



Audit Work Program

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Introduction

The Auditor-General is an independent officer of the Australian Parliament whose responsibilities, as set out in the *Auditor-General Act 1997*, include undertaking financial statement and performance audits of Australian Government entities. In fulfilling this role, the Auditor-General is assisted by the Australian National Audit Office (ANAO).

The ANAO's outcome is:

To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.¹

This outcome is achieved through the delivery of audit services, which include:

- financial statement audits of Australian Government entities;
- performance audits of Australian Government programs and entities; and
- publication of a series of better practice guides.

Each year ANAO audits the annual financial statements of Australian Government entities and the Australian Government's annual consolidated financial statements. The consolidated financial statements present the consolidated whole-of-government financial result inclusive of all Australian Government controlled entities, including entities outside the general government sector. These audits are designed to give assurance to stakeholders that an entity's financial statements fairly represented its financial operations and financial position at year end. The ANAO also undertakes a range of other assurance reviews.

The ANAO's performance audit activities generally involve the audit of all or part of an entity's operations to assess its efficiency or administrative effectiveness. Areas where improvements can be made to aspects of public administration are identified and recommendations are made to assist public sector entities to improve their performance. Entities are not obligated to act on ANAO findings or implement ANAO recommendations. However, where an entity has agreed to implement a recommendation, timely action is important.

The performance audit activity also extends, under certain circumstances, to conducting performance audits of Commonwealth partners, which are those bodies (such as grant recipients or contractors) that receive money directly or indirectly from the Commonwealth for a particular purpose. Such audits may be conducted only to the extent that they assess the operations of the Commonwealth partner in relation to achieving the Australian Government's purpose. This power also extends to state and territory bodies that receive money from the Australian Government if the audit is conducted at the request of the Joint Committee of Public Accounts and Audit (JCPAA) or the responsible Australian Government minister.

¹ Australian Government, *Portfolio Budget Statements 2014–15*, Budget related paper No. 1.14 Commonwealth of Australia, Canberra, 2014, p. 99.

The ANAO also contributes to improvements in Australian Government public administration by publishing a series of better practice guides, which are designed to assist entities to perform at their most efficient level and add value to their various services. Adopting better practices can help transform and improve business processes and potentially lead to overall improvements in the administration of an entity as a whole.

Audit Work Program

Each year the ANAO publishes its Audit Work Program. This is a forward program designed to inform the Parliament, the public and government entities of planned financial statement audit coverage, other assurance activities, and potential performance audit coverage for the Australian Government sector.

A continuous, integrated and dynamic approach to planning audit coverage and related publications is adopted. Financial statement and performance audit teams discuss entity business risks and proposed audit coverage on an ongoing basis, based on a consideration of potential audit benefits, parliamentary and public interest, and the timing and resource requirements needed for audits. The views of the Parliament, entity management and other stakeholders are also sought during the development of the program. The roles and structures of government entities can often change in line with government priorities, and the ANAO seeks to maintain a current knowledge of their administrative arrangements and operating environment, including how business risks are identified and managed in the delivery of government programs and services. This analysis is informed by a variety of sources, including annual reports, budget papers and portfolio budget statements; internal and external reviews; audit committees; discussions with senior management and stakeholders; parliamentary debate; and broader media coverage.

The Audit Work Program is divided into two sections:

- **Financial statement audits and other assurance activities**—includes financial statement audits and those other assurance activities provided for under the Auditor-General Act that will be undertaken during 2015–16.
- **Performance audits, in progress and proposed**—presents information on performance audits in progress as at July 2015² and a rolling program of potential performance audits by portfolio. The performance audit program also includes cross-entity performance audits that will involve a number of entities, and the publication of a number of better practice guides that draw on information from various sources, including past performance audits and consultation with stakeholders, to present insights and practical guidance on better practice in areas central to sound public administration.

Financial statement audits

Accountable authorities of Australian Government entities are required to manage their affairs in a manner that promotes the efficient, effective, economical and ethical use of resources. To achieve that goal requires the development and implementation of effective corporate governance arrangements and internal controls. Those arrangements and controls should be designed to meet the individual

2 This program also provides information on the expected parliamentary sitting periods in which the reports in progress will be tabled. The parliamentary sitting periods are Autumn (February to April), Winter (May to July) and Spring (August to December). Up-to-date information on the status of audits in progress is available on the ANAO website at <http://anao.gov.au/Publications/Audits-in-Progress>.

circumstances of each entity, assist in the orderly and efficient conduct of business and support compliance with applicable legislative and policy requirements. They include the preparation of annual financial statements that state fairly the entity's financial position and results for the year.

The preparation of audited financial statements is a key element of the financial management and accountability regime applicable to Australian Government entities. It is generally accepted in both the private and public sectors that a good indicator of the effectiveness of an entity's financial management is the timely finalisation of its annual financial statements, accompanied by an unmodified audit opinion.

ANAO financial statement audits are independent examinations of the financial accounting and reporting of public sector entities. For large entities, the financial statement audit process is conducted in two main phases: interim and final. The interim phase focuses on an assessment of the entity's key internal controls, including governance arrangements, information systems and control procedures. The final audit phase, which applies to all entities, involves completing the assessment of the effectiveness of key controls, and substantively testing material balances and disclosures in the financial statements. It also involves the issuing of an audit opinion on the entity's financial statements.

Each year, the Auditor-General presents two reports to the Parliament that summarise the outcomes of the financial statement audits of public sector entities. The first report, *Interim Phase of the Audits of Financial Statements of Major General Government Sector Agencies*, is tabled in June, while the second report, *Audits of the Financial Statements of Australian Government Entities*, is tabled in December.

2013–14 final audit phase results

For the final phase of the 2013–14 financial statement audits of individual entities, there was a small increase in the number and significance of issues highlighted by audits. The number of significant and moderate audit findings increased from 30 in 2012–13 to 32 in 2013–14.

Common issues identified in the 2013–14 final audit phase that required attention by entities were:

- controls in entities' IT environments, such as the management of user access and the segregation of duties;
- quality assurance and financial reporting, particularly the preparation of entity financial statements (these issues increased notably in 2013–14); and
- asset management processes, including the valuation of assets and reporting of inventory.

The audits also found that entities had generally made good progress in addressing and resolving issues identified during the 2013–14 interim audit phase and previous audits.

The ANAO's 2013–14 financial statement audit coverage also included an analysis of entities' financial statements and a review of the implementation of machinery of government (MoG) changes.

An analysis of material entities' operating results identified that, consistent with previous years, entities overall were appropriately managing their finances for the three-year period to 30 June 2014. An analysis of the balance sheet positions of these entities as at 30 June 2014 also identified that most continued to have a strong balance sheet position. Nevertheless, the analysis identified that a small number of entities, in particular, should continue to monitor their financial position and improve it, where practicable.

The scale of the MoG changes flowing from the Administrative Arrangements Order of 18 September 2013 was significant. More than 13 000 staff were affected, and appropriations of approximately \$1 billion were transferred between entities.

The implementation of MoG changes can be complex and very resource intensive, requiring entities to manage a broad range of issues while at the same time continuing to deliver government services. Discussions with entities revealed that they had taken a number of initiatives that contributed positively to the implementation of the MoG changes and had identified lessons learned during the implementation.

The ANAO continues to include an assessment of compliance in relation to annual appropriations, special appropriations, special accounts and the investment of public moneys in its financial statement audits. There continues to be a high level of compliance in most of these areas. However, the 2013–14 audits of financial statements identified a number of entities in which there were both breaches (\$3.3 million) and potential breaches (\$1.025 billion) of section 83 of the Constitution.³

2014–15 interim audit phase results

In reporting on the results of the interim phase of the financial statement audit program, the ANAO is providing assurance to the Parliament that the systems, controls and processes in place in major Australian Government entities that support the preparation of entities' financial statements are operating effectively.

The results of the 2014–15 interim audit phase were reported in ANAO Audit Report No.44 2014–15 *Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2015*. The results of the 2014–15 interim audit phase indicated that, overall, control activities relating to financial and accounting processes have continued to be maintained at an effective level, and that there has been a small decrease in the total number of audit findings compared with 2013–14.

However, audits continue to identify control weaknesses in a number of areas particularly relating to IT general and application controls; the management of non-financial assets; and the effectiveness of quality assurance and compliance processes.

Other assurance activities

In addition to conducting financial statement audits, the ANAO undertakes other assurance activities. These generally consist of audits or reviews undertaken by arrangement with the client entity, either at the request of the client or in response to requests from stakeholders, including parliamentarians, parliamentary committees, community groups and members of the public. Following inquiries made by the ANAO, such individual assurance activities may be handled through the issue of a formal report or by correspondence.

One significant assurance activity is the priority assurance review of major Defence equipment acquisition projects (Major Projects), including the production of the annual Major Projects Report. Increased transparency and accountability on the progress of Defence Major Projects has been an ongoing focus of the Parliament. In 2007–08, an annual program was established in conjunction with the Defence Materiel Organisation (DMO) to enable the ANAO to review and report to the Parliament

³ Section 83 of the Constitution states: 'No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.'

on the status of Defence Major Projects. The Major Projects Report includes information relating to the cost, schedule and capability delivery performance of individual projects as at 30 June each year. The 2014–15 Major Projects Report will cover 25 projects.

Performance audits

A performance audit is a review or examination of the operations of an entity in order to provide Parliament with assurance relating to the administration of Australian Government entities and programs, including where they involve a Commonwealth partner. A performance audit also assists public sector managers by identifying and promoting better administrative and management practices.

Entity-specific and cross-entity⁴ performance audits can include an examination of one or more of:

- economy (minimising cost);
- efficiency (maximising the ratio of outputs to inputs);
- effectiveness (the extent to which intended outcomes are achieved); and
- legislative and policy compliance.

A more detailed explanation of the approach to performance auditing is in the ANAO *Guidelines for the Conduct of Performance Audits*, which is available from the ANAO's website.⁵ The Audit Work Program seeks to achieve coverage across a wide range of entities and portfolios, either as entity-specific audits or as part of broader cross-entity audits. In addition, the program endeavours to give appropriate emphasis to the core business activities of entities that underpin effective program and service delivery.

In 2015–16, the ANAO expects to complete:

- 49 performance audits (including cross-entity audits); and
- three updated better practice guides.

The composition of the program may change as more detailed planning is undertaken or as other issues emerge, such as stakeholder requests that in the Auditor-General's opinion warrant further inquiry.

Key areas of performance audit focus

This program has been prepared against a backdrop of significant changes in priorities, programs and structures in the Australian Public Service (APS). In a context of fiscal constraint and the pursuit of a credible path to return the Federal Budget to surplus, the efficiency and effectiveness of government programs and operations in achieving objectives remains a key area of parliamentary and public interest. The ongoing implementation of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) has required entities to review and update a suite of governance policies and practices and to develop a greater focus on risk management. In addition, the Government's focus on cutting red tape and improving the efficiency of regulation has also added to a heightened requirement for effective risk management.

4 Cross-entity audits are performance audits of particular themes or common aspects of administration across a number of entities.

5 <http://www.anao.gov.au/Publications/Corporate-Publications/Guidelines-for-the-Conduct-of-Performance-Audits>.

Program implementation and management are core business for public sector entities and feature strongly in the ANAO's proposed audit coverage. Previous ANAO audits have identified opportunities for entities to undertake activities more efficiently and effectively and to achieve better outcomes and more effective compliance with applicable requirements. The program also includes audits that assess entity performance in implementing previous audit recommendations.

