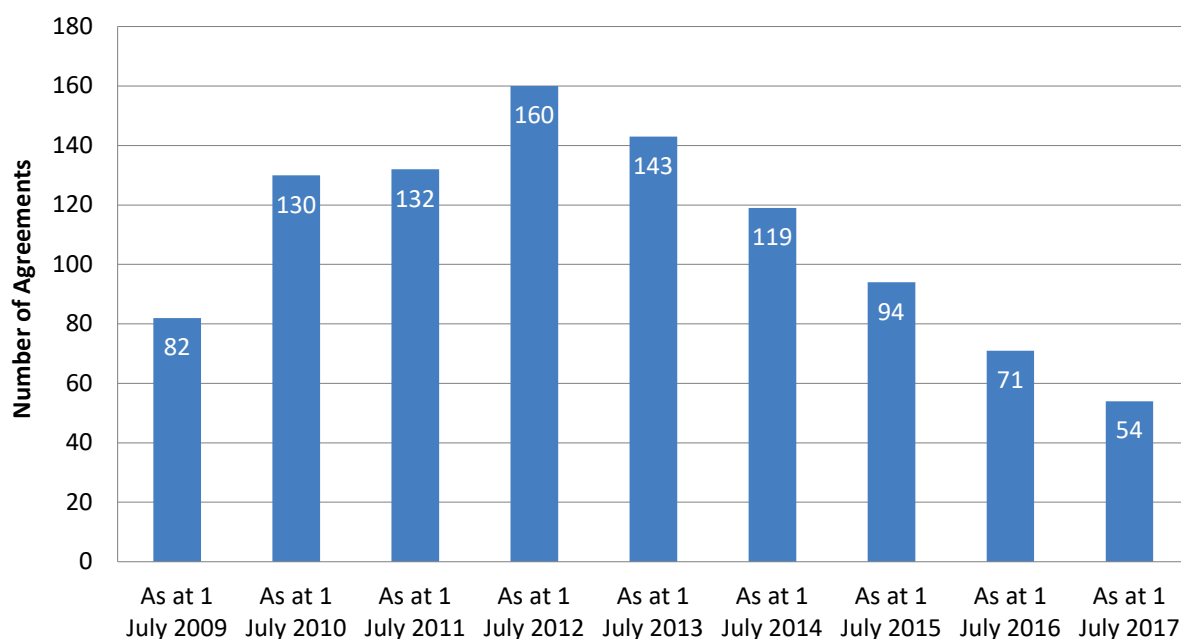
1.7 Implementation Plans may be required where there are jurisdictional differences in context or approach to implementation under National Partnership Agreements, or where information additional to the National Partnership Agreement is required to increase accountability and transparency. Implementation Plans are usually bilateral agreements between the Commonwealth and one State, which are negotiated between the Commonwealth portfolio Minister and the State portfolio Minister.

1.8 National Partnership Agreements are signed by the Prime Minister, Premiers and Chief Ministers, and are to be drafted in consultation with the Department of the Prime Minister and Cabinet, Commonwealth Treasury and the States' First Ministers and Treasury departments. Project Agreements are signed by relevant Commonwealth and State Portfolio Ministers although they are still to be drafted and negotiated in consultation with First Ministers and Treasury departments. Where substantial elements of an agreement are to be varied, the agreement should be amended by the signatories to the agreement.

1.9 National Partnership Agreements are to define the mutually agreed objectives, outcomes, outputs and performance milestones related to the delivery of specific projects, improvements in service delivery or reform initiatives. Project Agreements that have been developed for low value and/or low risk projects only require outputs to be specified, not objectives and outcomes.

1.10 As Figure 1.2 shows, there was a marked increase in the number of National Partnership Agreements from 1 July 2009 to 1 July 2012, in response to the global recession and the COAG reform agenda. By 2012 there was almost a doubling of the number of agreements, reaching 160 agreements compared to 82 agreements in 2009 when the Intergovernmental Agreement was first established. Since 2013 there has been a steady decline in the number of National Partnership Agreements, to 54 agreements at 1 July 2017 (refer Appendix 2 for a list of National Partnership Agreements as at 1 July 2017).

Figure 1.2: Number of National Partnership Agreements, July 2009 to July 2017



Source: Department of the Treasury.

Audit approach

Rationale

1.11 The ANAO selected National Partnership Agreements for audit because of the risk associated with the transfer of significant Commonwealth funds to the States (on average \$16 billion per year) through these agreements under the Intergovernmental Agreement. The Intergovernmental Agreement established a new framework designed to improve the transparency and accountability of National Partnership Agreements with a clearer focus on the delivery of specified outcomes. The audit aims to provide assurance that National Partnership Agreements have been developed and implemented in line with the transparency, performance and funding requirements of the Intergovernmental Agreement.

Objective

1.12 The objective of the audit was to examine the effectiveness of monitoring and payment arrangements under National Partnership Agreements.

1.13 To form a conclusion against the audit objective, the ANAO adopted the following audit criteria:

- monitoring and payment arrangements for National Partnership Agreements have been developed in line with the principles and design requirements of the *Intergovernmental Agreement on Federal Financial Relations*;
- monitoring of the performance of the states and territories by portfolio departments has been conducted in line with National Partnership Agreements; and
- the Commonwealth Treasury has made payments in line with the financial requirements of the National Partnership Agreements and the advice of the administering portfolio departments.

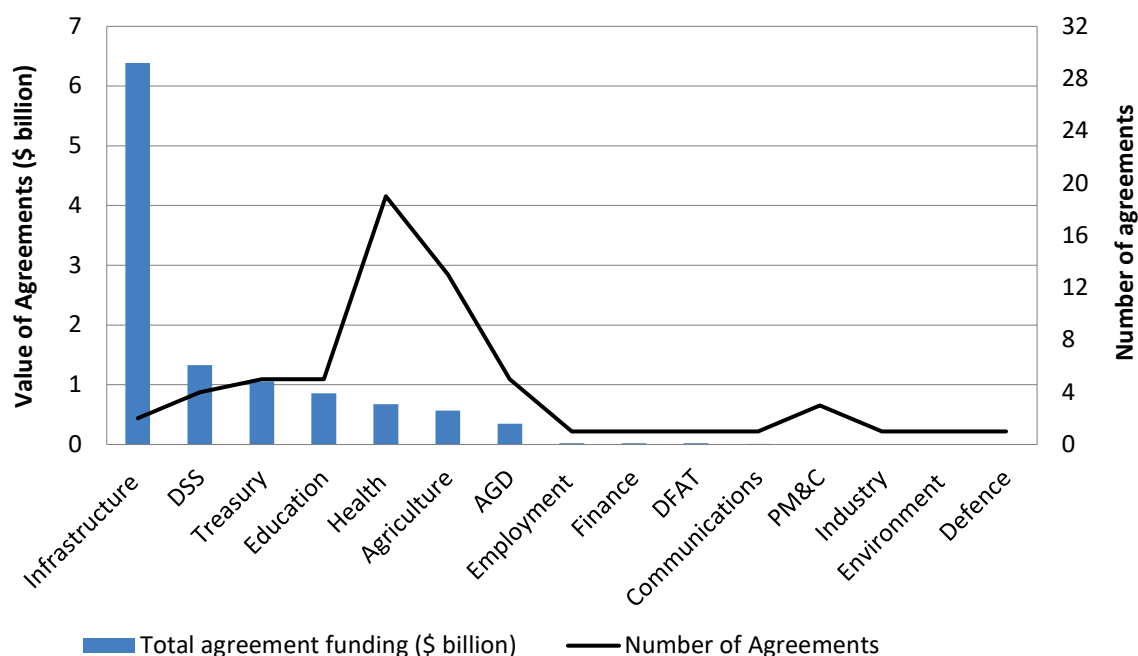
Scope

1.14 The audit examined whether Commonwealth payments to state and territory governments under selected National Partnership Agreements were based on agreed performance benchmarks/milestones and payment requirements. The audit included an examination of the performance reporting and financial requirements of National Partnership Agreements, and an analysis of a selection of agreements to establish whether payments made in 2015–16 and 2016–17 were properly approved by the administering portfolio department. The audit also examined the Department of the Treasury's processes for ensuring accurate and timely payments.

Entities selected for inclusion in the audit

1.15 In 2017–18, National Partnership Agreements were managed by 15 Commonwealth Departments as shown in Figure 1.3. The Department of Health is responsible for managing the largest number of National Partnership Agreements (19 agreements) and one of the two agreements managed by the Department of Infrastructure, Regional Development and Cities—the *National Partnership Agreement on Land Transport Infrastructure Projects*—involves the largest transfer of funds (\$6.3 billion) which is almost half of the \$13.7 billion transferred for National Partnership Agreements in 2017–18.

Figure 1.3: National Partnership Agreements, 2017–18



Note: Commonwealth departments include Infrastructure (Department of Infrastructure, Regional Development and Cities), DSS (Department of Social Services), Treasury (Department of the Treasury), Education (Department of Education and Training), Health (Department of Health), Agriculture (Department of Agriculture and Water Resources), AGD (Attorney-General's Department), Employment (Department of Jobs and Small Business), Finance (Department of Finance), DFAT (Department of Foreign Affairs and Trade), Communications (Department of Communications and the Arts), PM&C (Department of the Prime Minister and Cabinet), Industry (Department of Industry, Innovation and Science), Environment (Department of the Environment) and Defence (Department of Defence).

Source: ANAO analysis of Budget Papers.

1.16 The audit examined National Partnership Agreements administered by five Commonwealth Departments: Prime Minister and Cabinet; Treasury; Agriculture and Water Resources; Health; and Infrastructure, Regional Development and Cities.

Methodology

1.17 The audit methodology included:

- reviewing National Partnership Agreements listed on the Council on Federal Financial Relations website;
- assessing reporting and financial requirements of selected National Partnership Agreements;
- examining assessment processes used by portfolio departments for a selection of Project Agreements, Implementation Plans and schedules of National Partnership Agreements outlining key deliverables/benchmarks;
- assessing payment controls for National Partnership Agreement payments drawing on analysis in the ANAO's audits of financial statements; and
- reviewing documents and interviewing staff.

1.18 The audit assessed 17 of 71 National Partnership Agreements funded as at 1 July 2016. These 17 agreements involved the transfer of 55 per cent of funding under National Partnership

Agreements to the States. The ANAO targeted high risk, high value agreements in the selection process, with a quarter of the sampled agreements randomly selected. The selected National Partnership Agreements were administered by five Commonwealth Departments, and were also assessed in the ANAO's audits of financial statements in 2015–16 and 2016–17. The findings of the financial auditors in relation to payment accuracy were used to assess criterion 3 in relation to the correctness and accuracy of payments made by the Department of the Treasury.

1.19 Of the 17 National Partnership Agreements selected for initial analysis against the requirements of the Intergovernmental Agreement (criterion 1), 10 agreements were selected for supplementary analysis in relation to performance monitoring by departments (criterion 2). Selection of the 10 agreements was based on five criteria: high financial value; mix of State schedules to Agreements, with all agreement types represented (Project Agreements, Implementation Plans, National Partnership Agreements with schedules, National Partnership Agreements without schedules); payment types represented (reward/facilitation payment and project payment); range of risk rating (using the Department of the Treasury's risk rating scale); and mix of performance reporting (milestones, benchmarks).

1.20 The audit was conducted in accordance with the ANAO Auditing Standards at a cost to the ANAO of approximately \$365 000.

1.21 Team members for this audit were Marian Allen, Luke Josey, Shane Svoboda, Ben Readshaw and Andrew Morris.

2. Developing National Partnership Agreements

Areas examined

The ANAO assessed the extent to which monitoring and payment arrangements for the selected National Partnership Agreements have been developed in line with the principles and design requirements of the 2009 *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement).

Conclusion

The National Partnership Agreements examined are largely consistent with the principles and design requirements of the Intergovernmental Agreement, but there was mixed adherence to the performance and funding requirements of the Intergovernmental Agreement. While listing National Partnership Agreements on the Council on Federal Financial Relations' website provides transparency of the intent of the agreements, there is no public reporting of performance on that website and disparate reporting elsewhere, which weakens transparency and accountability about the value of the agreements.

Areas for improvement

The ANAO has made two recommendations aimed at improving the transparency and accountability of National Partnership Agreements through consistent, public reporting on outcomes achieved by National Partnership Agreements (paragraph 2.29) and amending the Intergovernmental Agreement to reflect current practice (paragraph 2.12). Improved transparency could also be achieved by amending agreements to include specific outputs that are aligned with agreement outcomes (paragraph 2.17).

Are National Partnership Agreements consistent with the principles and design requirements of the Intergovernmental Agreement?

The National Partnership Agreements examined are consistent with the principles of the Intergovernmental Agreement, relating to clarifying responsibilities, providing flexibility in service delivery and enhancing accountability to the public. The 17 agreements examined are also consistent with the design requirements of the Intergovernmental Agreement. Where there was some inconsistency, this was virtually always because the design requirement did not apply at the time of signing or to the type of agreement. The high level of consistency across National Partnership Agreements reflects central oversight and common processes introduced by the Department of the Prime Minister and Cabinet and the Department of the Treasury following the introduction of the Intergovernmental Agreement.

Although the last existing agreement with reward payments recently ceased, these agreements remain a feature of National Partnership Agreements. While not urgent, the Intergovernmental Agreement should be updated to reflect the current role of the Productivity Commission in assessing performance benchmarks for reward payments, rather than reflecting the previous arrangements involving the abolished COAG Reform Council.

2.1 The objectives and principles of the Intergovernmental Agreement are supported by a series of design requirements for agreements that are intended to improve the quality, efficiency and effectiveness of government service delivery through agreements that:

- clarify the level of government responsible for achieving outcomes and outputs so that the appropriate government can be held accountable;
- provide flexibility in the delivery of services by the States, including through reduced Commonwealth prescription, a focus on achieving outcomes and incentives for implementing reforms and achieving outcomes; and
- enhance accountability to the public for the outcomes achieved or outputs delivered under National Partnership Agreements.⁴

2.2 A Guide for National Partnership Agreements prepared by the Council on Federal Financial Relations outlines the design requirements (refer Appendix 3) for the National Partnership Agreements, consistent with the design principles of the Intergovernmental Agreement.

2.3 The ANAO's examination of 17 National Partnership Agreements found a high level of consistency with the design requirements of the Intergovernmental Agreement, as evident in Table 2.1. Where there was inconsistency, this was usually because the design requirement did not apply at the time of signing or to the type of agreement.

Table 2.1: Consistency of National Partnership Agreements with design requirements

Design requirements	ANAO assessment of selected agreements
Overview	Of the 17 agreements examined, six (35 per cent) provided an overview. All agreements missing an overview pre-date 2015 when this became a requirement.
Parties	All agreements identified the parties to the agreement.
Term	Twelve agreements (71 per cent) were time limited and had an expiry date. Three agreements—Water for the Future, Specified Projects and Health Infrastructure Projects—are omnibus agreements that expire when all schedules expire. Also the Home and Community Care Agreement ^a , classified as a 'deemed' agreement, does not have an expiry date.
Delegations	All agreements have delegated authority to Portfolio Ministers to agree schedules to the agreements (this does not apply to Project Agreements ^b).
Objectives	Eleven of the 17 agreements identified objectives. Five agreements were Project Agreements that include outputs but not objectives or outcomes, which are not required under current guidelines although required under the performance framework for the Intergovernmental Agreement. The <i>National Partnership Agreement on Health Infrastructure Projects</i> did not specify an objective, which is required under the current guidelines and performance framework of the Intergovernmental Agreement.

4 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, Schedule E, Clause E8-18, E22.

Design requirements	ANAO assessment of selected agreements
Outcomes	<p>Ten of the 17 agreements identified outcomes. Five agreements were Project Agreements that include outputs but not objectives or outcomes which are not required under current guidelines although required under the performance framework for the Intergovernmental Agreement.</p> <p>The National Partnership Agreements on Specified Projects and Health Infrastructure Projects did not specify outcomes although required under the current guidelines and performance framework of the Intergovernmental Agreement. These two agreements were developed to consolidate and replace previous stand-alone agreements. Although outputs are specified for the projects listed in the schedules to both agreements, outcomes are not specified.</p>
Outputs	All agreements identified outputs.
Roles and responsibilities	All agreements identified the roles and responsibilities of the Commonwealth and jurisdictions.
Performance measures (indicators and benchmarks)	All agreements had performance measures. Performance measures were typically included in schedules or Implementation Plans to the agreements. Some performance measures—for example, the Land Transport Infrastructure Projects Agreement's performance measures—are specified in individual project plan documents that are not publicly available.
Financial arrangements	All agreements identified the annual Commonwealth financial commitments.
Governance arrangements	Sixteen agreements have a 'governance' section outlining processes for collaboration, variation, review and dispute resolution arrangements. The exception is the Home and Community Care Agreement. ^a
Variation	All agreements have a standard variation clause.
Signature page	All agreements were signed.

Note a: The *Review Agreement for the Home and Community Care Program* existed prior to the 2009 *Intergovernmental Agreement on Federal Financial Relations* and has been classified as a 'deemed' National Partnership Agreement.

Note b: Project Agreements are a simpler form of a National Partnership Agreement for low value and/or low risk projects.

Source: ANAO analysis.

2.4 Outcomes were not specified in two agreements on Specified Projects and Health Infrastructure Projects and should have been. These two agreements were developed to consolidate and replace previous stand-alone agreements and are omnibus agreements that were to be phased out following the findings of the 2010 Heads of Treasuries' Review. Omnibus agreements were introduced in 2009 as a means of reducing administrative costs associated with implementing small, sometimes related projects by allowing Portfolio Ministers rather than First Ministers to sign off on specific projects. However, the 2010 Heads of Treasuries' Review noted that omnibus agreements lacked transparency as First Ministers were signing off on a 'shell' document with relevant project details attached in Implementation Plans. Also, they noted the difficulty with specifying objectives and outcomes for projects that were often unrelated. The 2010 Heads of Treasuries' Review recommended that omnibus agreements were to be phased out and replaced with Project Agreements for low value/low risk projects that could be signed by Portfolio Ministers

rather than First Ministers.⁵ To be consistent with the objectives for National Partnership Agreements, Project Agreements should also have links to outcomes.

2.5 Under the Intergovernmental Agreement, National Partnership Agreements are time limited agreements and it is expected that agreements would identify expiry dates. However, four of the 17 agreements examined did not have an expiry date. While the agreements on Specified Projects and Health Infrastructure Projects did not have a specific expiry date, expiry of the agreement was linked to completion of projects in the agreements' schedules. The 2009 *National Partnership Agreement on Water for the Future* also did not have an expiry date, which the department advised reflects the commitments of the Water Management Partnership Agreements that were being developed with States based on the 2008 Murray-Darling Basin Intergovernmental Agreement.

2.6 Although more than half (65 per cent) of the National Partnership Agreements examined were missing a brief overview summarising the agreement, these agreements were in place prior to 2015 when it became a design requirement for National Partnership Agreements.

Processes for developing agreements

2.7 The high level of adherence to the design principles and requirements of the National Partnership Agreements has been achieved in the context of central oversight and common processes introduced by the departments of the Prime Minister and Cabinet and the Treasury following the introduction of the Intergovernmental Agreement in 2009. Standard processes require:

- Commonwealth Portfolio Ministers to obtain policy and Budget authority from the Prime Minister and Treasurer, respectively, before a National Partnership Agreement or Project Agreement is considered;
- Commonwealth entities to obtain a payment classification from the Department of Finance before a National Partnership Agreement or Project Agreement is considered, to determine whether a payment falls under the Federal Financial Relations framework⁶;
- early consultation between central entities and portfolio entities on the design of National Partnership Agreements;
- early consultation with the Department of the Treasury (Treasury) on the payment design structure for agreements, including whether agreements should recognise partial performance;
- the use of a standard agreement template for National Partnership Agreements, Implementation Plans and Project Agreements;
- the Prime Minister, Premiers and Chief Ministers to agree and sign National Partnership Agreements (except for Project Agreements that can be signed by Portfolio Ministers); and

5 Heads of Treasuries, *Report of the Review of National Agreements, National Partnerships and Implementation Plans under the Intergovernmental Agreement on Federal Financial Relations*, Vol 1, 2010, pp. 10 & 11.

6 The classification of payments determines whether a payment falls under the Federal Financial Relations framework. As outlined in *Federal Finances Circular 2015/01 on Developing National Partnerships under the Federal Financial Relations Framework*, the Department of Finance has responsibility for classifying payments.

- variations to National Partnership Agreements in relation to milestones, funding and reporting conditions to be agreed between signatories to agreements (generally First Ministers) and not be unilaterally changed during the life of the agreement.

2.8 Standard processes are outlined in Federal Finance Circulars and guidance material that is publicly available on the Council on Federal Financial Relations website.⁷ The guidance material is collectively referred to as the ‘toolkit’ and includes a guide for drafting, finalising and varying agreements under the Federal Financial Relations framework; road maps and templates for different types of agreements; and guidance material for the review of agreements, development of payment schedules, reduction of input controls and performance reporting frameworks.

2.9 The 2010 Heads of Treasuries’ Review has provided the basis for improved processes to coordinate and implement National Partnership Agreements across government.⁸ The findings of the 2010 Review were reported in two volumes with 43 key recommendations reported in volume one and 72 operational recommendations reported in volume two. The recommendations aimed to strengthen central oversight and improve consistency in the design and management of National Partnership Agreements.

Reward payments

2.10 The Intergovernmental Agreement provides for ‘National Partnership Payments to the States and Territories to support the delivery of specific outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms’.⁹ Relatively few National Partnership Agreements involve reward payments. Treasury advised that over the last eight years, only seven National Partnership Agreements have involved reward payments, five of which were funded during 2009–13. The *National Partnership Agreement on Essential Vaccines* was the last agreement involving reward payments and expired in July 2017.

2.11 Under the Intergovernmental Agreement, making reward payments to States is contingent on assessment by the COAG Reform Council that performance benchmarks have been achieved. Following the abolition of the COAG Reform Council on 30 June 2014, assessment for reward payments has been undertaken by the Productivity Commission. However, the role of the COAG Reform Council in relation to reward payments for National Partnership Agreements and specific purpose payments under National Agreements remains in the Intergovernmental Agreement. The Intergovernmental Agreement should be amended to reflect the new assessment arrangements.

7 Council on Federal Financial Relations website: <www.federalfinancialrelations.gov.au> [accessed 23 October 2017].

8 Heads of Treasuries, *Report of the Review of National Agreements, National Partnerships and Implementation Plans under the Intergovernmental Agreement on Federal Financial Relations*, Vol 1 & 2, December 2010.

9 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, Schedule D, Clause D33, p. D-5.