Measuring and assessing the performance of government programs remains an area where entities need to strengthen their approaches. While development of the performance framework requirements under the PGPA Act remains ongoing, the ANAO's work in the area of performance measurement and reporting has consistently demonstrated that many entities have fallen short in developing, measuring and reporting on performance indicators that demonstrate the achievement of stated program or activity objectives. In addition, the evaluation of programs is uneven, and the design phase of programs could include greater consideration of the best way to measure the program's impact or performance in terms of its objectives. Performance audits will accordingly continue to focus on entity approaches to measuring and evaluating performance.

Planning the performance audit program

The performance audit program is primarily organised around the portfolio structures of the Australian Government, with the addition of cross-entity audits in areas of general public administration. Proposed better practice guides that aim to assist entities in managing particular areas of government activity are also included as part of the program.

In developing the performance audit program, the ANAO undertakes a process that involves:

- consulting Parliament, Australian Government entities and stakeholders;
- consulting state and territory first ministers' departments, where relevant;
- conducting an environmental scan of key risks and challenges to public administration; and
- understanding the operations of entities and identifying factors that could potentially improve performance.

The program outlines potential performance audits and better practice guides that may commence on a rolling basis in 2015–16 or future years. More than 150 potential performance audit topics across the range of Australian Government portfolios are identified, and approximately 50 of them are underway in any given year.

The ANAO's better practice guides are based on subject areas that have a broad impact on the overall performance of the public sector and commonly draw on the results of previous audits. Better practice guides aim to improve public administration by providing a vehicle for better practices identified in some organisations to be recognised and promulgated to all Australian Government entities. In recent years, they have included guides on public sector audit committees, the preparation of financial statements, internal audit, administering regulation and public sector governance, grants administration and human resource management information systems.

Criteria for selecting individual performance audit topics

From the rolling program of potential performance audit topics and other ad hoc requests from stakeholders, the selection and conduct (including timing, scope and method) of a performance audit is at the discretion of the Auditor-General. Within the portfolio-based approach, and in the context of available resources, the ANAO will generally consider:

- the potential benefits to public administration;
- public and parliamentary interest;
- risks to reputation and service delivery; and
- the extent of previous audit and review coverage.

Stakeholder requests and additional topics

From time to time, the Auditor-General receives requests from stakeholders, including the Parliament (through the JCPAA) and individual parliamentarians, for information or reviews of particular areas. If in the Auditor-General's opinion a request warrants further examination, it can be handled through various mechanisms, such as a formal report, a review or correspondence.

Furthermore, given the constantly changing nature of public administration, new areas of program delivery are always emerging and can present new risks. Therefore, the performance audit program is required to be dynamic in response to the environment, and additional areas of audit, not outlined in the program, may be undertaken at any time.

The ANAO welcomes feedback on its Audit Work Program. Suggestions should be addressed to the Director, Governance and External Relations, Australian National Audit Office, GPO Box 707, Canberra, ACT 2601, Australia or by email to ag1@anao.gov.au.

Section One

Financial statement audits and other assurance activities

This section includes financial statement audits and other assurance activities provided for under the Auditor-General Act that will be undertaken during 2015–16

Introduction

During 2015–16, the ANAO will complete or commence a range of financial statement audits for more than 250 Australian Government entities.

In addition, we may undertake a range of other assurance activities, including:

- audits or reviews undertaken by arrangement with a client entity pursuant to section 20 of the Auditor-General Act⁶ (These audits or reviews are either at the request of the client or in response to requests from stakeholders, including ministers and parliamentary committees. The conduct of audits and reviews by arrangement is subject to annual reassessment.);
- priority assurance reviews, pursuant to section 19A of the Auditor-General Act;⁷ and
- audits of performance indicators, pursuant to section 18A of the Auditor-General Act.

Below is a list of Australian Government entities, by portfolio, that will be subject to ANAO financial statement audits and/or other audits by arrangement (section 20 engagements). This work involves completing financial statement audits and section 20 engagements for 2014–15 and commencing work on 2015–16 financial statement audits (including for newly created entities).

Portfolio	Entity
Agriculture	
<i>Financial statement audits</i>	• Australian Fisheries Management Authority • Australian Grape and Wine Authority • Australian Pesticides and Veterinary Medicines Authority • Cotton Research and Development Corporation • Department of Agriculture • Fisheries Research and Development Corporation • Grains Research and Development Corporation • Rural Industries Research and Development Corporation
<i>Section 20 engagements</i>	• Commission for the Conservation of Southern Bluefin Tuna

6 Section 20 of the Auditor-General Act provides for the Auditor-General to enter into an arrangement with any person or body to audit financial statements of the person or body; to conduct a performance audit of the person or body; or to provide services to the person or body that are of a kind commonly performed by auditors, provided it is within the Australian Government's legislative power.

7 Subsection 19A(1) of the Auditor-General Act provides for the Auditor-General to conduct an assurance review of an Australian Government entity (excluding government business enterprises). Subsection 19A(5) permits the JCPAA to identify an assurance review as a priority. A review so identified is a *priority assurance review*.

Portfolio	Entity
Attorney-General's	
<i>Financial statement audits</i>	• Administrative Appeals Tribunal • Attorney-General's Department • Australia Business Arts Foundation Ltd • Australia Council • Australian Commission for Law Enforcement Integrity • Australian Crime Commission • Australian Federal Police • Australian Film, Television and Radio School • Australian Financial Security Authority • Australian Government Solicitor⁸ • Australian Human Rights Commission • Australian Institute of Criminology • Australian Law Reform Commission • Australian National Maritime Foundation (subsidiary of ANMM) • Australian National Maritime Museum (ANMM) • Australian Security Intelligence Organisation • Australian Transaction Reports and Analysis Centre • Bundanon Trust • CrimTrac Agency • Family Court and Federal Circuit Court • Federal Court of Australia • High Court of Australia • National Archives of Australia • National Film and Sound Archive of Australia • National Gallery of Australia (NGA) • National Gallery of Australia Foundation (subsidiary of NGA) • National Library of Australia • National Museum of Australia • National Portrait Gallery of Australia • Office of Parliamentary Counsel • Office of the Australian Information Commissioner • Office of the Commonwealth Director of Public Prosecutions • Old Parliament House • Screen Australia
<i>Section 20 engagements</i>	• Australian Federal Police—ACT Community Policing Statement of Finance Performance • Australian Federal Police—ACT Community Policing (Statement of Performance) • Australian Financial Security Authority (Bankruptcy Act)

⁸ Will be merged into the Attorney-General's Department from 1 July 2015.

Portfolio	Entity
Communications	
<i>Financial statement audits</i>	• Australia Post Licensee Advisory Council Limited (subsidiary of APC) • Australia Post Service Pty Ltd (subsidiary of APC) • Australia Post Transaction Services Pty Ltd (subsidiary of APC) • Australian Broadcasting Corporation • Australian Communications and Media Authority • Australian Postal Corporation (APC) • Australian Postal Corporation (Performance Standards) • Department of Communications • National DAB Licence Company Limited • NBN Co Limited • Special Broadcasting Service Corporation • Telecommunications Universal Service Management Agency
<i>Section 20 engagements</i>	• Australia Post Service Pty Ltd (AFSL Compliance) • Australian Postal Corporation (Half-year) • NBN Co Limited (Half-year)
Defence	
<i>Financial statement audits</i>	• AAF Company • Army and Air Force Canteen Service • Australian Military Forces Relief Trust Fund • Australian Strategic Policy Institute Ltd • Australian War Memorial • Defence Housing Australia • Defence Housing Australia Investment Management Limited • Defence Materiel Organisation⁹ • Defence Service Homes Insurance Scheme • Department of Defence • Department of Veterans' Affairs • Military Superannuation and Benefits Scheme (MSBS) • Royal Australian Air Force Veterans' Residences Trust Fund • Royal Australian Air Force Welfare Recreational Company • Royal Australian Air Force Welfare Trust Fund • Royal Australian Navy Central Canteens Board • Royal Australian Navy Relief Trust Fund

⁹ Will be merged into the Department of Defence from 1 July 2015.

Portfolio	Entity
Education and Training	
<i>Financial statement audits</i>	• ANU Enterprise Pty Ltd • Australian Curriculum, Assessment and Reporting Authority • Australian Institute for Teaching and School Leadership Ltd • Australian National University (ANU) • Australian Research Council • Australian Scientific Instruments Pty Ltd • Australian Skills Quality Authority • BRU Holdings Pty Ltd (subsidiary of ANU) • Department of Education and Training • SA2 Holdings Pty Ltd (subsidiary of ANU) • Social Research Centre Pty Limited (subsidiary of ANU) • Tertiary Education Quality and Standards Agency
<i>Section 20 engagements</i>	• Australian Children's Education and Care Quality Authority
Employment	
<i>Financial statement audits</i>	• Asbestos Safety and Eradication Agency • Coal Mining Industry (Long Service Leave Funding) Corporation • Comcare (The Safety, Rehabilitation and Compensation Commission) • Department of Employment • Fair Work Commission • Office of the Fair Work Building Industry Inspectorate • Office of the Fair Work Ombudsman • Safe Work Australia • Seacare Authority (Seafarers Safety, Rehabilitation and Compensation Authority) • Workplace Gender Equality Agency
Environment	
<i>Financial statement audits</i>	• Bureau of Meteorology • Clean Energy Regulator • Climate Change Authority • Department of the Environment • Director of National Parks • Great Barrier Reef Marine Park Authority • Murray–Darling Basin Authority • National Water Commission • Natural Heritage Trust of Australia • Sydney Harbour Conservancy Fund • Sydney Harbour Conservancy Ltd • Sydney Harbour Federation Trust
<i>Section 20 engagements</i>	• Commission for the Conservation of Antarctic Marine Living Resources • Living Murray Initiative Joint Venture • River Murray Operations Joint Venture

Portfolio	Entity
Finance	
<i>Financial statement audits</i>	• ASC AWD Shipbuilder Pty Ltd (subsidiary of ASC) • ASC Engineering Pty Ltd (subsidiary of ASC) • ASC Pty Ltd • ASC Ship Building Pty Ltd (subsidiary of ASC) • Australian Electoral Commission • Australian Government's Annual Consolidated Financial Statements and General Government Sector Financial Statements • Commonwealth Superannuation Corporation (CSC) • Commonwealth Superannuation Scheme (CSS) • ComSuper • Department of Finance • Future Fund Management Agency • Public Sector Superannuation Accumulation Plan (PSSap) • Public Sector Superannuation Scheme (PSS)
<i>Section 20 engagements</i>	• ARIA Alternative Assets Trust • ARIA Co Pty Ltd • ARIA Investments Trust • ARIA Investments Trust (APRA reporting and prudential standards) • ARIA Property Fund • ASC Pty Ltd and its consolidated entities (Half-year) • CSC FSR/RSE • CSC Treasury Trust • CSS (APRA reporting and prudential standards) • FF Holdings Trust 1 • Future Fund Investment Company No. 1 Pty Ltd • Future Fund Investment Company No. 2 Pty Ltd • Future Fund Investment Company No. 3 Pty Ltd • Future Fund Investment Company No. 4 Pty Ltd • Future Fund Investment Company No. 5 Pty Ltd • Property Management Trust • PSS CSS A Property Trust • PSS CSS B Property Trust • PSS CSS Investments Trust • PSS (APRA reporting and prudential standards) • PSSap (APRA reporting and prudential standards)
Foreign Affairs and Trade	
<i>Financial statement audits</i>	• Australian Centre for International Agricultural Research • Australian Secret Intelligence Service • Australian Trade Commission • Department of Foreign Affairs and Trade • Export Finance and Insurance Corporation • Tourism Australia
<i>Section 20 engagements</i>	• Export Finance and Insurance Corporation (Half-year)

Portfolio	Entity
Health	
<i>Financial statement audits</i>	• Australian Commission on Safety and Quality in Health Care • Australian Institute of Health and Welfare • Australian National Preventive Health Agency • Australian Organ and Tissue Donation and Transplantation Authority • Australian Radiation Protection and Nuclear Safety Agency • Australian Sports Anti-Doping Authority • Australian Sports Commission • Australian Sports Foundation Ltd • Cancer Australia • Department of Health • Food Standards Australia New Zealand • Independent Hospital Pricing Authority • National Blood Authority • National Health and Medical Research Council • National Health Funding Body • National Health Performance Authority • National Mental Health Commission • Private Health Insurance Administration Council • Private Health Insurance Ombudsman¹⁰ • Professional Services Review • Therapeutic Goods Administration
<i>Section 20 engagements</i>	• Private Health Insurance Administration Council—Risk Equalisation Trust Fund
Immigration and Border Protection	
<i>Financial statement audits</i>	• Australian Customs and Border Protection Service¹¹ • Department of Immigration and Border Protection • Migration Review Tribunal and Refugee Review Tribunal¹²

¹⁰ Will be merged into the Office of the Commonwealth Ombudsman from 1 July 2015.