Recommendation no.1

2.12 The Department of the Prime Minister and Cabinet and the Department of the Treasury recommend to the Council of Australian Governments, through the Council on Federal Financial Relations, that the 2009 *Intergovernmental Agreement on Federal Financial Relations* and associated documents be amended to remove reference to the abolished COAG Reform Council and refer to the Productivity Commission as appropriate.

Department of the Prime Minister and Cabinet response: *Agreed.*

2.13 *Noting that any changes to the Intergovernmental Agreement on Federal Financial Relations must be agreed by all signatories.*

Department of the Treasury response: *Agreed.*

2.14 *Noting that amendments to the Intergovernmental Agreement must be agreed by the Commonwealth and all states. Treasury, along with the Department of the Prime Minister and Cabinet, will seek to ensure this change is made at the next available opportunity.*

Are National Partnership Agreements consistent with the performance and funding requirements of the Intergovernmental Agreement?

The National Partnership Agreements examined have mixed adherence to the performance and funding requirements of the Intergovernmental Agreement—a performance framework with payments linked to progress against outcomes or outputs, based on clear and precise measures of performance. Eight of the 17 agreements examined (47 per cent) did not have both an outcome-focused performance framework and sound payment design:

- five agreements (29 per cent) did not have an outcome-focused performance framework with payments linked to progress against outcomes, and outputs based on clear and precise measures of performance such as performance benchmarks or milestones;
- two agreements (12 per cent) did not have sound payment design, where payments were linked to the achievement of performance milestones; and
- one agreement did not have either an outcome-focused performance framework or a sound payment design.

2.15 As discussed in paragraph 1.1, the Intergovernmental Agreement was designed to increase government accountability through a combined focus on the achievement of outcomes, clearer specification of roles and responsibilities, and enhanced performance reporting. The intention was that National Partnership Agreements would include performance frameworks that tie Commonwealth payment to the achievement of agreed outcomes and outputs through the use of clear and specific measures of performance.

2.16 The ANAO assessed National Partnership Agreements to determine whether there is an outcome-focused performance framework tied to progress payments. Seventeen National Partnership Agreements were examined to determine whether there was:

- an outcome-focused performance framework. Specifically, that progress is reported using clear and precise performance milestones that are linked to outputs which, in turn, are

linked to outcomes. This enables the Commonwealth to determine whether outcomes have been achieved (or outputs in the case of Project Agreements); and

- sound payment design. Payments are designed to create an incentive for the achievement of outcomes and/or outputs by being linked to the achievement of performance milestones and/or benchmarks.

2.17 Although all National Partnership Agreements examined had a broad performance framework with performance indicators, benchmarks and/or milestones, Table 2.2 shows that seven of the 17 agreements examined did not have either an outcome-focused performance framework or sound payment design, and another agreement had neither. Six agreements did not have an outcome-focused performance framework with payments linked to progress against outcomes, and outputs based on clear and precise measures of performance such as performance benchmarks or milestones. Three agreements did not have sound payment design, where payments were linked to the achievement of performance milestones.

Table 2.2: Assessment of performance frameworks

Department	National Partnership Agreement	Outcome focused performance framework	Sound payment design
Agriculture	Project Agreement for Pest Animal and Weed Management in Drought-Affected Areas	✓	✓
	Project Agreement for the Augmentation of Chaffey Dam	✓	✓
	National Partnership Agreement on Water for the Future—Sustainable Rural Water Use and Infrastructure	✗	✓
	National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin	✗	✓
	Project Agreement for Tasmanian Irrigation Tranche II	✓	✓
Health	Review Agreement for the Home and Community Care (HACC) Program ^a	✗	✗
	National Partnership Agreement on Specified Projects	✗	✓
	National Partnership Agreement on Essential Vaccines	✓	✓
	Project Agreement for Renal Infrastructure in the NT	✓	✗
	National Partnership Agreement on Adult Public Dental Services	✓	✓
	Project Agreement for the Upgrade of Ballina Hospital	✓	✗
	National Partnership Agreement for Health Infrastructure Projects	✗	✓

Department	National Partnership Agreement	Outcome focused performance framework	Sound payment design
Infrastructure	National Partnership Agreement on SA River Murray Sustainability Program [<i>Part A only</i>]	✓	✓
	National Partnership Agreement on Land Transport Infrastructure Projects	✗	✓
PM&C	National Partnership on Remote Housing	✓	✓
	National Partnership Agreement on Stronger Futures in the Northern Territory	✓	✓
Treasury	National Partnership Agreement on Asset Recycling	✓	✓

Note a: The *Review Agreement for the Home and Community Care Program* existed prior to the 2009 *Intergovernmental Agreement on Federal Financial Relations* has been classified as a 'deemed' National Partnership Agreement.

Source: ANAO analysis of National Partnership Agreements.

2.18 Table 2.2 outlines weaknesses in either the performance framework or payment design of eight of the 17 National Partnership Agreements. The main weaknesses were:

- insufficient measurement of outcomes—either an absence of outcome measures or lack of alignment between outcome measures and output measures or other performance measures; and
- payments not being appropriately linked to the achievement of performance benchmarks or milestones.

2.19 Six National Partnership Agreements did not have a coherent, outcome-focused performance framework where objectives, outcomes and outputs were clearly defined and linked; with performance measures that reliably indicated progress towards the achievement of outputs/outcomes.

- The *National Partnership Agreement on Land Transport Infrastructure Projects* does not clearly articulate the links between objectives, outcomes and outputs. As this agreement involves the transfer of nearly half of Commonwealth funding for National Partnership Agreements, it is important that outputs are clearly defined and readily linked to the agreement's outcomes. Under the agreement, the outputs are defined in terms of 'successful delivery of land transport infrastructure and planning projects funded under the programme'.¹⁰ The state schedules to the agreement lists projects under established programs (such as Investment (Road), Investment (Rail) and Black Spot Projects) but do not link these programs in term of outcomes or outputs. Outcomes and outputs are referenced in the agreement as being in the *National Land Transport Act 2014*, but are not explicitly listed in the agreement. When renegotiating the next agreement, parties to the agreement should consider more clearly defining and logically linking outcomes and outputs with reference to the existing program structure. Also a revised agreement should include a performance measurement framework that clearly outlines the range of

10 Council of Australian Governments, *National Partnership Agreement on Land Transport Infrastructure Projects*, 2014–19, website: <www.federalfinancialrelations.gov.au> [accessed 29 March 2018].

performance measures that would be included in the project plans to indicate successful achievement of outputs and outcomes. This would aid transparency and accountability under the agreement.

- The *National Partnership Agreement on Water for the Future—Sustainable Rural Water Use and Infrastructure* lacked specific outputs linked to agreement outcomes. The lack of clear alignment between outcomes and outputs makes it difficult to determine whether outcomes are being achieved under the National Partnership Agreement.¹¹
- The *National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin* lacked specific outcome measures in the milestones and criteria for assessing the performance of NSW under the agreement. As reported by the ANAO in November 2017, this represented a significant weakness in the performance framework.¹²
- Two agreements (*National Partnership Agreement for Health Infrastructure Projects* and *National Partnership Agreement on Specified Projects*) are omnibus agreements established to streamline administrative and reporting processes for low value/low risk agreements, and do not have clear links to overarching objectives and outcomes.
- The *Review Agreement for the Home and Community Care (HACC) Program* does not have an outcome focused performance framework that links measures with outputs and outcomes. This is a ‘deemed’ agreement which existed prior to the introduction of the Intergovernmental Agreement in 2009.¹³

2.20 Three agreements had payments that were not linked to the achievement of performance benchmarks or milestones:

- The *Review Agreement for the Home and Community Care (HACC) Program* does not link payment with the achievement of performance benchmarks.
- Two of the 17 National Partnership Agreements examined (*Project Agreement for Renal Infrastructure in the Northern Territory* and *Project Agreement for the Upgrade of Ballina Hospital*) both had final payments made prior to the successful completion of the projects.

2.21 Appendix 4 describes in greater detail those National Partnership Agreements with weaknesses in performance frameworks.

11 The Department of Agriculture and Water Resources advised the ANAO that the Water for the Future National Partnership Agreement does not meet the outcome-framework criteria because it was signed by Ministers in late 2009 to early 2010, prior to the COAG endorsed Conceptual Framework for Performance Reporting under the Intergovernmental Agreement in February 2011.

12 ANAO, Audit Report No. 17 of 2017–2018, *New South Wales’ Protection and use of Environmental Water in the Murray-Darling Basin*, p. 5, available from <<https://www.anao.gov.au/work/assurance-review/dept-agriculture-water-resources-assessment-nsw-protection-use-environmental-water-mdb>>, [accessed 4 March 2018].

13 Section 4.3 of the Explanatory Memoranda for the *Federal Financial Relations Act 2009* States that ‘Some existing payments ... will become National Partnership project payments where they support national objectives and provide a financial contribution to the States to deliver specific projects’. Agreements relating to these payments that were not rolled into Specific Purpose Payments or converted to general revenue were incorporated into the Federal Financial Relations framework as ‘deemed’ National Partnership Agreements.

Innovative payment design

2.22 National Partnership Agreements that facilitate reform often require more innovative payment models than agreements that support the delivery of specific projects. Two agreements with innovative payment designs are outlined in the case studies below.

Case study 1. Asset Recycling

The *National Partnership Agreement on Asset Recycling*, administered by Treasury, is an agreement to increase investment in productivity-enhancing infrastructure by encouraging the sale of state-owned assets to unlock funds and recycle the capital into additional infrastructure. The Commonwealth's financial contributions are managed as an Asset Recycling Pool (the Pool) from which the Commonwealth allocates financial contributions to the States from 2014–15 to 2018–19. Funding from the Pool is allocated on a first-come, first-served basis. States have up to two years to agree with the Commonwealth the specific assets to be sold and the additional infrastructure investment to be supported by funding from the Pool, which will be detailed in schedules to the agreement. The sale of the asset must be completed and the construction of the additional infrastructure must commence on or before 30 June 2019. If the asset sale does not proceed, and/or the State terminates their participation in the agreement, the State will be required to repay the initial payment. In such cases, the Commonwealth may return the funds to the Pool and reallocate funds to another project or projects under this agreement. This payment structure, referred to as a competitive pool, is designed to maximise incentives to achieve the desired outcomes, ensure transparency and reduce financial exposure to the Commonwealth.

Case study 2. Remote Indigenous Housing

In 2010, the Commonwealth introduced a Competitive Bids Process under the *National Partnership Agreement on Remote Indigenous Housing*^a to provide greater transparency and improved value for money. The agreement is a ten year program to help address significant overcrowding and housing shortages in remote Indigenous communities. Under the agreement, states build and upgrade remote housing, improve the management of the houses and create job opportunities. A new Remote Housing Strategy was negotiated to replace the last two years of the National Partnership Agreement (2016–17 to 2017–18). The revised agreement outlines the parameters for the benchmarks/milestones (for example, the number of new houses and refurbishments).

Under the agreement, jurisdictions set capital works plans and targets with links to agreed outcomes/milestones every two years. If a jurisdiction fails to meet a milestone, the Commonwealth is able to withhold payment until the milestone is met. If a jurisdiction does not meet its two-year milestone, the Commonwealth can apply a financial penalty of up to 25 per cent of funding allocated and return it to the competitive pool.

Note a: The National Partnership Agreement was revised in 2016 and referred to as the *National Partnership Agreement on Remote Housing*.

Does public reporting under National Partnership Agreements provide adequate accountability and transparency?

Public reporting under National Partnership Agreements does not provide adequate accountability and transparency. While expected outcomes and outputs for all National Partnership Agreements are listed on the Council on Federal Financial Relations website, the extent to which outcomes and outputs have been successfully achieved is not reported on the website. There is some reporting on performance achieved through agreements on portfolio departments' websites and annual reports, which has typically focused on the major agreements. More consistent, centralised public reporting of achievement of outcomes and outputs under all National Partnership Agreements is required to meet the transparency and accountability objectives of the Intergovernmental Agreement.

2.23 A key objective of the Intergovernmental Agreement is 'enhanced public accountability ... with a focus on the achievement of outcomes, efficient service delivery and timely public reporting'.¹⁴ Under the current arrangements, a number of mechanisms are in place for the Australian Parliament to gain a level of insight on the operation of National Partnership Agreements; however, none of these mechanisms provide consolidated reporting of the outcomes achieved under National Partnership Agreements.

2.24 The Council on Federal Financial Relations website lists National Partnership Agreements, including schedules, Implementation Plans and Project Agreements.¹⁵ Listing these agreements provides publicly available information on agreed outcomes/outputs, Commonwealth/State roles and responsibilities, and financial commitments under National Partnership Agreements. The Council on Federal Financial Relations website provides a central source of information on National Partnership Agreements.

2.25 Under the Intergovernmental Agreement, the COAG Reform Council was required to report to the Prime Minister (as Chair of COAG) on performance against the National Agreements (for Specific Purpose Payments) and National Partnership Agreements to the extent that they supported objectives of National Agreements. In addition, the COAG Reform Council was required to assess performance in relation to National Partnership Agreements with reward payments.¹⁶ The performance reports have been made publically available through the COAG website. Following the abolition of the COAG Reform Council in 2014, reporting on outcome performance under the sole remaining reward agreement, the *National Partnership on Essential Vaccines*, was undertaken by the Productivity Commission.¹⁷ This agreement has now been replaced by a new agreement that is not a reward agreement.

14 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, Part 2: Objectives, Clause 5(b), p. 4.

15 Sensitive information that should not be publicly available may be withheld on request. For example, where agreements contain commercial-in-confidence information, publication may be withheld or delayed, or sensitive material may be removed from the relevant document.

16 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, Schedule A—Institutional Arrangements, p. A-2.

17 Productivity Commission, *National Partnership Agreement on Essential Vaccines 2016–17*, available from <www.pc.gov.au/research/ongoing/essential-vaccines-assessment/2015-2016>, [accessed 6 March 2018].

2.26 Table 2.3 shows that of the five departments examined, all departments except Treasury reported on the performance of some of their National Partnership Agreements across 2015–16 and 2016–17. Reporting was provided through the departments' websites¹⁸ (typically on the more significant agreements) and selectively in their annual reports. Reporting varied in nature and detail—for some agreements reporting was at a high level (typically the outcomes of agreements), while for other agreements reporting was more detailed (against specific indicators and milestones). In some instances, departments also published the findings of internal audits or reviews.

Table 2.3: Number of National Partnership Agreements reported on by audited entities in their annual reports and/or website

Entity	Number of entity agreements reported on in their annual reports and/or website	
	2015–16	2016–17
Department of Agriculture and Water Resources	9 out of 15	7 out of 12
Department of Health	5 out of 47	3 out of 29
Department of Infrastructure, Regional Development and Cities	2 out of 4	2 out of 4
Department of the Prime Minister and Cabinet	2 out of 4	2 out of 3
Department of the Treasury	0 out of 4	0 out of 2

Source: ANAO analysis of entities' annual reports and online reporting for 2015–16 and 2016–17.

2.27 Performance information is routinely collated by portfolio departments and, importantly, a review is to be completed prior to the expiry of a National Partnership Agreement. Under guidance provided by the Council on Federal Financial Relations, National Partnership Agreements are to be formally reviewed no later than six months prior to the expiry of the agreement. The reviews are to examine:

the effectiveness of the policy or program in achieving the outcomes of the National Partnership, and the extent to which the objectives have been achieved, including through the assessment of performance against project milestones and/or performance benchmarks, and reasons for any underperformance.¹⁹

2.28 Publication of these reviews is not required, and the ANAO observed that this only happened occasionally. To meet public accountability objectives, it is important that all reviews are consolidated and published in a readily accessible location, such as the Council on Federal Financial Relations website. Publication of the final outcomes on this website would complement existing information on the planned outcomes identified in National Partnership Agreements.

18 For some agreements, performance against milestones was also reported on the websites of other entities—for example, performance under the *National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin* was reported on the Murray-Darling Basin Authority's website, as well as that of the Department of Agriculture and Water Resources' website.

19 Council on Federal Financial Relations, *A Short Guide to Reviewing National Partnerships*, p. 4, available from <www.federalfinancialrelations.gov.au> [accessed 23 October 2017].

Recommendation no.2

2.29 The Department of the Treasury, through the Council on Federal Financial Relations website, facilitates improved public reporting on the outcomes and impact of National Partnership Agreements.

Department of the Treasury response: *Agreed.*

2.30 *Treasury, in consultation with the Department of Prime Minister and Cabinet and states and territories, will pursue improved public reporting.*

3. Assessing performance and authorising payments under National Partnership Agreements

Areas examined

The ANAO assessed whether portfolio departments are monitoring the performance of the states and territories in line with the requirements of National Partnership Agreements; and whether the Department of the Treasury (Treasury) has made correct and timely payments in line with the requirements of the agreements.

Conclusion

There was mixed performance by the five portfolio departments examined in assessing performance against prescribed performance measures/milestones of National Partnership Agreements, with milestones being assessed as met without sufficient supporting evidence in 31 per cent of projects examined. Once assessments are made, the departments have sufficient controls to ensure accurate payment information is provided (with the required approval) to the Treasury via the Financial Payments Management System, and the Treasury has implemented sufficient controls to gain assurance over the accuracy and timeliness of payments.

Areas for improvement

There is scope for the five departments to strengthen the evidence base used to assess performance against measures/milestones for selected projects (paragraphs 3.8 to 3.10, 3.16 and 3.17), and for Treasury to calibrate its risk framework to account for the complexity of evidence collections in support of the performance assessment process (paragraph 3.17).

Have selected portfolio agencies adequately assessed performance against prescribed performance measures/milestones?

All five portfolio departments examined by the ANAO had assessed State performance against prescribed performance measures/milestones of National Partnership Agreements, although the adequacy of evidence used to assess performance varied across agreements. In five of 16 projects examined for 2015–16 and 2016–17, the departments had not assessed sufficient evidence to fully verify if milestone requirements of the agreements had been met. Two of these were for National Partnership Agreements that facilitate reform. Portfolio departments usually had a stronger evidence base for assessing achievement against performance milestones for those projects examined that had been assigned a high risk rating by Treasury than those with a medium or low risk rating, which is appropriate.

Agency assessment processes

3.1 The 2009 *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement) requires Commonwealth Ministers to authorise payments based on assessment of National Partnership Agreements' funding and performance requirements. Once the Commonwealth

Minister has authorised payment under a National Partnership Agreement, the Commonwealth Treasurer will approve (Determine) payment.²⁰

3.2 To make assessments against an agreement's funding and performance requirements, Commonwealth entities need to collect evidence relating to the achievement of the relevant measures/milestones set out in the agreement.²¹ Entities also need to assess the evidence to establish the validity of progress reported by States in achieving the measures/milestones. Further assurance can be provided when evidence is assessed and validated by an independent assessor, for example, the Productivity Commission.

3.3 The ANAO examined the evidence used by the five portfolio departments to assess progress against outputs and outcomes for ten²² of the 17 National Partnership Agreements examined in Chapter 2. The ten agreements (detailed in Appendix 5) have been classified into project and reform agreements as the type of outcome measures and evidence required under the two types of agreements differ:

- project-based National Partnership Agreements are designed to achieve specific projects (mainly infrastructure projects) and are associated with tangible milestone evidence; and
- reform-based National Partnership Agreements are designed to achieve reform outcomes and are generally associated with performance benchmarks. Reform agreements are often complex and multifaceted, with a number of outputs and outcomes, each requiring performance measures. Also the impact of reform may involve a significant time lag, which would require performance measures that can reliably measure the impact of change over time (that is, the performance benchmarks should show the trajectory of progress against an outcome and not just the expected end point).

Project-based agreements

3.4 Table 3.1 outlines the milestone evidence that was assessed for a selection²³ of nine projects under four National Partnership Agreements, and the ANAO's assessment of the adequacy of evidence used by the Commonwealth in assessing whether to recommend payments. The agreements assessed were:

- Land Transport Infrastructure Projects (three Major Infrastructure Projects, National Network Maintenance work, and one Black Spot Project);
- South Australian River Murray Sustainability;

20 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, Schedule D—Payment Arrangements, Clause D35, p. D-5.

21 The dates when the milestones are to be achieved and the type of evidence to be provided to the Commonwealth departments can be included within the body of the agreement but are normally outlined in schedules to the agreements, Implementation Plans or more specific project plans.

22 The selection of the 10 agreements was based on five criteria: high financial value; mix of State schedules to Agreements, all agreement types represented (Project Agreement, Implementation Plans, National Partnership Agreements with schedules, National Partnership Agreements without schedules); payment types represented (reward/facilitation payment and project payment); range of risk rating (using Treasury's risk rating scale); and mix of performance reporting (milestones, benchmarks).

23 The selection of projects from the 10 agreements was based on the same five criteria as the selection of agreements, as outlined in the previous footnote.

- Health Infrastructure Projects (two projects); and
- Augmentation of Chaffey Dam.

3.5 In Table 3.1, five of the six projects that are managed by the Department of Infrastructure, Regional Development and Cities fall under the *National Partnership Agreement on Land Transport Infrastructure Projects (2014–19)*.²⁴ The agreement is designed to contribute to the development of a ‘safe, sustainable national transport system’ with a total commitment by the Commonwealth of \$5.1 billion for 2016–17. Under the agreement, there are over 1200 projects for 2016–17 listed on the State schedules that are to be updated annually through the annual Programme of Works. The National Network Maintenance and Black Spot Projects programs are also funded under the agreement.

Table 3.1: Level of evidence used for projects under ‘project’ National Partnership Agreements

Entity	Project	Total value (\$m)	Risk ^a	Milestone evidence	ANAO rating
Infrastructure	North South Corridor Darlington Upgrade—Major Infrastructure (SA)	\$526	High	<ul style="list-style-type: none"> • Gazettal of property acquisition • Technical designs • Photographs • Press release/coverage 	3
Infrastructure	Moreton Bay Rail Link—Major Infrastructure (QLD)	\$583	High	<ul style="list-style-type: none"> • Summary of progress • Photographs • Certificate of Practical Completion 	3
Infrastructure	Pacific Highway: Woolgoolga to Ballina—Major Infrastructure (NSW)	\$4 000	High	<ul style="list-style-type: none"> • Photographs • Press release/coverage • Tender Invitation • Contract Award Notice 	3
Infrastructure	National Network Maintenance (WA)	\$240	High	<ul style="list-style-type: none"> • Spreadsheet data for annual road maintenance formula 	2
Infrastructure	Thomas Mitchell Drive—Black Spots (VIC)	\$2	High	<ul style="list-style-type: none"> • Spreadsheet data on project status and expenditure 	2
Infrastructure	South Australian Regional Economic Development (SA)	\$25	Low	<ul style="list-style-type: none"> • Summary of progress • Expenditure reports • Industry engagement records 	2

²⁴ The exception is the South Australian Regional Economic Development project, which falls under Schedule B of the *National Partnership Agreement on South Australian River Murray Sustainability Program—Part A*.