¹¹ Will be merged into the Department of Immigration and Border Protection from 1 July 2015.

¹² Will be merged into the Administrative Appeals Tribunal from 1 July 2015.

Portfolio	Entity
Industry and Science	
<i>Financial statement audits</i>	• ANSTO Nuclear Medicine Pty Ltd (subsidiary of ANSTO) • Australian Institute of Marine Science • Australian Nuclear Science and Technology Organisation (ANSTO) • Australian Renewable Energy Agency • Commonwealth Scientific and Industrial Research Organisation (CSIRO) • Department of Industry and Science • Geoscience Australia • IIF Investments Pty Limited • IP Australia • National Offshore Petroleum Safety and Environmental Management Authority • PETNET Australia Pty Ltd (subsidiary of ANSTO) • Science and Industry Endowment Fund (subsidiary of CSIRO) • Synchrotron Light Source Australia Pty Ltd (subsidiary of ANSTO) • WLAN Services Pty Ltd (subsidiary of CSIRO)
<i>Section 20 engagements</i>	• Australian Nuclear Science and Technology Organisation (Special Purpose Audit)
Infrastructure and Regional Development	
<i>Financial statement audits</i>	• Airservices Australia • Australian Maritime Safety Authority • Australian Rail Track Corporation • Australian Transport Safety Bureau • Civil Aviation Safety Authority • Department of Infrastructure and Regional Development • Infrastructure Australia • Moorebank Intermodal Company Limited • National Capital Authority • National Transport Commission • Norfolk Island Administration • Norfolk Island Government Tourist Bureau • Norfolk Island Hospital Enterprise
<i>Section 20 engagements</i>	• Australian Rail Track Corporation (Special Purpose Audit)
Parliamentary Departments	
<i>Financial statement audits</i>	• Department of Parliamentary Services • Department of the House of Representatives • Department of the Senate • Parliamentary Budget Office

Portfolio	Entity
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Prime Minister and Cabinet

Financial statement audits

- Aboriginal Hostels Ltd
- Aboriginals Benefit Account
- Anindilyakwa Land Council
- Asset Leasing Trust (subsidiary of IBA)
- Australian Institute of Aboriginal and Torres Strait Islander Studies
- Australian Public Service Commission
- Central Land Council
- Consolidated Manufacturing Enterprises Pty Ltd (subsidiary of IBA)
- Darwin Hotel Holdings Trust (subsidiary of IBA)
- Department of the Prime Minister and Cabinet
- Gagudju Crocodile Hotel Trust (subsidiary of IBA)
- Gagudju Lodge Cooina Trust (subsidiary of IBA)
- Hotel Enterprises Pty Ltd (subsidiary of IBA)
- Hotel Holdings Trust (subsidiary of IBA)
- Ikara Wilpena Holdings Trust (subsidiary of IBA)
- Ikara Wilpena Enterprises Pty Ltd (subsidiary of IBA)
- IBA Retail Asset Management Pty Ltd (subsidiary of IBA)
- IBA Retail Property Trust (subsidiary of IBA)
- Indigenous Business Australia (IBA)
- Indigenous Economic Development Trust (subsidiary of IBA)
- Indigenous Land Corporation (ILC)
- Indigenous Real Estate Investment Trust (subsidiary of IBA)
- Kakadu Tourism (GCH) Pty Ltd (subsidiary of IBA)
- Kakadu Tourism (GLC) Pty Ltd (subsidiary of IBA)
- Larrakia Darwin Hotel Partnership (subsidiary of IBA)
- Leonora Investment Trust (subsidiary of IBA)
- Li Ar Yalug Land Holding Trust (subsidiary of IBA)
- Minjerribah Camping Partnership (subsidiary of IBA)
- National Australia Day Council Ltd
- National Centre of Indigenous Excellence Ltd (subsidiary of ILC)
- National Indigenous Pastoral Enterprises Pty Ltd (subsidiary of ILC)
- North Stradbroke Enterprises Trust (subsidiary of IBA)
- Northern Land Council
- Office of National Assessments
- Office of the Commonwealth Ombudsman
- Office of the Inspector-General of Intelligence and Security
- Office of the Official Secretary to the Governor-General
- Outback Stores Pty Ltd
- South Hedland Indigenous Property Trust (subsidiary of IBA)
- Swanbrook Road Holding Trust (subsidiary of IBA)
- Tennant Creek Foodbarn Partnership (subsidiary of IBA)
- Tennant Creek Land Holding Trust (subsidiary of IBA)
- The Owners—Strata Plan No. 86156 (subsidiary of ILC)

Portfolio	Entity
	• Tiwi Land Council • Tjapukai Aboriginal Cultural Park Partnership (subsidiary of IBA) • Torres Strait Regional Authority • Voyages Indigenous Tourism Australia Pty Ltd (subsidiary of ILC) • Wilpena Pound Aerodrome Services Pty Ltd (subsidiary of IBA) • Wreck Bay Aboriginal Community Council (WBACC)
<i>Section 20 engagements</i>	• Aboriginal and Torres Strait Islander Land Account • Central Land Council Native Title Representative Body • Northern Land Council Native Title Representative Body • Office of the Official Secretary to the Governor-General Allowance Audit
Social Services	
<i>Financial statement audits</i>	• Australian Aged Care Quality Agency • Australian Hearing • Australian Institute of Family Studies • Department of Human Services • Department of Social Services • National Disability Insurance Agency
Treasury	
<i>Financial statement audits</i>	• Australian Bureau of Statistics • Australian Competition and Consumer Commission • Australian Office of Financial Management • Australian Prudential Regulation Authority • Australian Reinsurance Pool Corporation • Australian Securities and Investments Commission • Australian Taxation Office • Clean Energy Finance Corporation • Commonwealth Grants Commission • Corporations and Markets Advisory Committee • Department of the Treasury • Inspector-General of Taxation • National Competition Council • Note Printing Australia Ltd (subsidiary of RBA) • Office of the Auditing and Assurance Standards Board • Office of the Australian Accounting Standards Board • Productivity Commission • Reserve Bank of Australia (RBA) • Royal Australian Mint
<i>Section 20 engagements</i>	• Australian Taxation Office CFS ETM Revenue Estimates Special Purpose Accounts 2013–2014 • Australian Taxation Office GST Special Purpose Audit Opinion 1 GST Cost Controls • Australian Taxation Office GST Special Purpose Audit Opinion 2 GST Cost Controls • Reserve Bank of Australia Officers' Superannuation Fund (APRA reporting and prudential standards)

Other assurance activities

2014–15 Major Projects Report

One significant assurance activity undertaken by the ANAO is the priority assurance review of major Defence equipment acquisition projects (Major Projects). The production of the annual Major Projects Report was established in conjunction with the DMO in 2007–08, to increase transparency and accountability on the progress of Defence Major Projects. This area has been a focus of parliamentary interest for some time, and the annual program of ANAO review was identified by the JCPAA as a priority assurance review in JCPAA Report 429, *Review of the 2010–11 Defence Materiel Organisation Major Projects Report*. The Major Projects Report includes information relating to the cost, schedule, technical progress and capability performance of individual projects as at 30 June each year. On completion of the priority assurance review, the ANAO reports to Parliament on the status of each major project that is subject to review.

The first Defence Materiel Organisation Major Projects Report, tabled in Parliament in November 2008, reported on nine of the DMO's major projects. Since that time, six further reports have been tabled on an annual basis and the number of projects reviewed increased until 2013–14, when 30 projects were reviewed. The 2014–15 Major Projects Report will cover 25 projects as endorsed by the JCPAA, following its decision to remove a number of projects previously included within the report.

The ANAO has continued to analyse individual project performance and, over time, emerging trends across all projects and the governance model in place within the DMO. In 2015 the First Principles Review of the Department of Defence, *Creating One Defence*, recommended amongst other matters that the Defence Materiel Organisation cease operating as a separate entity, with its functions transferring to a new Capability, Acquisition and Sustainment Group. The Australian Government agreed to this recommendation and it is anticipated that this change may occur by 1 July 2015. Any such change will be considered in the context of preparation of the 2015–16 Major Projects Report.

The Major Projects Report is based on guidelines endorsed by the JCPAA and the Auditor-General's review scope, and is not as extensive in terms of evidence gathering as performance audits. The 2014–15 Major Projects Report will build on previous reports, further enabling longitudinal analysis of Defence Major Projects, and commence consideration of the planned implementation of the recommendations of the First Principles Review.

The report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Section Two

Performance audits, in progress and proposed

This section outlines performance audits in progress as at July 2015 and a rolling program of proposed performance audits by portfolio. The performance audit program also includes cross-entity performance audits that will involve a number of entities, and a series of better practice guides.

Audit strategy overview

The Agriculture portfolio comprises the Department of Agriculture (Agriculture) and seven portfolio agencies. The portfolio was allocated around \$2 billion in resources for 2015–16. The portfolio aims to support the sustainability, productiveness, profitability and competitiveness of Australia's agriculture, food, fisheries and forestry industries. Major priorities within the portfolio in 2015–16 include implementing the Government's agenda, including: the White Papers on Agricultural Competitiveness and Developing Northern Australia; water infrastructure; the Biosecurity Bill 2014; delivery of the new post-entry quarantine facility and market access and free trade agreements; better regulation of biosecurity, pesticides and veterinary medicines and fisheries; and enhancing outcomes for primary industries. Agriculture has also outlined additional priorities within its two outcomes, including: building successful primary industries; supporting agricultural communities; expanding agricultural, fisheries and forestry exports; sustaining natural resources for longer term productive primary industries; and managing biosecurity and imported food risk.

Audits in recent years have focused on the implementation of grants programs, including structural adjustment in the forestry and fishing industries; the regulation of fisheries managed by the Australian Government; the administration of aspects of the biosecurity system; and the administration of drought assistance programs.