Entity	Project	Total value (\$m)	Risk ^a	Milestone evidence	ANAO rating
Health	Victorian Comprehensive Cancer Centre—Health Infrastructure Project (VIC)	\$117	High	<ul style="list-style-type: none"> • Summary of progress • Photographs • Certificate of Practical Completion 	3
Health	Midland Health Campus—Health Infrastructure Project (WA)	\$51	High	<ul style="list-style-type: none"> • Summary of progress • Photographs • Press release/coverage • Certificate of Practical Completion 	3
Agriculture	Augmentation of Chaffey Dam (NSW)	\$18	Low	<ul style="list-style-type: none"> • Summary of progress • Technical designs • Photographs • Press release/coverage 	3
Key to ANAO evidence rating					
1	Statement of Assurance by States with ‘no’ supporting evidence to verify the achievement of the performance measures/milestones				
2	Statement of Assurance by States with ‘some’ supporting evidence verifying achievement of some of the performance measures/milestones				
3	Statement of Assurance by the States with ‘strong’ evidence verifying achievement of all performance measures/milestones				

Note a: The risk rating assigned by Treasury is used to assess the risk to Treasury of making an incorrect payment. The ANAO used Treasury’s risk ratings as they are broadly based and capture material risk to the Commonwealth Government’s outlays. Treasury’s risk assessment is based on financial value, written complexity, number of projects, complexity of payment models, and the number and complexity of performance milestones of agreements.

Source: ANAO analysis of National Partnership Agreements.

3.6 As shown in Table 3.1, the ANAO considers that six of the nine projects where milestone evidence was provided had sufficient evidence to enable the portfolio department to verify if all milestone requirements had been met, and consequently recommend payments in 2015–16 and 2016–17. In all nine projects, the assessments were that milestones had been met.

3.7 The ANAO also examined the relationship between the level of evidence used to demonstrate achievement of milestones and the project risk ratings assigned by Treasury:

- five of the seven projects that Treasury had assessed as ‘high’ risk used a ‘strong’ evidence base in the assessment of milestones; and
- two ‘high’ risk projects (Black Spot and National Network Maintenance Programs) did not have the same level of supporting evidence as larger projects in the Infrastructure Investment Program. While progress reports were provided by the States for these programs, there was not the same level of validation of achievement of milestones for each project as for individual projects in the schedules to the *National Partnership Agreement on Land Transport Infrastructure Projects*.

3.8 The *National Partnership Agreement on Land Transport Infrastructure Projects* requires that States provide a monthly progress report for each relevant project in the Schedules, including details of milestones achieved. This is not a requirement for the sub-programs under the National Partnership Agreement including the Black Spot Program and National Network Maintenance expenditure.²⁵ The Department of Infrastructure, Regional Development and Cities advised the ANAO that this approach reflects the scale and risk profile of these programs, which fund smaller road projects delivered by state and local governments. The department also advised that requiring monthly reporting and photographic evidence of each project milestone would be a significant administrative burden, particularly for local governments. The ANAO suggests that the department considers a sampling approach to obtain evidence on a selection of project milestones each year as a way of improving the evidence base without greatly increasing administrative costs and imposts on the States.

3.9 The South Australian Regional Economic Development project is jointly administered by the Department of Infrastructure, Regional Development and Cities and the Department of Agriculture and Water Resources. The ANAO examined the infrastructure component administered by the Department of Infrastructure, Regional Development and Cities—*National Partnership Agreement on South Australian River Murray Sustainability Program—Part A*. The project aims to create opportunity for economic diversification and regional development for Murray-Darling Basin communities in the region by offering a series of grants. Milestone evidence provided to the Commonwealth for this project was not as comprehensive as that of the other infrastructure projects. Progress reports described activities undertaken, and the evidence attached to these reports consisted primarily of high-level financial statements and listings of industry engagement and grant funding recommendations. The ANAO was advised that the Commonwealth Department of Infrastructure, Regional Development and Cities held regular meetings with the South Australia government department and was provided with additional evidence of presentations used and the final project updates of completed projects.

3.10 Projects under National Partnership Agreements that provide strong supporting milestone evidence are outlined in the case studies below.

25 Under the Black Spot Program, the Australian Government has committed \$200 million for 2017–18 to improve sites that have a record of at least three accidents involving casualties over a five-year period, and exceed a specified benefit to cost threshold. States are to provide quarterly status reports on progress against priorities identified by state-based consultative panels. Under the National Network Maintenance Program, States are to provide an annual Road Maintenance Formula Data Report and a Maintenance Performance Report providing data on the condition, usage and expenditure on road maintenance.

Case study 3. North South Corridor Darlington Upgrade (SA)—*National Partnership Agreement on Land Transport Infrastructure Projects*

Sufficient evidence was provided by the South Australian government to demonstrate the achievement of progressive milestones for the North South Corridor Darlington Upgrade project in 2015–16 and 2016–17.

Evidence provided under the first milestone involving property acquisition included copies of the relevant Notices of Acquisition that were published in the South Australian Government Gazette. South Australia also provided a joint media statement issued by state and federal Ministers confirming the successful tender award for the project, alongside the project design report drafted by the successful tenderer.

During the project, South Australia demonstrated progress against project milestones through photographs of the various construction phases. Photographs included before-and-after shots demonstrating the demolition of pre-existing structures as well as land clearing necessary for the commencement of road construction. South Australia also provided updated copies of technical designs as necessary.

The ANAO also sighted Infrastructure’s internal records of milestone evidence review for the project that are submitted and tracked in the Infrastructure Management System. The records demonstrated an appropriate chain of review from the relevant program area to the delegated approver for milestone payments (typically a General Manager at the SES Band 1 level).

Case study 4. Midland Health Campus (WA)—*National Partnership Agreement on Health Infrastructure Projects*

Sufficient evidence was provided by the Western Australian government to demonstrate the achievement of progressive milestones for the Health Midland Campus project in 2015–16 and 2016–17.

Completion of construction of the hospital was demonstrated by a Project Director’s Report and a contractor’s progress report—both of which provide a breakdown of project progress as well as the works still to be completed. There was also a Works Inspection Report, which provides specific detail on the components of the project that are required to be finished prior to the final milestone. Both the Works Inspection Report and the contractor’s progress report include photographic evidence, the former detailing specific pieces of unfinished work that are to be completed in time for the final project milestone, and the latter demonstrating sections of the hospital’s construction that are finished.

Project completion was evidenced by a Certificate of Completion signed by an independent certifier, photographs of the completed hospital and a copy of a news article reporting on the opening of the hospital.

Reform agreements

3.11 Table 3.2 outlines the milestone evidence required for the six National Partnership Agreements examined that seek to facilitate reforms or reward those jurisdictions that deliver on nationally significant reform. These agreements have State schedules or Implementation Plans that contain the performance reporting framework. A set of the State schedules or Implementation Plans was selected for analysis from seven projects under the six ‘reform’ National Partnership Agreements.²⁶

Table 3.2: Level of evidence used for projects under ‘reform’ National Partnership Agreements

Entity	Project	Value (\$m)	Risk ^a	Milestone evidence	ANAO rating
Health	Essential Vaccines (VIC, SA, WA)	\$832	Medium	<ul style="list-style-type: none"> Productivity Commission reports—assessment of results against benchmarks Random independent annual audits of vaccines purchased 	3
Health	Public Dental Services for Adults (TAS)	\$6	Low	<ul style="list-style-type: none"> Summary of progress Spreadsheet data on standardised performance metrics 	1
Treasury	Asset Recycling—asset sale of ACTTAB (ACT)	\$16	Medium	<ul style="list-style-type: none"> Summary of progress Press release/coverage Sale agreement Infrastructure investment project contract summary 	3
Treasury	Asset Recycling—asset sale of TransGrid (NSW)	\$987	Medium	<ul style="list-style-type: none"> Summary of progress Press release/coverage 	3
Agriculture	Implementing Water Reform in the Murray-Darling Basin (NSW)	\$83	Low	<ul style="list-style-type: none"> Statement of Assurance by State Review of milestone achievement by Commonwealth Environmental Water Holder and Murray Darling Basin Authority 	3

26 Within the selection of six National Partnership Agreements, the ANAO selected seven individual projects to test the milestone evidence provided by States to the Commonwealth for milestone payments. Seven criteria were used to select the sample: diversity of agencies (at least one project administered by each of the audited portfolio agencies); high financial value; diversity of states and territories, high and diverse Treasury risk ratings; diversity of type of the overarching agreement; diversity of payment type; and diversity of performance measures (milestones and/or benchmarks).

Entity	Project	Value (\$m)	Risk ^a	Milestone evidence	ANAO rating
Agriculture	National Framework for Compliance and Enforcement Systems for Water Resource Management Project (NSW, QLD)	\$8	High	<ul style="list-style-type: none"> Summary of progress Tables of data and analysis Photographs Industry distributed documents URLs to external documents 	3
P&MC	Remote Housing (NT)	\$288	High	<ul style="list-style-type: none"> Summary of progress Supporting documentation including data spreadsheets, industry/stakeholder distributed documents 	2
Key to ANAO evidence rating					
1	Statement of Assurance by States with 'no' supporting evidence to verify the achievement of the performance measures/milestones				
2	Statement of Assurance by States with 'some' supporting evidence verifying achievement of some of the performance measures/milestones				
3	Statement of Assurance by the States with 'strong' evidence verifying achievement of all performance measures/milestones				

Note a: The risk rating assigned by Treasury is used to assess the risk to Treasury of making an incorrect payment. The ANAO used Treasury's risk ratings as they are broadly based and capture material risk to the Commonwealth Government's outlays. Treasury's risk assessment is based on financial value, written complexity, number of projects, complexity of payment models, and the number and complexity of performance milestones of agreements.

Source: ANAO analysis of National Partnership Agreements.

3.12 As shown in Table 3.2, the ANAO considers that five of the seven projects where milestone evidence was provided had sufficient evidence to enable the portfolio department to verify if all milestone requirements had been met, and consequently recommend payments in 2015–16 and 2016–17. The assessments in all seven projects were that milestones had been met.

3.13 Of the seven projects examined under the six National Partnership Agreements, five projects used a 'strong' evidence base with evidence verified either by an independent third party such as the *National Partnership on Essential Vaccines* independently assessed by the Productivity Commission or the *National Partnership Agreement on Implementing Water Reform in the Murray Darling-Basin* (NSW) that involved independent input by the Murray-Darling Basin Authority and the Commonwealth Environmental Water Holder. Other projects verified evidence provided by States, for example, press releases, signed sales contracts, photographs, state-published documentation, and links to online documentation.

3.14 The *National Partnership Agreement on Remote Housing* (NT) used sufficient evidence to support achievement of eight of the ten milestones/benchmarks²⁷, but there was no evidence of

²⁷ The evidence included reviewing capital works employment and education housing proposals, sighting contracts and notices of acceptance, and checking of Google Earth satellite imagery to verify progression in housing construction.

validation of benchmarks in relation to improved property and tenancy management and indigenous employment resulting in a mixed result.

3.15 There was one project (*National Partnership Agreement for Adult Public Dental Services*) where the portfolio department did not validate the States' performance benchmarks with supporting evidence.

3.16 The level of evidence used by Commonwealth departments to assess outcome performance largely aligns with the risk rating assigned by Treasury. One exception is the *National Partnership Agreement on Remote Housing*, and in view of the 'high' risk rating assigned to this agreement, the Department of the Prime Minister and Cabinet could consider introducing more systematic checks to validate the benchmark data provided by the States.

3.17 Treasury's risk assessment for National Partnership payments is largely based on financial materiality with the complexity of agreements (number of projects, payment model and the number of performance milestones) also taken into account. The ANAO noted that Treasury does not account for the complexity of evidence required to assess performance in assigning risk ratings. There may be scope for Treasury to calibrate its risk framework to account for the complexity of evidence collection for reform projects or those with outcomes that are difficult to assess, as this has implications for the appropriateness of payments made by Treasury.

Do selected portfolio entities have adequate controls over the payment approval process?

The five portfolio departments examined have adequate controls over the payment approval process. The departments have adopted a range of payment approval processes, although a number of standard controls are also in place.^a As part of auditing 2016–17 financial statements, the ANAO confirmed that in all five departments National Partnership Agreement payments had been correctly approved by authorised delegates. Also, the information submitted by these departments to Treasury via the Financial Payments Management System had been in accordance with the certified payments and the requirements of National Partnership Agreements.

Note a: Standard controls include: separation of duties between officers responsible for making assessments as to whether a milestone had been met and officers responsible for recommending payment approval; Ministerial (or approved delegate) approval of payment; and authorisation by the Chief Financial Officer (or approved delegate) of the correct payment amount prior to submitting the payment to Treasury.

3.18 The five selected portfolio departments have adopted largely similar processes for assessing and certifying payments under National Partnership Agreements. The ANAO examined these processes to determine whether the entities had sufficient process controls to ensure that payments were being correctly and properly authorised in accordance with the requirements of National Partnership Agreements. Table 3.3 outlines the departments' process controls.

Table 3.3: Departmental process controls for authorisation of National Partnership Agreement payments

Department of Agriculture and Water Resources
<ul style="list-style-type: none"> • progress/milestone reports submitted by States are assessed by program area against agreed milestones; • Ministerial (or delegate) approval of milestone funding based on departmental submission; and • payment checked and certified by the Assistant Secretary, Financial Management Branch (delegated by the Chief Financial Officer).
Department of Health
<ul style="list-style-type: none"> • progress/milestone reports submitted by States are assessed by program area against agreed milestones; • a funding pack outlining the specific payments to be approved is submitted on a monthly basis to the relevant Assistant Secretary (approved delegate) for approval. The funding pack includes information and supporting evidence to demonstrate achievement of performance funding conditions for each payment; • approved delegate authorises payment following review of documentary evidence (manual process); • approved payment schedules are sent to the Financial Management Division; and • approved payment schedules are collated and a monthly National Partnership Payments summary is prepared for the final sign off by the Chief Financial Officer (or delegate).
Department of Infrastructure, Regional Development and Cities
<ul style="list-style-type: none"> • Ministerial approval of schedule of projects; • progress/milestone reports submitted monthly by States are assessed by program area against agreed milestones; • the relevant General Manager in the Department (SES band 1) approves milestone payment on the basis that the conditions for payment have been satisfied (electronic process); and • payment checked and certified by the Chief Financial Officer.
Department of the Prime Minister and Cabinet
<ul style="list-style-type: none"> • progress/milestone reports submitted monthly by States are assessed by program area against agreed milestones; • Ministerial approval of milestone funding based on recommendation of Group/Branch Manager (manual process); • signing off of payment certificate by the Group/Branch Manager following Ministerial approvals; and • payment certificates checked, consolidated and certified by the Chief Financial Officer.
Department of the Treasury
<ul style="list-style-type: none"> • progress/milestone reports submitted by States are assessed by program area against agreed milestones; • Ministerial approval of milestone funding based on recommendation of Head of Division (manual process); • <u>all</u> National Partnership Agreement payments (including those under National Partnership Agreements administered by Treasury) checked and certified by the Chief Financial Officer; and • Treasury staff prepare a determination under section 16 of the <i>Federal Financial Relation Act 2009</i> for the Treasurer's signature. Once the determination has been signed, a formal minute is sent to the Chief Financial Officer requesting that the payment be processed.

3.19 The processes adopted by Department of Health and the Department of Infrastructure, Regional Development and Cities are more centralised than the processes adopted by other audited agencies due to the significant volume of agreements administered by the two agencies. The Department of Health is responsible for managing over a quarter of the National Partnership Agreements funded by the Commonwealth in 2016–17 and the submission and approval process is coordinated through the Financial Management Division.

3.20 The Department of Infrastructure, Regional Development and Cities administers the *National Partnership Agreement on Land Transport Infrastructure Projects*, which involves more than 1200 individual projects. The department's Infrastructure Investment Division uses an electronic-based system to manage projects and administer milestone payments to States—the Infrastructure Management System (IMS).²⁸ States submit monthly progress reports for each project via IMS, and these reports provide the basis for the department monitoring the progress of projects against agreed project milestones, which triggers the payment process. The IMS provides a number of system-based controls over the accuracy and timeliness of payments. Additionally, a probabilistic cost estimation process is used for projects with a total anticipated cost²⁹ exceeding \$25 million and informs the milestone payment schedule for projects. A cost increase in excess of the payment limit will only be released where there has been demonstrated need and approval has been provided in IMS by a senior official with delegated authority.

3.21 As part of auditing 2016–17 financial statements, the ANAO confirmed that in the selection of tested National Partnership Payments made in 2016–17, all five audited agencies had conducted milestone assessments and all payments were correctly approved by authorised delegates. As part of this testing, the information submitted by agencies to Treasury via the Financial Payments Management System was also checked and determined to have been in accordance with the payments approved and the requirements of the respective National Partnership Agreements.

Has Treasury implemented processes to ensure accurate and timely payments?

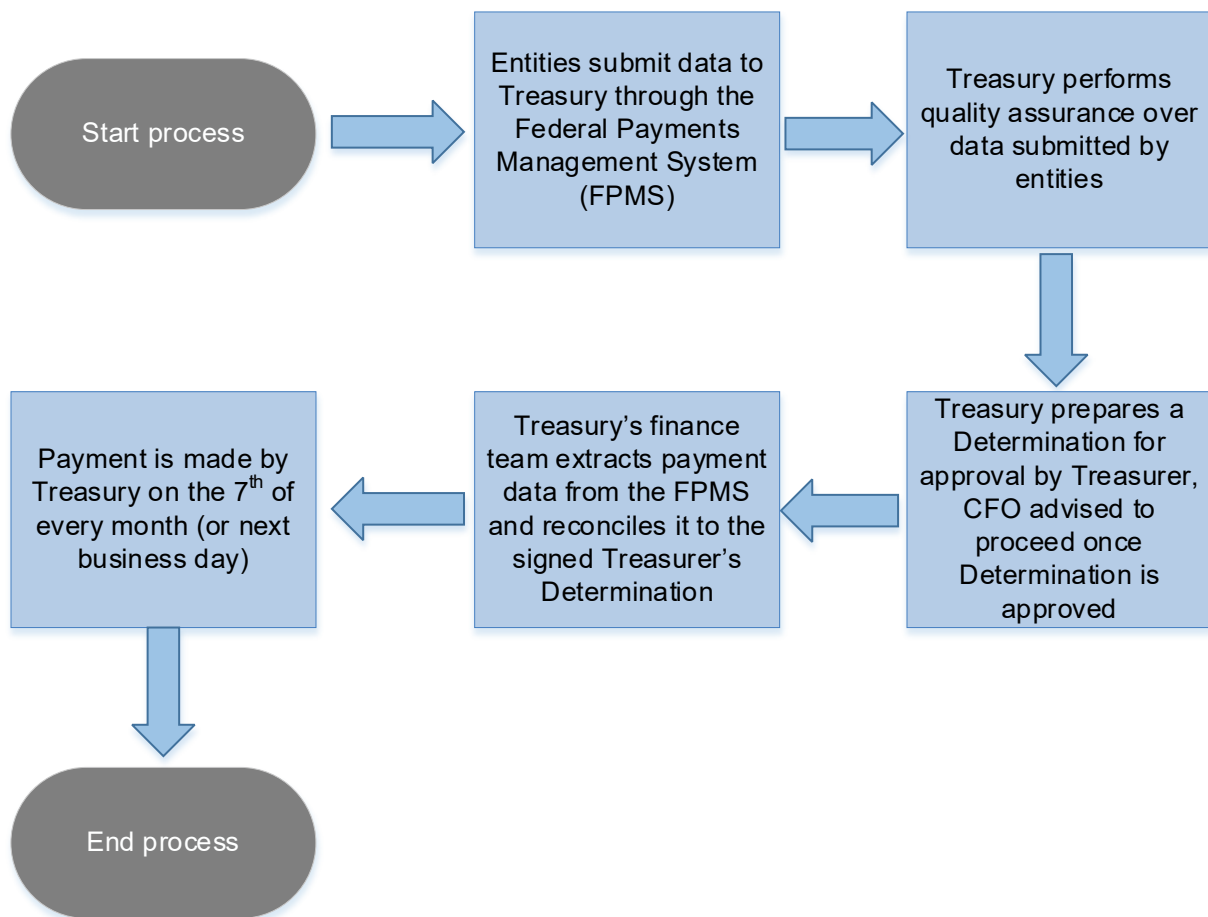
Treasury has implemented sufficient controls to gain assurance over the accuracy and timeliness of National Partnership Agreement payments. While Treasury places some reliance on assessments undertaken by portfolio departments in certifying payments, it performs standard quality assurance checks before authorising final payment. Moreover, Treasury performs additional checks for payments for National Partnership Agreements that have been rated as high risk.

3.22 National Partnership Agreement payments are processed centrally by Treasury and paid directly to each state treasury. While Treasury places some reliance on assessments undertaken by portfolio departments in certifying payments, Treasury performs additional quality assurance checks before authorising final payment. Figure 3.1 provides an overview of Treasury's processes prior to authorising National Partnership Agreement payments.

28 Once the Minister has approved infrastructure projects, project details are entered into IMS including milestone dates, milestone requirements, milestone payments, and total project funding over the period of the agreement (2014–19).

29 The Department of Infrastructure, Regional Development and Cities defines the cost as 'Outturn P90 cost (including contingency and escalation)'.

Figure 3.1: National Partnership Agreements' Payment Process



Note: CFO is Chief Financial Officer.

Source: ANAO.

Treasury's assurance framework

3.23 Treasury officials check payment details submitted by portfolio departments through the Federal Payments Management System prior to seeking the Treasurer's Determination for payment. Treasury uses a checklist to confirm:

- that all agreements and any Implementation Plans are on file and have been signed by First Ministers or portfolio Ministers, as required;
- that the proposed payment is consistent with the relevant milestones of the National Partnership Agreement;
- any variance between the proposed payment and the annual and monthly estimates has been adequately explained;
- no errors have been recorded in the Federal Payment Management System;
- all items have been entered correctly against each State;
- any comments in the Federal Payment Management System have been considered; and
- the accountable authority has correctly signed off on the correct payment amounts.

3.24 Treasury is to complete a risk assessment whenever a new National Partnership Agreement or a variation to an existing agreement is signed by the Commonwealth and one other jurisdiction. Treasury employs additional, more detailed assurance checks for agreements rated as 'high' risk. In 2016–17, 23 agreements had been assessed as 'high' risk. The additional checks vary between agreements, which are appropriate as agreements vary and require different control processes to gain assurance over the accuracy, completeness and appropriateness of payments. Additional control processes implemented over high risk agreements included:

- review of the department's assessment as to whether the State has met the milestones under the agreement;
- provision of additional, more detailed documentation;
- more detailed analysis of the components of the payment; and
- verification of proposed payment against the agreement's milestones.