The ANAO's future audit program will continue to address key portfolio areas and risks associated with biosecurity, exporter supply chain assurance, preparedness for pest and disease emergencies, and grants administration.

Audits in progress at July 2015

Farm Finance Concessional Loans and Drought Concessional Loans Programmes

Agriculture administers a range of rural and drought assistance programmes to assist farmers and small businesses to build resilience and to manage during times of hardship, including drought. In 2013–14, the Farm Finance Concessional Loans Programme and the Drought Concessional Loans Programme were announced. These programmes offer loans to eligible farmers at a reduced or 'concessional' rate of interest for a period of up to five years:

- The \$420 million Farm Finance Concessional Loans Programme offers loans of up to 50 per cent of an applicant's eligible farm debt (to a maximum of \$1 million) for debt restructuring or productivity enhancements to farmers in all states and the Northern Territory.
- The \$280 million Drought Concessional Loans Programme offers loans of up to 50 per cent of an applicant's eligible farm debt (to a maximum of \$1 million) for debt restructuring, new debt for operating expenses, drought recovery and preparedness activities to farmers in New South Wales, Queensland, Western Australia, South Australia, Victoria and the Northern Territory.

The programmes are administered by Agriculture through decentralised delivery arrangements in participant jurisdictions. Arrangements for each programme in each jurisdiction are underpinned by scheme guidelines, a loan agreement and a service level agreement.

The objective of the audit is to assess the effectiveness of Agriculture's establishment and administration of the Farm Finance Concessional Loans and Drought Concessional Loans Programmes.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitings.

Potential audits

Exporter Supply Chain Assurance System

In 2013–14, revenue from Australian live animal exports was \$1 243 million. The industry employs approximately 10 000 people in rural and regional Australia.

On 8 June 2011, the Australian Government suspended the export of all feeder livestock to Indonesia after evidence of poor slaughter practices in a number of Indonesian abattoirs emerged. The then Minister for Agriculture, Fisheries and Forestry also instigated an independent review of the complete supply chain for live exports up to and including the point of slaughter. In addition, the Chief Veterinary Officer coordinated an independent scientific review of the restraint boxes in use in Indonesian abattoirs. The trade of feeder livestock to Indonesia resumed in July 2011 after a new animal welfare framework—the Exporter Supply Chain Assurance System (ESCAS)—had been established. On 21 October 2011, the minister announced that the framework would be extended in stages to all feeder and slaughter livestock export markets. The ESCAS was fully implemented by 1 January 2013.

Under the system, exporters must be licensed by Agriculture to legally export feeder livestock from Australia and are accountable to the Australian Government for the welfare of each consignment of livestock across the supply chain. In January 2015, the Government released a review of the ESCAS. The report found that more than 8 million livestock had been exported since the ESCAS system was introduced. In the period 1 July 2011 to 30 November 2014, there were 22 confirmed instances of non-compliance with ESCAS, which resulted in a 'potential direct animal welfare impact' for 12 958 animals. The report recommended strengthening and clarifying compliance standards, removing the duplication of audit activities and introducing greater industry responsibility for risk management.

An audit would examine Agriculture's implementation and monitoring of compliance with the ESCAS.

Biosecurity System

Australia's biosecurity system aims to minimise the risks associated with the entry and subsequent spread of exotic pests and diseases that have the potential to cause significant economic, environmental or community costs, including impacts on Australia's \$41 billion agriculture export industries. A range of technologies and approaches are used to help prevent the introduction and spread of disease, including research and shared international resources and intelligence.

In response to various reviews of the biosecurity system, Agriculture has been implementing reforms to the biosecurity system under five key themes:

- implementing a risk-based approach to biosecurity management;
- managing biosecurity risk across the continuum—offshore, at the border and onshore;
- strengthening partnerships with clients and stakeholders;
- using robust science, being intelligence-led and evidence-based; and
- developing and implementing modern legislation, technology, funding and business systems.

A series of audits on aspects of Australia's biosecurity operations would potentially examine the effectiveness of strategies applied across the continuum that aim to prevent and manage incursions on a risk basis. This may include an examination of systems that support Agriculture's implementation of its biosecurity responsibilities, including the development of the Biosecurity Import Conditions (BICON) information technology system.

Agriculture's Biosecurity Compliance, Investigation and Enforcement Arrangements

Agriculture is responsible for administering regulatory arrangements established in a broad range of Commonwealth legislation, including the *Quarantine Act 1908* (to be replaced by the *Biosecurity Act 2015* 12 months after royal assent is received from the Governor-General), the *Imported Foods Control Act 1992*, the *Australian Meat and Live-stock Industry Act 1997*, and the *Export Control Act 1982*. Compliance, investigation and enforcement activities are an integral part of Agriculture's discharge of its biosecurity regulatory responsibilities. The department's compliance strategy is based on 'encouraging stakeholders to voluntarily comply with biosecurity requirements, and dealing with non-compliance appropriately'.

Agriculture's Compliance Division manages biosecurity pathway compliance for international passengers and mail, imports and exports, and cargo, including third-party (onshore and offshore) arrangements to expedite cargo processing. Agriculture also works closely with other entities, in particular the Australian Border Force, and the states and territories.

Agriculture states that it takes a risk-based approach to compliance monitoring and investigation. A range of enforcement responses are available to Agriculture when non-compliance with regulatory requirements is identified, including education, warnings, or both; suspension or cancellation of permits or approvals; seizure of goods; on-the-spot fines; and criminal prosecution. In 2013–14, the department began more than 240 investigations, concluded 14 criminal prosecutions, audited more than 4000 quarantine approved premises and more than 700 compliance agreements, and inspected more than 6500 randomly selected sea cargo consignments.

An audit would complement audit coverage of the department's activities designed to prevent and manage incursions by assessing the effectiveness of Agriculture's biosecurity compliance, investigation and enforcement arrangements.

National Landcare Programme

In August 2013, the Government announced the merger of the Caring for Our Country Initiative and the Landcare Programme to create a single National Landcare Programme that reflects both local and regional programme priorities. The new programme design is intended to increase access to funding for farmers and landcare groups, and to establish a base operational funding pool for Landcare.

The first stage of the former Caring for Our Country Initiative was delivered from 2008 to 2013 and provided around \$2 billion in funding for natural resource management. As part of the 2012–13 Budget, the then Government announced the continuation of Caring for Our Country, with funding of \$2.2 billion over the period from 2013–14 to 2017–18 in two streams—Sustainable Environment and Sustainable Agriculture. This funding was subsequently redirected by the current Government into the National Landcare Programme and other measures, such as the Green Army Programme and Working on Country. The Government continued funding for projects already selected under the earlier Caring for Our Country and Land Sector initiatives.

The \$1 billion National Landcare Programme comprises national and regional funding streams. The regional funding stream is planned to provide \$454 million over four years through Australia's 56 natural resource management organisations. This is to include at least \$90 million in funding for local, on-ground community projects. The national stream is planned to fund a range of programmes, including election commitments such as the 20 Million Trees Programme and 25th Anniversary Landcare Grants, and ongoing commitments such as World Heritage and Indigenous Protected Areas.

An audit would examine aspects of Agriculture's and the Department of the Environment's administration of the National Landcare Programme.

Australian Government Reef Programme (formerly the Reef Rescue Initiative)

The Great Barrier Reef is the world's largest coral reef ecosystem, covering 348 000 square kilometres and including 2500 individual reefs and 900 islands. A continuing decline in water quality from catchment run-off, impacts from fishing and climate change have been identified as issues affecting the health of the reef in various assessments, including the *Great Barrier Reef Outlook Report 2009*. In response to the report, the Australian Government committed \$200 million in funding over five years (2008 to 2013) under the Reef Rescue Initiative to reduce the discharge of dissolved nutrients and chemicals from agricultural lands into the Great Barrier Reef lagoon by 25 per cent and the discharge of sediment and nutrients by 10 per cent.

In April 2013, the Government committed a further \$200 million to the Reef Rescue Initiative (now named the Australian Government Reef Programme) to continue efforts to protect the reef through improvements to the quality of water flowing into the Great Barrier Reef lagoon. This additional funding will support a second phase of the programme from 2013 to 2018 and is intended to enhance the reef's resilience to the threats posed by climate change and nutrient, pesticide and sediment run-off through a number of complementary approaches. Agriculture and the Department of the Environment jointly administer aspects of the programme.

An audit would examine the administration of the Australian Government Reef Programme and the extent to which the programme is achieving its objectives.

Regulation of Pesticides and Veterinary Medicines: Follow-on Audit

Effective regulatory oversight of pesticides and veterinary medicines is necessary to maintain the quality of food and fibre production in Australia. The Australian Pesticides and Veterinary Medicines Authority (APVMA) is responsible for the regulation of agricultural and veterinary (agvet) chemicals, including the evaluation of applications to register pesticides and veterinary medicines for use in Australia. It also monitors manufacturers' compliance with prescribed standards and reviews currently registered products to ensure that they remain compliant with current standards. The APVMA's 2015–16 budgeted expenditure is \$32.9 million.

The Better Regulation of Agvet Chemicals legislation was passed by the Parliament in June 2013, with an implementation date of 1 July 2014. These reforms are designed to improve the consistency, efficiency and transparency of agvet chemical approvals; better align regulatory effort with chemical risk; improve the ability of the APVMA to enforce compliance with a suite of new powers; and improve consistency in data protection provisions. In July 2014, the Parliament also passed amendments that removed the requirement for agvet chemicals to be periodically reapproved and reregistered.

An audit would examine the APVMA's establishment of the revised regulatory framework and its performance of its key regulatory functions. The audit would also examine the APVMA's implementation of recommendations made by the ANAO in Audit Report No.14 2006–07 *Regulation of Pesticides*

and Veterinary Medicines. Those recommendations included strengthening the management of conflicts of interest for external service providers; improving the recording, monitoring and reporting of registration time frames; and reviewing arrangements for seeking scientific advice from other Australian Government agencies.

Border Management of Foreign Military Personnel and Equipment

Foreign military personnel and equipment are regularly deployed to Australia, both on a long-term basis and for particular military exercises. For example, in November 2011, the Australian and United States (US) governments announced a joint defence force initiative involving a rotation of around 1100 members of the US Marine Corps into northern Australia for periods of six months. Around 1150 US Marines were deployed in 2014, and numbers are expected to reach 2500 by 2017. The visiting Marines are accompanied by a range of equipment, including vehicles; weapons such as small arms, mortars and towed cannons; and aircraft, including transport helicopters and fighter jets.

US Defense Force personnel have also been deployed in Australia biennially since 2005 for shared training with the Australian Defence Force (ADF). In 2013, around 21 000 US Defense Force personnel participated with 7000 ADF personnel for about four weeks in Queensland, the Northern Territory and Australian maritime zones. The next shared training exercise is scheduled for July 2015 and will involve 30 000 military personnel. Military cooperation and joint exercises also occur between Australia and other countries, such as Malaysia, Singapore and, most recently, China.

Australian border protection entities provide immigration clearance, inspection for prohibited and restricted goods and screening for items of biosecurity concern under specific agreements relating to the entry of foreign military personnel.

An audit would examine the effectiveness of the border protection entities' regulation of the immigration, customs and biosecurity aspects of the entry of foreign military personnel and equipment into Australia. Consideration would be given to having the audit coverage coincide with planned periodic movements of foreign military personnel and equipment.

Management of Cost-Recovery Arrangements

Agriculture is reviewing its cost-recovery arrangements to streamline existing frameworks and to inform the development of a long-term strategy to ensure that sustainable funding is available for its biosecurity and export certification activities and to ensure consistency in charges for cost-recovered activities. Fees and charges for 17 cost-recovery arrangements, including imports, plant and food exports, and live animal exports, are being reviewed. Under those arrangements, there are approximately 370 fees and charges, through which the department recovers around \$335 million or about 62 per cent of the costs of its biosecurity and export certification activities.

An audit would examine the effectiveness of Agriculture's design and implementation of the new cost-recovery arrangements to align with the Australian Government's Cost Recovery Guidelines.

Management of the Transition to the New Post-Entry Quarantine Facility

Post-entry quarantine facilities provide accommodation for high-risk imported live animals and plants during the quarantine period required on their arrival in Australia. During that period, the length of which depends on the incubation period of relevant pests and diseases of quarantine concern, officers from Agriculture monitor the animals and plants to ensure that any pests or diseases are identified and appropriately treated.

Due to the end of existing leasing arrangements, Australia's current network of four government-operated post-entry quarantine facilities will close between 2015 and 2018. From 2015, Agriculture will provide post-entry quarantine accommodation at a new consolidated site in Victoria and will begin transferring post-entry quarantine services from the four existing sites to the new site. The Department of Finance is managing the construction of the new \$379 million, 144-hectare facility. Construction of the new facility began in May 2014.

An audit would examine the effectiveness of Agriculture's management of the transition to the new post-entry quarantine facility.

Illegal Logging

Illegal logging is a significant problem in many countries, generating environmental, economic and social impacts. Trade in illegally logged timber disadvantages legitimate businesses and undercuts market prices. Australia is a net importer of wood and wood products, and total imports in 2010–11 were worth some \$4.4 billion. In a 2005 report commissioned by the Australian Government, it was estimated that around nine per cent of Australia's imported wood products (worth \$400 million per annum) came from areas at risk of being illegally logged.

Legislation to curtail the trade in illegally logged timber was established in the US in 2008 and by the European Union in 2010. The *Illegal Logging Prohibition Act 2012* (ILP Act) came into effect in Australia in November 2012, making it a criminal offence to intentionally, knowingly or recklessly import or process illegally logged timber or timber products in Australia. The ILP Act is supported by the *Illegal Logging Prohibition Regulation 2012* (which came into effect on 30 November 2014). The regulation requires importers and processors to carry out due diligence checks, including gathering information about the wood products, assessing the risk that the products have been illegally logged, mitigating the risk and declaring to the Australian Border Force that the due diligence process has been followed. The department's role is to facilitate the trade of legally logged timber.

An audit would examine Agriculture's implementation of the regulatory framework established to reduce illegal logging and compliance monitoring arrangements.

Regional Forest Agreements

Regional Forest Agreements (RFAs) are 20-year plans for the conservation and sustainable management of Australia's native forests. There are 10 RFAs in four states: Western Australia, Victoria, Tasmania and New South Wales. The first RFA was signed in 1997.

RFAs underpin the 1992 *National Forest Policy Statement*, which sets out the shared vision of the Australian, state and territory governments for Australia's forests and provides certainty for forest-based industries, forest-dependent communities and conservation. Each RFA contains commitments and milestones for the Australian and state governments, including a requirement for annual reports to be prepared for the first five years of each agreement. Subsequently, performance against each RFA is to be reviewed every five years in consultation with the community.

Agriculture has responsibilities relating to the operation of RFAs, including monitoring implementation, coordinating annual reports and conducting five-yearly reviews.

In 2013, the Senate Environment and Communications References Committee completed an inquiry into the effectiveness of threatened species and ecological communities protection in Australia. The inquiry report included a recommendation for the Australian Government to continue working with state governments to improve the review, audit and monitoring arrangements for RFAs, with a view to

ensuring that forestry operations avoid impacts on threatened species and ecological communities. The Government agreed with the recommendation and committed to working cooperatively with state governments to improve the administration of RFAs, including to improve the review, audit and monitoring arrangements.

An audit would examine the effectiveness of Agriculture's administration of the review, audit and monitoring of the RFAs.

Rural Research and Development for Profit Programme

Rural research and development corporations (RDCs) enable a diverse range of rural industries to invest collectively in research and development (R&D) activities. RDCs are funded by industry levies, and the Australian Government matches industry expenditure on R&D dollar for dollar up to a limit of 0.5 per cent of each industry's gross value of production. There are currently 15 RDCs, of which four are statutory and 11 are industry-owned. The Productivity Commission reported that RDCs' expenditure was around \$490 million per annum in 2008–09, including a government contribution of around \$220 million.

In October 2014, the Australian Government announced the \$100 million Rural Research and Development for Profit Programme for RDCs. Administered by Agriculture, the programme provides grants for collaborative research. All 15 RDCs are eligible to apply for funding. To apply, RDCs must collaborate with other partners, such as researchers, funding agencies, universities, producer groups or the private sector, and must provide a contribution at least equal to the requested Australian Government grant funding. The grant assessment process includes an expert panel to provide industry, technical and scientific expertise. Round 1 of the programme, allocating up to \$30 million in funding, closed in December 2014, and the successful applicants were announced in March 2015.

An audit would examine the effectiveness of Agriculture's establishment and implementation of the Rural Research and Development for Profit Programme.

Attorney-General's

Audit strategy overview

The Attorney-General's portfolio is responsible for law and justice; national security; emergency management; natural disaster relief; cultural affairs (including support for the arts); and the management of government records. In the 2015–16 Budget, the largest funded portfolio entities were the Australian Federal Police (AFP) (\$1.4 billion), the Attorney-General's Department (AGD) (\$1.1 billion) and the Australian Security Intelligence Organisation (\$0.4 billion). The 2015–16 Budget allocation for the remaining 28 entities that comprise the portfolio was \$1.7 billion, for a portfolio total of \$4.6 billion.

Audits in recent years have focused on AGD's administration of the Natural Disaster Relief and Recovery Arrangements, the Indigenous Legal Assistance Programme and the award of funding under the Safer Streets Programme. Audits have also covered the provision of policing services to the Australian Capital Territory, the management arrangements for selected treaties, security assessments of individuals and the administration of financial intelligence functions.

Planned audit work continues to focus on how well the justice, law enforcement and intelligence entities in the portfolio are maintaining core capabilities and delivering key functions. Further work is planned in relation to Australian Government funding related to natural disaster expenditure. Emphasis is also given to AGD's administration of grants programs, including those located in the Ministry for the Arts.

Audits in progress at July 2015

The Australian Federal Police's Management of its Use of Force Regime

During the course of their duties, AFP officers may be required to use force for a range of purposes, including self-defence, the protection of property, the prevention of criminal trespass and making arrests. The use of force encompasses a range of options including the presence of an officer, physical force, and the use of batons, firearms, munitions, oleoresin capsicum canisters, handcuffs and tasers.

The AFP's use of force is governed by the AFP Commissioner's Order on Operational Safety. The order emphasises the principles of negotiation and conflict de-escalation as the first consideration before physical force is used. The AFP's Operational Safety Policy establishes standards for the use of reasonable force, required training and qualifications, and arrangements for monitoring and reporting.

The objective of the audit is to assess the effectiveness of the AFP's management of its use of force regime.

The audit report is expected to be tabled in the Winter 2016 Parliamentary Sitzings.

Potential audits

The Australian Federal Police's Management of the Spectrum Program

The aim of the Spectrum program is to improve operational policing efficiency by modernising the AFP's core operational systems in line with modern policing practice and the Australian Government's expanding law enforcement objectives. It is a significant organisational change initiative, encompassing changes to business process, policy and information technology systems. Among other things, the Spectrum program is intended to replace four existing operating systems, including the AFP's current case management system (PROMIS), with a single system referred to as the Investigations, Incident and Intelligence Management (IIIM) solution.

In 2007, the AFP received initial capital funding of \$107.6 million to develop the Spectrum program. The AFP has also received additional funding of \$50.1 million through depreciation and capital maintenance during the life of the project. As of March 2015, \$48.6 million had been spent on the project, the total cost of which is estimated to be \$155.3 million. In June 2013, the AFP signed a deed of standing offer with Elbit Systems of Australia for the delivery of the major component of the program, the IIIM solution.

An audit would examine the effectiveness of the AFP's management of the Spectrum program, including the delivery of benefits in line with time, cost and quality expectations.

The Australian Federal Police's Management of Property and Exhibits

One of the AFP's responsibilities is to appropriately manage 'property' (the term for all items seized by the AFP) and 'exhibits' (items possessed by the AFP and of evidentiary value) seized as part of its operational and investigative activities. The effective handling of property and exhibits provides confidence in the community of the AFP's ability to conduct and pursue investigations and obtain convictions.

The AFP manages property and exhibits in four key stages: seizure, lodgement/transfer, storage and disposal. A National Guideline on Property and Exhibits sets the relevant standards and procedures for the AFP's management of property and exhibits, while PROMIS is used to record and manage the items seized. The AFP manages approximately 100 000 items, which include counterfeit currency, valuables, miscellaneous property, electronic data devices, sexually explicit material, firearms/munitions, hazardous chemicals and drugs. These goods are stored across Australia in facilities known as 'registries'.

An audit would examine the effectiveness of the AFP's arrangements for managing the seizure, lodgement/transfer, storage and disposal of selected property and exhibits.

Managing National Information Systems and Services to Support Law Enforcement Agencies

The CrimTrac Agency, (CrimTrac) was established in July 2000 and operates under an Inter-Governmental Agreement (IGA) as a collaborative partnership between the Australian Government and the states and territories. CrimTrac's functions are set out in the IGA and include delivering a range of national information systems and services, including a national automated fingerprint identification system, a national DNA database, a national child sex offender system, and rapid access to national operational policing data. CrimTrac's budget allocation for 2015–16 was \$79.5 million.

In 2003–04, the ANAO assessed CrimTrac's progress in achieving key deliverables since its establishment. Eleven recommendations were made, focusing primarily on improving effective cooperation between Australia's police services and CrimTrac. Subsequently, in June 2006, all state, territory and federal police commissioners entered into a partnership memorandum of understanding supporting the IGA. This sought to underpin a common goal of meeting the agreed information needs of policing agencies across Australia.

An audit would examine the effectiveness of CrimTrac's arrangements to support law enforcement agencies through the provision of one or more national information systems and services. The audit would complement ANAO Audit Report No.53 2003–04 *The Implementation of CrimTrac*.

Managing the Aviation and Maritime Security Identification Card Schemes: Follow-up Audit

Aviation and maritime security identification cards (ASICs and MSICs) for airport and seaport workers are part of Australia's effort to secure the transport sector against terrorism. All individuals who require unescorted access to a secure area of an airport, seaport or offshore facility are required to pass a background check and display an ASIC or MSIC indicating that they have passed the check. Responsibility for the ASIC and MSIC regime is shared between the Department of Infrastructure and Regional Development and AGD, although the cards are issued by separate issuing authorities, including private and public sector bodies.

The ASIC and MSIC schemes were established by the *Aviation Transport Security Act 2004* and the *Maritime Transport and Offshore Facilities Security Act 2003*. The legislation prescribes a range of conditions for the use of the cards and eligibility criteria for obtaining a card. During 2013–14, AGD completed 82 451 background checks for ASICs and 66 240 background checks for MSICs.