3.25 For relatively higher risk portfolios (such as the Department of Infrastructure, Regional Development and Cities and the Department of Health), proposed payment details and supporting documentation are provided to Treasury prior to being submitted via the Federal Payment Management System. Treasury reviews the documents and queries items as it sees fit. If issues cannot be resolved to Treasury's satisfaction, the relevant item is omitted from the Federal Payment Management System request.

3.26 Treasury advised that in 2016–17 it raised issues with six proposed payment items provided by the Department of Health. Of these, three were resolved in time to be paid and the other three were omitted from that month's Federal Payment Management System request. Similarly, five items were omitted from requests made by the Department of Infrastructure, Regional Development and Cities in 2016–17.



Grant Hehir
Auditor-General

Canberra ACT
24 May 2018

Appendices

Appendix 1 Entity responses

Formal responses received by ANAO following circulation of the draft report are reproduced below.

Responses were received from:

- Department of Agriculture and Water Resources;
- Department of Health;
- Department of Infrastructure, Regional Development and Cities;
- Department of the Prime Minister and Cabinet; and
- Department of the Treasury.



Australian Government
Department of Agriculture
and Water Resources

Ref: EC18-000188

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

Dear Mr Hehir

Thank you for the opportunity to respond to the proposed audit report on *National Partnership Agreements with state and territory governments*, prepared by the Australian National Audit Office (ANAO).

The department notes the findings contained in the report regarding agreements it administers. This includes that two of these agreements would have been strengthened had they been developed with more outcomes-focused performance frameworks in accordance with the Conceptual Framework for Performance Reporting endorsed by COAG in February 2011.

While noting potential for the link between outputs and outcomes to be eroded by factors outside of the agreements' scope, the department considers all such agreements should, where possible, have an outcomes-focused performance framework. This framework should link outputs with outcomes and payments should be linked to progress made against outputs and outcomes, with achievement of the outputs measured against clear performance milestones.

In the case of the *National Partnership Agreement on Water for the Future – Sustainable Rural Water Use and Infrastructure*, the agreement was signed by Ministers prior to the Conceptual Framework for Performance Reporting being endorsed by COAG and all projects under the agreement have been completed. I note this information appears in Appendix 3 of the draft report, which lists the NPAs that the ANAO believes have weaknesses in their performance frameworks.

In respect of the *National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin*, the agreement was negotiated and finalised with five Murray-Darling Basin state and territory jurisdictions in 2013-14 and concludes on 30 June 2020, with all milestones to be achieved by 30 June 2019. Under Clause 35, any variations to the agreement would require the consent of all the Parties. The department considers that a determined effort to renegotiate the milestones ahead of the agreement's conclusion would be very resource-intensive and unlikely to be fruitful. Notwithstanding, the department is currently reviewing the criteria used to assess progress against the remaining agreement milestones in response to the ANAO findings and the recommendations of the mid-term review of the agreement completed in August 2017.

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Regarding the report's recommendations, the department reports annually on its website on performance under the *National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin* and agrees with Recommendation 2 regarding consolidated reporting of performance against agreement outputs and outcomes. I have included these observations in a summary response, enclosed with this letter.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'D' followed by a horizontal line that curves upwards at the end.

Daryl Quinlivan

4 May 2018



Australian Government
Department of Health

Secretary

Ms Lisa Rauter
 Group Executive Director Performance Audit
 Australian National Audit Office
 GPO Box 707
 CANBERRA ACT 2601

Dear Ms Rauter

Department of Health response to the proposed audit report – National Partnership Agreements with State and Territory Governments

Thank you for providing the Australian National Audit Office's (ANAO) proposed report, under section 19 of the *Auditor General Act 1997*, on *National Partnership Agreements with State and Territory Governments*. I appreciate the opportunity to respond to the Report.

The following wording is provided for the Summary Response:

The Department of Health was one of five portfolio departments with management responsibility for a number of the 17 National Partnership Agreements assessed by the ANAO. As the manager of a large number of National Partnership Agreements (14 Agreements), the Department of Health notes the ANAO conclusion that Agreements were generally sound in design and demonstrated sufficient controls around payment approval processes.

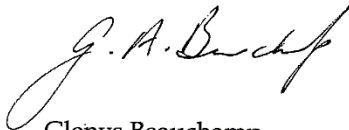
The Department agrees with the key learnings identified in the Report, focussing on a need for increased discipline in policy and program design, implementation and performance measurement. The Department continues to look at how it can improve the frameworks it uses to support better performance measurement and reporting, and enhance the organisational emphasis on program assurance and successful program delivery. The learnings identified in the ANAO Report will support this work.

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 Scarborough House, Level 14, Atlantic Street, Woden ACT 2606 - GPO Box 9848 Canberra ACT 2601 - www.health.gov.au

I would like to thank the ANAO for its professionalism throughout the audit and the collaborative way in which it was conducted.

If you have any questions regarding the Department's response, please contact Mr Ben Sladic on (02) 6289 1886.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. A. Beauchamp', written in a cursive style.

Glenys Beauchamp

30 April 2018



Australian Government

Department of Infrastructure, Regional Development and Cities

File Reference: EC18-000561

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

Dear Ms Rauter

Proposed audit report on National Partnership Agreements with state and territory governments

Thank you for your correspondence of 6 April 2018 seeking comment from the Department of Infrastructure, Regional Development and Cities (the Department) on the Australian National Audit Office's (ANAO) proposed report on *National Partnership Agreements with state and territory governments*.

The Department welcomes the audit's overall conclusions and findings, which includes the findings on the performance framework for the *National Partnership Agreement on Land Transport Infrastructure Projects* and the infrastructure component of the *National Partnership Agreement on South Australian River Murray Sustainability Program – Part A*.

The Department's response is at [Attachment A](#). This response may also be used as the Department's summary response.

Thank you for the opportunity to comment on the proposed audit report.

Yours sincerely

Luke Yeaman
Deputy Secretary Infrastructure

5 May 2018



Australian Government
Department of the Prime Minister and Cabinet

SECRETARY
DR MARTIN PARKINSON AC PSM

Ref: EC18-000385

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

Dear Mr ^{Grant} Hehir

Thank you for the opportunity to respond to the Australian National Audit Office proposed report on National Partnership Agreements. The management of funding agreements with the States and Territories is important for the Department of the Prime Minister and Cabinet and the broader Commonwealth due to the amount of expenditure they cover and the important outcomes they are trying to achieve. I welcome your report for the insights it provides into how we can continue to improve the operation of these agreements.

The Department welcomes the conclusions of your report that strong frameworks have been established for designing and implementing payment arrangements under National Partnership Agreements and that the agreements examined are largely consistent with the principles and design requirements of the Intergovernmental Agreement on Federal Financial Relations.

I note you conclude that more can be done to improve accountability under these agreements through better specification of outcome measures, obtaining evidence to support making payments and publicly reporting results achieved. Consistent with these findings, my Department will continue to work with the Treasury to ensure National Partnership Agreements have robust accountability and transparency mechanisms.

Yours sincerely

1 May 2018

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Australian Government
The Treasury

John A. Fraser
Secretary

27 April 2018

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

Dear Mr Hehir

ANAO audit report on National Partnership Agreements with state and territory governments

Thank you for your note of 6 April providing a copy of the Australian National Audit Office's *Report on National Partnership Agreements with State and Territory governments* (the report) and inviting a response.

Payments to the States and Territories make up over a quarter of total Commonwealth expenditure and account for almost half of State and Territory spending. Strong and effective National Partnership Agreements are a crucial part of Australia's federal financial relations framework.

I am pleased to note the report finds that Treasury consistently delivers accurate and timely National Partnership payments. The report also identifies some minor areas for improvement in the design and implementation of agreements. My department will continue to work towards these goals and to ensure a robust and transparent framework for National Partnerships that benefits all Australians.

I enclose Treasury's formal response for inclusion in the report.

Kind regards

Yours sincerely

Langton Crescent, PARKES ACT 2600 • Telephone: 61 2 6263 3738 • Facsimile: 61 2 6263 3360

Appendix 2 National Partnership Agreements as at 1 July 2017

Department of Agriculture and Water Resources
National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin
National Partnership Agreement on South Australian River Murray Sustainability Program—Part A
National Partnership Agreement on South Australian River Murray Sustainability Program—Part B
National Partnership for the National Water Infrastructure Development Fund—Capital Component
Project Agreement for the National Water Infrastructure Development Fund—Feasibility Component
Project Agreement for Pest and Disease Preparedness and Response Programs
Project Agreement for Pest Animal and Weed Management in Drought-Affected Areas
Project Agreement for Tasmanian Irrigation Tranche II
Project Agreement for Managing Established Pest Animals and Weeds
Project Agreement for Irrigation Infrastructure Feasibility Studies in Tasmania
Project Agreement for the Great Artesian Basin Sustainability Initiative (Phase Four)
Project Agreement for Toorale Water Infrastructure Works
Attorney-General's Department
National Partnership Agreement on Legal Assistance Services
Project Agreement for Family Advocacy and Support Services
Project Agreement for Natural Disaster Resilience
Project Agreement for the Schools Security Programme
Department of Communications and the Arts
Project Agreement for Online Safety Programmes in Schools
Department of Defence
National Partnership Agreement on School Pathways Programmes
Department of Foreign Affairs and Trade
Project Agreement for the delivery of Tourism Demand-Driver Infrastructure
Project Agreement for the delivery of Tourism Demand-Driver Infrastructure—recovery package
Department of Education and Training
National Partnership Agreement on Universal Access to Early Childhood Education—2016 and 2017
National Partnership on the National Quality Agenda for Early Childhood Education and Care—2015–16 to 2017–18
National Partnership Agreement on Skills Reform
Project Agreement for the National Occasional Care Programme
Project Agreement for the National School Chaplaincy Programme
Department of Jobs and Small Business
Project Agreement for the New South Wales Infrastructure Skills Centre

Department of the Environment
Project Agreement for Management of the World Heritage Values of the Tasmanian Wilderness
Department of Health
National Partnership on Essential Vaccines
National Partnership on Public Dental Services for Adults
National Partnership on Transfer of the Mersey Community Hospital
Project Agreement for the Health and Hospitals Fund—2010 Regional Priority Round Project in Palmerston
Project Agreement for National Critical Care and Trauma Response Centre
Project Agreement for the South Sydney Rabbitohs Community and High Performance Centre of Excellence
Project Agreement for the Torres Strait Health Protection Strategy—mosquito control and cross border liaison in the Torres Strait Protected Zone
Project Agreement for the Management of Torres Strait/Papua New Guinea cross border health issues
Project Agreement for Vaccine Preventable Diseases Surveillance Program
Project Agreement on Improving Trachoma Control Services for Indigenous Australians
Project Agreement for Encouraging More Clinical Trials in Australia
Project Agreement for the Expansion of the Breast Screen Australia Program
Project Agreement for the Victorian Cytology Service
Review Agreement for the Home and Community Care Program
Department of Industry, Innovation and Science
Project Agreement for the Management of the Former Rum Jungle Mine Site (Stage 2)
Department of Infrastructure, Regional Development and Cities
National Partnership Agreement on Land Transport Infrastructure Projects
Project Agreement for North Queensland Stadium
Department of the Prime Minister and Cabinet
National Partnership on Northern Territory Remote Aboriginal Investment
National Partnership on Remote Housing
Department of Social Services
National Partnership Agreement on Pay Equity for the Social and Community Services Sector
National Partnership on Disability Care Australia Fund Payments: Initial Payment
Transitional National Partnership Agreement on Homelessness 2017–18
Project Agreement for the Women's Safety Package—Technology Trials