The management of the ASIC and MSIC schemes was examined in ANAO Audit Report No.39 2010–11 *Management of the Aviation and Maritime Security Identification Card Schemes*. Recommendations focused on the need for the Department of Infrastructure and Regional Development to review the administrative practices of issuing bodies and implement mechanisms to support future compliance with the schemes.

An audit would examine the effectiveness of the AGD's and Department of Infrastructure and Regional Development's management of the ASIC and MSIC regime, with a focus on the implementation of recommendations from the previous ANAO audit.

Managing the Australia Council's Grants Programs

The Australia Council (the Council) is the Australian Government's principal arts funding and advisory body. Its mission is to support the creation, presentation and appreciation of distinctive cultural works by providing assistance to Australian artists and making their works accessible to the public. The Council's budget allocation for 2015–16 was \$187.3 million, after a reduction of 13.6 per cent from the previous year.

In 2013–14, the Council funded 2489 grants and projects for a total of \$199.2 million. The largest amounts went to orchestras (\$55.8 million) and theatre projects (\$32 million); smaller amounts went to opera and other music, dance, visual arts and literature works.

An audit would examine the Council's grants administration processes and include a detailed examination of selected grants. The audit would take account of the extent to which the Council's administration of grants accords with the principles outlined in the Commonwealth Grants Rules and Guidelines and the ANAO's *Implementing Better Practice Grants Administration* better practice guide.

Administration of Selected Indigenous Arts and Cultural Grants

The Australian Government recognises the value and importance of preserving, revitalising and strengthening Indigenous culture and aims to do so through the provision of funding to support Indigenous culture, languages and visual arts. The Ministry for the Arts, located within AGD, is responsible for administering this funding through a number of grants programs, including Indigenous Visual Arts Support, Indigenous Languages Support, Indigenous Culture Support and the Indigenous Employment Initiative.

During August 2014, additional funding of \$45.5 million was announced for these four grant programs. It is intended to support 86 Indigenous visual art organisations (\$10.2 million), 51 Indigenous language activities (\$8.8 million), 83 culture activities (\$5.1 million) and approximately 570 jobs for Aboriginal and Torres Strait Islander people (\$21.4 million).

An audit would examine one or more of the four grants programs and include an assessment of the Ministry for the Arts' grants administration processes. It would take account of the extent to which the ministry's administration of grants accords with the principles outlined in the Commonwealth Grants Rules and Guidelines and the ANAO's *Implementing Better Practice Grants Administration* better practice guide.

The Seizure, Storage and Disposal of Forfeited Property under the Proceeds of Crime Act 2002

The Proceeds of Crime Act 2002 (the Proceeds of Crime Act) provides a scheme to trace, restrain and confiscate the proceeds of crime, primarily against Australian Government law. The Criminal Assets Confiscation Taskforce is the primary body by which the proceeds of serious and organised criminal activity are identified, restrained and confiscated. The taskforce is led by the AFP, with input from the Australian Crime Commission (ACC) and the Australian Taxation Office.

The Proceeds of Crime Act allows confiscated funds to be used for programs designed to benefit the community through crime prevention, intervention, diversion programs or other law enforcement initiatives. The funds from confiscated assets are deposited into the Confiscated Assets Account, managed by the Australian Financial Security Authority (AFSA) on behalf of the Australian Government. During 2013–14, a total of \$76.1 million in assets was confiscated under the Proceeds of Crime Act. Assets and moneys forfeited are maintained by AFSA, while the AGD is responsible for managing the grants programs.

An audit would consider the effectiveness of agency arrangements to identify, seize and forfeit, and manage the proceeds of crime. The audit may also include the consideration of the arrangements to identify programs for funding from the proceeds of crime and the management of grants under the legislation.

Administration of Australian Government Funding Towards the Costs of Aerial Firefighting

The National Aerial Firefighting Centre Ltd (NAFC) is a joint company formed by the states and territories in association with the Australasian Fire and Emergency Service Authorities Council Inc. NAFC is responsible for the national coordination of resources and sharing of aerial firefighting equipment between jurisdictions. Because aerial firefighting resources are expensive and highly specialised, the NAFC allows for improved performance and economies of scale that could not be achieved if individual states and territories were to purchase and manage their own aerial firefighting assets. Under a funding agreement administered by AGD, the Australian Government contributes some \$14.5 million per year for the leasing, standing and positioning of the aircraft, for a total budgeted cost of more than \$59 million across 2014–15 and the forward years. In addition, reimbursements made to individual states and territories under the Natural Disaster Relief and Recovery Arrangements may include amounts related to aerial firefighting.

An audit would examine the effectiveness of AGD's administration of the funding provided towards the costs of aerial firefighting, including whether value for money is being obtained from this expenditure. The audit may also consider the performance of the NAFC.

The Award and Administration of Funding Under the Living Safe Together Grants Programme

The objective of the Living Safe Together Grants Programme is to support community-based, non-government and local government organisations to develop new and innovative services to help individuals move away from violent extremism (either directly, or through their families and friends). The grants are intended to prepare or improve the organisations' capability to be part of the Directory of Intervention Services, which is a list of specialist service providers that has been established as part of the Australian Government's Countering Violent Extremism Strategy. A single funding round was undertaken in 2014–15, offering funding of between \$10 000 and \$50 000 per project to be awarded through a competitive application process.

An audit would examine the design and implementation of the programme. Its scope would include the processes by which funding was made available, the assessment of applications, the approval of funding, the management of funding agreements and the evaluation of programme outcomes.

Communications

Audit strategy overview

The Communications portfolio is responsible for developing a sustainable and internationally competitive broadband, broadcasting and communications sector. The portfolio comprises the Department of Communications (Communications); an executive agency, the Digital Transformation Office; two national broadcasters, the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service Corporation (SBS); and one statutory authority, the Australian Communications and Media Authority (ACMA). Total resourcing for these entities in 2015–16 was around \$9.6 billion. The portfolio also includes two Government Business Enterprises—the Australian Postal Corporation (Australia Post) and the National Broadband Network Co Limited (NBN Co).

The strategic priorities of Communications, as outlined in its Corporate Plan 2014–17, are to:

- enhance digital productivity through a revision of the National Digital Economy Strategy in light of recent technological developments, with an emphasis on expanding government entities' online presences;
- expand digital infrastructure through broadband and mobile coverage, alongside the continued restacking and management of the spectrum; and
- promote efficient communications markets through regulatory reform and industry engagement, with a focus on the online safety of children.

Performance audit coverage in the portfolio over recent years has included the Regional Backbone Blackspots Program and the Digital Television Switchover—Household Assistance Scheme.

The ANAO's future audit program will continue to address the key risks and responsibilities within the portfolio. Areas of focus will include mobile coverage in regional areas, the administration of broadcasting regulation and the management of public interest telecommunication services.

Audits in progress at July 2015

Regulation of Unsolicited Communications

Unsolicited communications—including unsolicited telemarketing, fax marketing, commercial emails and short message service (SMS) messaging—cost the global economy over \$20 billion each year and impose on Australians' time and resources. The Australian Government has established a suite of legislation, including the *Do Not Call Register Act 2006* (the Do Not Call Register Act) and the *Spam Act 2003* (the Spam Act), to minimise those impacts.

Under the *Telecommunications Act 1997*, the ACMA may investigate potential contraventions of the Do Not Call Register Act and the Spam Act. In 2013–14, it received almost 22 000 complaints and 350 000 reports from the Australian community about potential non-compliance with the legislation, issued approximately 6000 advisory and informal warning letters to potentially non-compliant companies, finalised 16 investigations and issued 14 enforcement actions, which included seven formal warnings, four infringement notices and three enforceable undertakings.

The objective of the audit is to assess the effectiveness of the ACMA's regulation of unsolicited communications.

The audit report is expected to be tabled in the Winter 2015 Parliamentary Sittings.

Potential audits

Regulation of Broadcasting

The ACMA is responsible for regulating broadcasting in accordance with the *Broadcasting Services Act 1992* (the Broadcasting Services Act). Its responsibilities include planning the channels that radio and television services use, issuing and renewing licences, regulating the content of radio and television services, and administering the ownership and control rules for broadcasting services.

The ACMA investigates matters related to broadcasting codes of practice and compliance with obligations under the Broadcasting Services Act, including licence conditions and program standards. It can initiate investigations based on complaints at the direction of the Minister for Communications. In 2013–14, it reported that it had received 1593 complaints and inquiries. It also reported that it had completed 180 investigations in 2013–14, which resulted in 45 breach findings and 132 non-breach findings. Three investigations resulted in no findings.

An audit would examine the effectiveness of the ACMA's regulation of broadcasting, including its processes for issuing and renewing licences, monitoring licensees' compliance with licence conditions and managing non-compliance. The audit would complement ANAO Audit Report No.46 2007–08 *Regulation of Commercial Broadcasting*.

Mobile Black Spot Programme

The Mobile Black Spot Programme was established by the Australian Government to improve mobile phone and wireless broadband services and extend competition in the provision of those services in regional Australia. To fulfil this commitment, the Government has undertaken to invest \$100 million in telecommunications network infrastructure and to seek co-investments from the private sector and state, territory and local governments. As part of the programme, more than 250 new or upgraded mobile base stations are planned over four years from 2015–16.

The programme consists of two funding streams:

- \$80 million to improve mobile phone coverage along major transport routes, in small communities and in locations prone to natural disasters; and
- \$20 million to address unique mobile coverage problems; for example, those caused by higher populations in small communities during peak seasons.

Applications for funding closed in April 2015, and projects are due to commence in the second half of 2015.

An audit would examine Communications' design and implementation of the Mobile Black Spot Programme, including assessments of applications and approvals for funding.

ABC and SBS Complaints Handling

Complaints about radio or television programs broadcast by Australia's national broadcasting services—the ABC and SBS—are made directly to each broadcaster in the first instance. In 2013–14, the ABC reported that it had received 26 484 complaints, while the SBS reported 568 complaints, including 220 formal complaints. The ABC and the SBS have established frameworks for receiving, managing and investigating complaints.

An audit would examine the effectiveness of complaints handling in the two broadcasting corporations, including collection, receipt and coordination mechanisms, the timeliness of responses and the effectiveness of the complaints management process.

Management of Public Interest Telecommunications Services

Communications is responsible for entering into contracts and making grants to support the provision of public interest telecommunications services for all Australians. Those services include the universal service obligation for standard telephone services and payphones; handling and transferring calls to police and emergency services (000 calls); providing the National Relay Service for people with a speech or hearing impairment; and delivering untimed local calls to people in extended zones (generally in regional and remote areas).

The contracts were previously managed by the Telecommunications Universal Service Management Agency, which administered nine agreements through four contracts with a total value of \$363 million in 2013–14, including a 20-year contract with Telstra totalling \$297 million per year. On 1 July 2015, its functions were absorbed by Communications.

An audit would examine Communications' management of contracts and grants for the provision of public interest telecommunications services.

Managing Compliance with the Telecommunications Consumer Protections Code 2012

In September 2012, the Telecommunications Consumer Protections Code 2012 (TCP Code) was introduced by the ACMA under the *Telecommunications Act 1997*. The aim of the TCP Code is to better protect telecommunications customers against unexpected charges, confusing mobile communications plans and poor complaints handling. The ACMA estimates that selecting the wrong plan has cost customers up to \$1.5 billion a year.

A new industry compliance body—Communications Compliance Ltd (CommCom)—was established to monitor telecommunications providers' compliance with the TCP Code. The ACMA has a memorandum of understanding with CommCom covering monitoring and referrals of non-compliant providers to the ACMA for investigation and enforcement.