Department of the Treasury
National Partnership Agreement on Asset Recycling
National Partnership on Infrastructure Projects in Western Australia
Project Agreement for addressing insurance costs in North Queensland
Cross Portfolio
National Partnership Agreement on Specified Projects

Appendix 3 Guide on Structure of National Partnership Agreements

Component	Purpose
Overview*	A short introduction summarising the agreement. Should be <u>forward looking</u> and should not include any policy background, contextual, historical or advocacy content.
Parties*	The Parties to the agreement are the jurisdictions—the Commonwealth and the States and Territories, represented by the signatories (in most cases, the first ministers)— <u>not</u> portfolio ministers or public servants. Agreements are to be <u>multi-lateral</u> and include <u>all jurisdictions</u> unless geographical reasons dictate otherwise (for example, Western Australia would be the only likely Party to an agreement specific to the Kimberley region of Western Australia). Local governments are entities created by the States, so would never be a Party to a National Partnership. Agreements should be written in anticipation that all States may be expected to sign the agreement at some time.
Term*	Agreements should be <u>time limited</u> . Usually the expiry is dictated by the duration of Commonwealth funding commitment and normally up to five years, but may be longer where necessary in the design of reforms or projects.
Delegations	Authority for <u>agreeing schedules</u> to the agreement may be delegated to portfolio ministers.
Objectives	Describe the mutually-agreed overarching <u>aspirations</u> .
Outcomes	Describe the impact a government activity is expected to have on community well-being. Outcomes should be strategic, high-level and observable goals expressed in clear, measurable and achievable terms.
Outputs*	Outputs will describe the <u>services being delivered</u> by governments to achieve outcomes. Alternatively they may be used as a proxy for outcomes where outcomes are not readily observable. Outputs can also help to define roles and responsibilities. Outputs should be high level, as detailed outputs run the risk of constraining States' responses to changing demand, cost drivers, priorities and service delivery models.
Roles and responsibilities*	A clear statement of the role of each jurisdiction and the responsibilities for which they undertake to be accountable. Joint responsibilities should generally be avoided, except for the area of evaluations and monitoring or policy collaboration.
Performance indicators * (Project milestones for Project Agreements)	Data that informs the community about how governments are progressing towards achieving the objectives, outcomes and outputs. The form and content of performance indicators should focus on the information needs of the community, while providing sufficient evidence to satisfy public accountability requirements that funds are achieving or progressing satisfactorily towards the achievement of the desired outcomes and outputs.
Performance benchmarks	Quantifiable changes in a performance indicator, usually expressed in respect of a period of time. Where necessary to inform the community or, for relevant National Partnerships, to assess performance for the purpose of providing reward payments, they should be few in number, high-level and reflect the highest order, most challenging goals toward attainment of outcomes.
Financial arrangements*	The estimated annual <u>financial commitment</u> from each jurisdiction — financial transfers between jurisdictions plus Commonwealth or State own purpose expense. Detailed funding arrangements and associated performance benchmarks may be included in Implementation Plans, if there is a compelling reason to do so, with aggregate information provided in the National Partnership.

Component	Purpose
Governance arrangements*	Standard, collaborative, variation, review and dispute resolution arrangements apply, including in relation to payments. Where relevant, reviews should be arranged to inform decision making processes about whether subsequent arrangements may be required.
Variation*	National Partnership agreements must have a standard variation clause, allowing them to be 'amended at any time by agreement in writing by all the Parties and under terms and conditions as agreed by all the Parties'. Amendments must be negotiated through first minister's agencies and Treasuries.
Signature page*	<p>Agreements must be signed by Ministers.</p> <p>At the Commonwealth level, National Partnerships are signed by the Prime Minister (or delegate), and Project Agreements are generally signed by the relevant portfolio minister.</p> <p>While the state signatory will generally mirror that of the Commonwealth, states are responsible for determining who will sign on behalf of their government.</p>

Note: * denotes that these sections apply to Project Agreements as well as National Partnerships.

Source: Council on Federal Financial Relations, *Federal Financial Relations Circular 2015/01*, 2015.

Appendix 4 National Partnership Agreements with weaknesses in performance frameworks

National Partnership Agreement on Land Transport Infrastructure Projects

This agreement involves the largest transfer of funds—\$5.1 billion for 2016–17 which is nearly a third of the \$16.1 billion transferred for National Partnership Agreements that year. The agreement does not articulate the links between objectives, outcomes and outputs that provide the performance framework for the agreement. Outputs in the agreement are defined in terms of ‘successful delivery of land transport infrastructure and planning projects funded under the program’. Outcomes and outputs are also referenced elsewhere, such as in the *National Land Transport Act 2014*. Without clear and transparent links between outputs and outcomes, it is not possible to determine the extent to which outcomes have been achieved under the agreement.

National Partnership Agreement on Water for the Future—Sustainable Rural Water Use and Infrastructure (2009)

This is a large agreement linked to Water Management Partnership Agreements with each of the Murray-Darling Basin States (New South Wales, Victoria, South Australia, Queensland and the Australian Capital Territory) and includes Implementation Plans and Project Agreements. This agreement lacks an outcome framework, in that there is not a clear and transparent link between objectives, outcomes and outputs. Outputs in the head agreement are simply defined in terms of ‘completion of projects, as specified in Implementation Plans’. The lack of clear alignment between the outcomes and outputs makes it difficult to determine whether outcomes are being achieved under the National Partnership Agreement.

The Department of Agriculture and Water Resources advised the ANAO that the Water for the Future National Partnership Agreement does not meet the outcome-framework criteria because it was signed by Ministers in late 2009 to early 2010, prior to the COAG endorsed the Conceptual Framework for Performance Reporting under the Intergovernmental Agreement in February 2011.

National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin

Although the agreement outlines outcomes and outputs, the lack of specific, measurable deliverables until the later stages of the agreement (towards 2019) does not support clarity about the level of progress achieved in the earlier stages of the agreement. Payments are tied to deliverables.

Review Agreement for the Home and Community Care (HACC) Program.

This is last of the ‘deemed’ agreements that existed prior to the introduction of the Intergovernmental Agreement in 2009. Funding is based on historical allocation rather than tied to performance. The HACC agreement with Western Australia will transition to the Commonwealth Home Support Program from 1 July 2018 and is the last state to transition under the HACC Program.

National Partnership Agreement on Specified Projects (Departments of Agriculture and Health); and

National Partnership Agreement for Health Infrastructure Projects

Both of these National Partnership Agreements were established to streamline administrative and reporting processes associated with low value/low risk agreements. Under these agreements, there is not an outcome framework—outcomes have not been defined and outputs are defined in the schedules to the agreement. The projects under these agreements were originally funded under separate, stand-alone agreements.

Project Agreement for Renal Infrastructure in the Northern Territory

Although the Project Agreement and schedules have clearly defined outputs and deliverables, the final payment was due before expected completion of the project. With construction projects of this type³⁰, final payment should be withheld until evidence is provided of successful project completion, such as, a Certificate of Practical Completion.

Project Agreement for the Upgrade of Ballina Hospital

The Project Agreement has clearly specified outputs, and deliverables tied to funding. A two-year delay in construction resulted in a variation to the Project Agreement, a revised project plan and a re-phasing of deliverables. However, all funds were paid out by completion of phase one construction leaving no funds for successful completion of phase two. A final payment should have been withheld until evidence had been provided of successful project completion.

30 The project involves the construction of at least six homes for renal patients and their families/carers in Alice Springs and Tennant Creek.

Appendix 5 National Partnership Agreement projects selected to assess milestone evidence

Entity	Agreement type	Agreement name	Agreement value (\$m)	Project type	Project name	State	Project value (\$ m)	Payment model	Milestone type
Infrastructure	National Partnership Agreement	Land Transport Infrastructure Projects	\$60 000	Project Plan	North South Corridor–Darlington Upgrade (Major Infrastructure Projects)	SA	\$526	Project-based	Project-based milestones
				Project Plan	Moreton Bay Rail Link (Major Infrastructure Projects)	QLD	\$583	Project-based	Project-based milestones
				Project Plan	Pacific Highway–Woolgoolga to Ballina (Major Infrastructure Projects)	NSW	\$4 000	Project-based	Project-based milestones
				Project Plan	2014–15 to 2018–19 National Network Maintenance	WA	\$240	Project-based	Project-based milestones
				Project Plan	Thomas Mitchell Drive (Black Spots)	VIC	\$2	Project-based	Project-based milestones
	National Partnership Agreement	SA River Murray Sustainability Program—Part A	\$145	Project Schedule to agreement	South Australian Regional Economic Development Element	SA	\$25	Project-based	Project-based milestones

Entity	Agreement type	Agreement name	Agreement value (\$m)	Project type	Project name	State	Project value (\$ m)	Payment model	Milestone type
Health	National Partnership Agreement	Health Infrastructure Projects	\$453	Project plan in State Schedule	Victorian Comprehensive Cancer Centre	VIC	\$117	Project-based	Project-based milestones
				Project plan in State Schedule	Midland Health Campus	WA	\$51	Project-based	Project-based milestones
				Project plan in State Schedule	HHF Round 4—eHealth to Support Integrated Care in Regional Queensland	QLD	\$35	Project-based	Project-based milestones
Health	National Partnership Agreement	Essential Vaccines	\$1,994	NA	NA	VIC	\$486	Incentive-based	Reform-based KPIs and benchmarks
						SA	\$137	Incentive-based	Reform-based KPIs and benchmarks
						WA	\$209	Incentive-based	Reform-based KPIs and benchmarks
	National Partnership Agreement	Adult Public Dental Services	\$155	NA	NA	TAS	\$6	Project-based with benchmark increments	Reform-based KPIs and benchmarks
Treasury	National Partnership Agreement	Asset Recycling	NA (managed as an asset recycling pool)	State Schedule to Agreement	ACTTAB (asset sale)	ACT	\$16	Project-based	Reform-based milestones
				State Schedule to Agreement	TransGrid (asset sale)	NSW	\$987	Project-based	Reform-based milestones
				State Schedule to Agreement	TIO (asset sale)	NT	\$ 21	Project-based	Reform-based milestones

Entity	Agreement type	Agreement name	Agreement value (\$m)	Project type	Project name	State	Project value (\$ m)	Payment model	Milestone type
Agriculture	National Partnership Agreement	Implementing Water Reform in the Murray-Darling Basin	\$174	NA	NA	NSW	\$83	Project-based	Reform-based milestones
Agriculture	Project Agreement	Augmentation of Chaffey Dam	\$18	NA	NA	NSW	NA	Project-based	Project-based milestones
Agriculture (+other entities)	National Partnership Agreement	Specified Projects	\$53	Project Schedule to Agreement	National Framework for Compliance and Enforcement Systems for Water Resource Management Project	NSW	\$5	Project-based	Reform-based milestones
						QLD	\$3	Project-based	Reform-based milestones
PM&C	National Partnership Agreement	Remote Housing	\$774	State Schedule to Agreement	NA	NT	\$288	Project-based	Reform-based KPIs and benchmarks

Source: ANAO analysis.