Where the ACMA identifies a breach of the TCP Code, it can agree with the provider on steps that the provider will take to remedy the breach or improve compliance, issue a formal warning, or direct the provider to comply with the TCP Code. If a provider breaches a direction, the ACMA can begin proceedings in the Federal Court seeking the application of a penalty. In 2013–14, the ACMA commenced more than 140 inquiries into compliance with the TCP Code, reviewed a number of areas of concern identified through compliance activities, and issued seven directions to comply, 105 formal warnings and one infringement notice.

An audit would examine the effectiveness of the ACMA's management of industry compliance with the TCP Code. Key areas of focus may include education and awareness activities, the management of referrals from the industry compliance body, investigations and enforcement actions.

Defence

Audit strategy overview

To protect and advance Australia's strategic interests, the Defence organisation prepares for and conducts naval, military and air operations and other tasks as directed by the Australian Government. The Defence organisation (Defence) is large and complex, comprising the Department of Defence and the Australian Defence Force (ADF). Defence has a total workforce of around 97 000 people and manages Australian Government assets valued at some \$79 billion, including approximately 3 million hectares of land, making it the Australian Government's largest landholder. Defence was allocated funding of \$32 billion for 2015–16 to defend Australia and its national interests. The ANAO's performance audit strategy takes account of both the substantial resources allocated to achieving that aim and the strategic and budgetary environment in which Defence is operating.

A key strategic initiative for Defence is the implementation of the Australian Government's commitment to release a new Defence White Paper during 2015. The White Paper is intended to provide the Government's strategic direction and priorities on defence policy, operations, force posture and structure, budget, and the Defence organisation. Another significant government priority is the implementation of the recommendations from the *First Principles Review: Creating One Defence* which aim to change the structure, governance arrangements, accountabilities, processes and systems of Defence. Defence has also implemented shared services arrangements in areas such as human resources, finance and non-material procurement to improve efficiency and reduce costs.

Recent ANAO performance audits have examined the acquisition, sustainment and disposal stages of Defence's major capital equipment life cycle. Relevant audits have examined Defence's Multi-Role Helicopter Program, materiel sustainment agreements and management of the disposal of specialist military equipment. Other Defence activities have also received audit coverage, including the retention and recruitment of specialist skills for the Navy and Defence's administration of security clearances for the Australian Government.

As a consequence of the level of government expenditure and related risks, major capital equipment acquisition and sustainment will continue to be a priority of the ANAO's audit program, as will test and evaluation processes. In 2015–16, potential audit coverage includes Defence's Armed Reconnaissance Helicopter project and air-to-air refuelling capability. This audit coverage complements the annual Major Projects Report on the cost, schedule, technical progress and capability performance of individual major Defence acquisition projects. Wider Defence activities also continue to attract attention, particularly procurement, contract management, service delivery and asset management. Potential audits in 2015–16 include Defence's management of service delivery arrangements, shared services in Defence and the management of the Defence estate.

Test and Evaluation of Major Defence Equipment Acquisitions

The ADF relies on advanced technology, complex logistics support systems and skilled personnel to defend Australia and its national interests. The costly, advanced technologies used in military equipment require well-developed test and evaluation (T&E) procedures and skilled T&E personnel within the organisations that acquire, support and operate the equipment. The fundamental purpose of T&E, which can occur at various stages of the equipment life cycle, is to reduce the risk that equipment will not satisfy user expectations for cost, quality, delivery time, mission success, system vulnerability and personnel safety.

The objective of the audit is to examine the effectiveness of Defence's management of the T&E aspects of its capital equipment acquisition program and to report on Defence's progress in implementing relevant recommendations made in the 2012 Senate Foreign Affairs, Defence and Trade References Committee report *Procurement Procedures for Defence Capital Projects*.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Defence Science and Technology Organisation—Administration of Research and Innovation Programs

The Defence Science and Technology Organisation (DSTO) is the Defence organisation's lead group charged with applying science and technology to protect and defend Australia and its national interests. DSTO is responsible for the delivery of impartial expert advice and innovative solutions for Defence and other elements of national security.

Headed by the Chief Defence Scientist, DSTO has an annual budget of approximately \$440 million and employs around 2600 staff (predominantly scientists, engineers, IT specialists and technicians). DSTO's national headquarters is in Canberra, and it has research facilities in Melbourne, Edinburgh (near Adelaide), Canberra, Brisbane, Sydney, HMAS Stirling at Rockingham (near Perth), Scottsdale in Tasmania, and Innisfail in northern Queensland.

The objective of the audit is to assess the effectiveness of DSTO's administration of research and innovation programs.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Defence Industry Support and Skill Development Initiatives

Defence manages a range of programs intended to assist the development of Australia's defence manufacturing industry. The programs are mainly focused on skilling, innovation and export market development and provide grants or other direct forms of assistance to eligible companies. Funding for the programs has been estimated at some \$445 million for the period from 2010 to 2019.

The objective of the audit is to assess the effectiveness of Defence's administration of industry support and skill development initiatives. It includes detailed examination of the Skilling Australia's Defence Industry Program, the Global Supply Chain Program and the Rapid Prototyping Development and Evaluation Program.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Defence's Management of Credit Cards

Defence travel, purchasing and fuel cards are used by Defence personnel as a convenient and flexible way to purchase goods and services to meet business needs. In June 2014, Defence reported having issued more than 69 000 Defence travel cards, more than 7000 Defence purchasing cards, and thousands of fuel cards to Australian Public Service staff and ADF personnel. Between July 2011 and June 2013, Defence reported some 3.5 million transactions and expenditure of \$1.1 billion on travel and purchasing cards. While facilitating procurement, the widespread use of the cards can expose Defence to the risk of inappropriate or unauthorised expenditure.

The objective of the audit is to assess whether Defence is effectively managing and controlling the use of Defence travel, purchasing and fuel cards.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Mulwala Redevelopment Project—Joint Project 2086 Phase 1

The Australian Government-owned, contractor-operated Mulwala facility in southern New South Wales manufactures propellants and high explosives for use in the manufacture of explosive ordnance for the ADF. In 2006, the Government approved the Mulwala Redevelopment Project at a cost of approximately \$371 million to remediate and improve the Mulwala facility, which dates back to the 1940s. The project aims to deliver a modernised facility that will meet more stringent and contemporary environmental work health and safety standards. The project has been a project of concern since December 2012.

The objective of the audit is to assess the effectiveness of Defence's management of the Mulwala Redevelopment Project.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Potential audits

Armed Reconnaissance Helicopter

The \$2.93 billion Armed Reconnaissance Helicopter (ARH) project commenced in March 1999 and since then has acquired 22 Airbus Tiger helicopters fitted with government-furnished equipment from Australia and the US. The ARH project reached the final materiel release milestone in March 2014, subject to Army caveats relating to flight hours, the suitability of the ground-crew training device, electronic warfare self-protection performance, and the high cost of ownership of the aircraft. The ANAO observed in the 2013–14 Major Projects Report that the significance of the Army caveats has been reflected in Defence's acceptance documentation as a high risk to project completion and the achievement of final operational capability. Many of the helicopter issues stem from the less-than-expected maturity of the aircraft at the time of acquisition and ongoing poor performance in the Tiger sustainment system. The estimated cost to sustain the Tiger helicopters for 2015–16 is \$119 million.

An audit would examine key issues related to the achievement of final operational capability and sustainment performance for the 22 Tiger helicopters accepted by Defence.

Air-to-Air Refuelling Capability—AIR 5402

The ADF has acquired five KC-30A Multi Role Tanker Transport aircraft to be used for air-to-air refuelling and strategic airlift under the \$1.8 billion AIR 5402 project. These aircraft are heavily modified Airbus A330 airliners. The project was approved by the Australian Government in 2003, and the ADF is the lead customer for the aircraft. The project is currently running more than four years behind schedule.

The aircraft are fitted with two forms of air-to-air refuelling system: a pair of refuelling pods underneath each wing, which unreel a hose and drogue to refuel probe-equipped aircraft, and a rigid aerial refuelling boom system mounted on the tail of the aircraft. Defence has stated that it has used the KC-30A aircraft for hose-and-drogue in-flight refuelling since 2011, and the aircraft is being used in operations in the Middle East.

The aerial refuelling boom system is a developmental system that has encountered problems, including having a boom detach in flight from a prototype destined for the Royal Australian Air Force (RAAF) in 2011. The project was managed as a project of concern from October 2010 until March 2015, when Defence announced that it had accepted the boom capability, which will now undergo operational evaluation before the RAAF can declare full operational capability.

An audit would examine Defence's oversight of modifications to some of the aircraft's systems, the completion of operational testing and certification of the aircraft, and its transition to the RAAF to achieve final operational capability. The audit would complement the current audit of test and evaluation of major Defence equipment acquisitions.

Reforming Sustainment of the Collins-class Submarine Fleet

The Royal Australian Navy has six Collins-class submarines that entered service between 1996 and 2004. The submarine force is funded to conduct multiple roles, including maritime strike and interdiction, maritime surveillance, reconnaissance and intelligence collection, undersea warfare, and special forces operations. The 2000 Defence White Paper included a plan to bring all six submarines to an improved capability, to meet current and future requirements, by the end of 2008. In April 2007, Defence advised the ANAO that the achievement of the planned improvement to capability was unlikely to occur before 2012 because of the need to align implementation with the submarines' full-cycle docking (maintenance) schedule. In June 2012, DMO and ASC Pty Ltd entered into a new five-year rolling Collins-class sustainment contract. The aim is to deliver more efficient and effective sustainment services that improve the availability and reliability of the Collins submarine fleet. The estimated cost to sustain the Collins-class submarines for 2015–16 is \$521 million.

An audit would examine the effectiveness of the reformed sustainment arrangements for the Collins-class submarine fleet in delivering both improved value for money and better availability and reliability.

Land 75 Battle Management System and Battle Command Systems

LAND 75 is a multi-phase project to provide the Australian Army with a battle management system and battle command systems. These systems allow the transfer, processing and management of tactical-level information necessary for the conduct and control of land operations. The project is one of a number of interrelated acquisitions.

LAND 75 Phase 3.4 has an approved budget of approximately \$322 million. It aims to deliver an initial vehicle-mounted battle management system capability, in conjunction with Defence's Joint Project 2072 Phase 1 (combat radio system) and LAND 125 Phase 3A (dismounted battle management system). LAND 75 Phase 4 has a current approved budget of approximately \$354 million, and aims to enhance the Army's battle management system to be delivered under Phase 3.4.

Defence has identified several major risks for LAND 75, including the development of approved vehicle installation designs for the large number of platforms to which the battle management system is to be fitted, the associated complex design approval process, and complex systems integration issues.

An audit would examine the effectiveness of Defence's management of the LAND 75 project.

MH-60R Seahawk Helicopters—AIR 9000 Phase 8

Defence is acquiring 24 MH-60R Seahawk naval combat helicopters and associated weapons and support systems under the \$3.4 billion AIR 9000 Phase 8 project. The project was approved by the Australian Government in June 2011 and is scheduled to deliver all 24 aircraft by August 2016; final operational capability is expected in December 2023. By June 2014, Defence had accepted the delivery of four MH-60R Seahawk aircraft, and expenditure on the project was some \$921 million.

An audit would examine the development and integration of the fundamental inputs to capability for the Navy's future naval aviation combat capability, which includes the MH-60R Seahawk aircraft as the major system input.

ANZAC-class Ship Upgrade

The \$680 million upgrade program is to provide the Royal Australian Navy's eight ANZAC frigates with an enhanced level of self-defence against modern anti-ship missiles, based on leading-edge radar and missile guidance technology. Initial operational tests and evaluations demonstrated the effectiveness of the upgrade design, construction and systems integration.

The upgrade program received second-pass approval in September 2005 and is scheduled to achieve final operational capability in October 2017, some 55 months behind the originally approved schedule. By June 2014, two ships had been upgraded and Defence's expenditure on the project was some \$480 million.

An audit would examine the effectiveness of Defence's management of the upgrades to the eight ANZAC-class ships.

Sustainment of Defence Materiel

Defence undertakes the sustainment of specific platforms (such as a ship or aircraft fleet), commodities (such as clothing or combat rations) and services (such as the provision of maritime target ranges). Sustainment involves the provision of in-service support, including repairs and maintenance, engineering, supplies, configuration management and disposal action. The top 30 sustainment products by expenditure accounted for some \$3.8 billion in spending in 2013–14. Effective sustainment of these products is critical to maintain the preparedness of the ADF and enable the conduct of Defence operations.

An audit would examine Defence's management of sustainment for one or more platforms or services from the top 30 by expenditure, including risk management, scheduling and performance against key performance indicators.

Cost, Schedule and Capability Executive Reporting

Defence's capital equipment assets provide fundamental inputs to the ADF's capability for achieving the Defence mission of defending Australia and its national interests. Key considerations for Defence in its oversight of major capital equipment projects include assessing and mitigating project implementation risks and issues.

An audit would examine the effectiveness of the reporting systems that Defence uses to monitor and report on the progress of major capital equipment projects in meeting its schedule, cost and quality targets. It would also consider Defence's monitoring and reporting of major project risks and issues, including the projects of concern process.

Defence Procurement

In 2013–14, the Department of Defence and DMO reported the commencement of more than 29 000 contracts with a total value of approximately \$22 billion. The contracts involved the purchase of a very broad range of goods and services, from high-value specialist military equipment acquisitions and sustainment activities through to IT equipment, software and health, security and consultancy services. When undertaking procurement, Defence is required to take into account the principles and requirements set out in the Commonwealth Procurement Rules and associated legislation, including achieving value for money.

An audit or series of audits would examine selected aspects of Defence's management of procurement activities, including its selection of procurement methods, industry solicitation practices, tender evaluation processes, management of conflicts of interest, contract reporting, ongoing contract management and evaluations of contract performance.

Management of Service Delivery Arrangements

In recent years, Defence has entered into a number of large contracts for the delivery of services, including:

- in 2012, a four-year contract worth approximately \$1.3 billion to provide health-care services to ADF personnel across Australia;
- in 2012, a five-year contract worth between \$400 million and \$500 million to provide recruiting services to the ADF; and
- in 2014, 10 contracts, each with an initial term of six years plus up to four years of extensions, to provide services on Defence bases for routine maintenance, security, pest control, waste management, transport, and support to range and training areas (over the 10-year period, the contracts are collectively worth about \$10 billion and are reportedly the largest single procurement of its type undertaken by the Australian Government).

An audit would examine Defence's management of selected outsourced service delivery arrangements, including the design of contractual arrangements, and performance monitoring and evaluation.

Management of the Defence Estate

Defence manages one of the largest real estate portfolios in Australia, including about 3 million hectares of land and some 400 owned properties, including 72 significant bases, 25 000 buildings and 6000 other structures. In June 2014, the reported value of the Defence estate was over \$22 billion. Defence also leases properties in Australia and overseas.

An audit or series of audits would examine selected aspects of Defence's management of its properties, including the management of leased properties, Defence estate maintenance, environmental remediation programs, and property disposals.

Shared Services in Defence

Defence's 2009 Strategic Reform Program anticipated savings of over \$300 million through the delivery of shared services across the organisation. In the past two years, Defence has implemented shared services for such corporate functions as finance, human resources and non-materiel procurement, which between them employ 5000 Defence personnel. The shared services arrangements aim to streamline business functions by centralising and standardising processes and reducing duplication, while also increasing transparency across the organisation.

An audit would examine the effectiveness and efficiency of the implementation of shared services in a range of Defence's corporate functions. It would also identify lessons learned for the ongoing implementation of shared services across the Australian Government.

Delivery of Transition Support Services through the Defence Community Organisation

The Defence Community Organisation (DCO) offers a broad range of programs and services to help ADF members and their families. Since July 2010, the DCO, in collaboration with the Department of Veterans' Affairs, has been responsible for providing assistance to support ADF members in their transition to civilian life.

DCO-operated ADF Transition Centres are located across Australia expressly to provide guidance and information to ADF members who are planning to leave Defence. The centres provide tailored information to assist ADF members and their families to prepare for the change to civilian life, advice on Defence separation procedures, advice on the benefits and services that may be available to ex-ADF members, and links with other Defence and government support services and community resources.

An audit would examine Defence's management of the support services provided through the DCO to ADF members in their transition to civilian life.

Transfer of ADF Service and Medical Records through the Single Access Mechanism

The Single Access Mechanism facilitates the transfer of information, including relevant service and medical records, between the Department of Defence and DVA. DVA uses information about current and former members of the ADF (such as records of service, overseas postings, leave confirmations, workplace health and safety incident reports, medical and psychological reports and financial statements) in the determination of compensation claims under the *Veterans' Entitlements Act 1986*, the *Safety Rehabilitation and Compensation Act 1988* and the *Military Rehabilitation and Compensation Act 2004*. Around 30 per cent of compensation claims necessitate DVA requesting information from the Department of Defence, and the DVA Single Access Mechanism Team receives, actions and monitors all such requests. About 24 350 document requests were completed in 2013–14.

An audit would examine the effectiveness of the Department of Defence and the Department of Veterans' Affairs administration of the Single Access Mechanism arrangements in facilitating the transfer of information.

Veterans' Affairs

Audit strategy overview

The Department of Veterans' Affairs (DVA), on behalf of the Repatriation Commission and the Military Rehabilitation and Compensation Commission, is responsible for developing government policy and implementing programs to fulfil Australia's obligations to the veteran, defence and peacekeeping communities. DVA and other Australian Government entities administered by the Minister for Veterans' Affairs, such as the Australian War Memorial, the Veterans' Review Board and the Office of Australian War Graves, are part of the Defence portfolio. DVA is also responsible for the acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peacekeeping operations. In 2015–16, DVA has budgeted resources of approximately \$11.9 billion.

The current challenges facing DVA include the continued provision of a high level of service and care to veterans and their families while meeting the changing needs of the defence force community, particularly the needs of veterans of contemporary operations.

Recent ANAO audit coverage has focused on the administration of residential care payments, the education of disabled veterans' children, disabled veterans' compensation entitlements, the implementation of the government response to the F-111 fuel tank maintenance workers' support package, and the administration of mental health services for younger veterans. The audit program for 2015–16 focuses on DVA's administration of government programs, including the integrity of payments, and the department's implementation of review findings.

Audits in progress at July 2015

Administration of the Repatriation Transport Scheme

The Repatriation Transport Scheme is intended to assist veterans, war widows and widowers and their authorised attendants when they travel to health-care services for treatment. The Australian Government allocated \$184 million for veterans' travel to access health-care services in the 2014–15 Budget and expects this expenditure to increase in the future as an ageing veteran population accesses a greater quantity and variety of those services. To improve the transport service, DVA introduced a new transport booking and invoicing system in 2011.

The objective of the audit is to assess the effectiveness of DVA's administration of the Repatriation Transport Scheme.

The audit report is expected to be tabled in the Winter 2015 Parliamentary Sitzings.

Implementation of Audit Recommendations

Each year, the ANAO and DVA invest considerable effort and resources in auditing the performance of the department. Reflecting ongoing parliamentary interest in the performance of entities in implementing audit recommendations, the ANAO has undertaken a program of performance audit reports on entities' monitoring and implementation of audit recommendations. This will be the fifth in the series.

The objective of the audit is to assess the effectiveness of DVA's monitoring and implementation of ANAO and internal performance audit recommendations.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Rehabilitation Services under the Military Rehabilitation and Compensation Act 2004

The *Military Rehabilitation and Compensation Act 2004* is focused on early intervention and the rehabilitation of injured veterans. Vocational, medical and psychosocial rehabilitation is an integral part of military compensation arrangements, and DVA and the ADF support programs to improve and encourage rehabilitation and early intervention. The focus on rehabilitation rather than compensation aims to restore an injured person to at least the same physical, psychological, social, vocational and educational status as they enjoyed prior to their injury. A priority is to achieve lasting outcomes and improve the quality of life for veterans.

The objective of the audit is to examine the effectiveness of the joint DVA and ADF processes that provide support, rehabilitation and return-to-work programs for wounded, injured and ill ADF members to achieve lasting outcomes and improve the quality of life for veterans.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

Integrity of Veterans' Disability Support Services

Veterans' disability support services provide compensation to eligible veterans for the tangible effects of war or defence service under the *Veterans' Entitlements Act 1986* and related legislation. In 2013–14, DVA paid some 103 000 veterans approximately \$1.6 billion in disability pensions, allowances and special purpose assistance. The same amount was budgeted for 2015–16. Several rates of pension apply, depending on the accepted disability.

DVA has established an administrative framework that encourages compliance but allows for intervention when clients and providers do not comply with their obligations. The framework includes processes and practices to verify compliance and a risk management approach for selecting an appropriate compliance response.

An audit would examine the effectiveness of DVA's compliance framework, including processes and practices intended to provide assurance regarding the integrity of veterans' disability support services.

Major Projects Commemorating the Anzac Centenary

From 2014 to 2018, Australia is commemorating the Anzac Centenary. The Australian Government has committed more than \$329 million in funding for the program, which will operate from 2014 to 2018. The funding includes support for the Australian Remembrance Trail on the Western Front and the Australian War Memorial in New Zealand. In addition to these initiatives, DVA has responsibility for managing and supporting various overseas ceremonies, such as those in France, Malaysia, Papua New Guinea and Thailand.

As part of the centenary celebrations, DVA procured by tender a ballot and ticketing provider for the 2015 Gallipoli Anzac Day centenary commemorations; funded the Anzac Centenary Local Grants Program for each parliamentarian to support projects in their electorate commemorating World War I; and managed the Anzac Centenary Public Fund.

An audit would examine the effectiveness of DVA's administration of the Anzac Centenary program.

Implementation and Administration of the Veterans' Medicines Advice and Therapeutics Education Services (Veterans' MATES)

In 2004, DVA launched a new medication management program designed to help general practitioners address the potential problems associated with multiple medication use in the veteran community. The demographic profile of the veteran population is similar to that of other Australians aged over 65 years. Older patients are likely to have multiple chronic conditions, and high medication use puts some at risk of adverse events and hospitalisation. In partnership with the University of South Australia's Quality Use of Medicines and Pharmacy Research Centre, DVA developed the Veterans' Medicines Advice and Therapeutics Education Services (Veterans' MATES) to address these issues.

The program uses electronic claims data (from doctors, pharmacists and hospitals) to target potential health problems and provide patient-specific feedback to prescribers. Through collaborative engagement with the medical practitioner, pharmacist and patient, the program aims to resolve and prevent health problems. While Veterans' MATES is restricted to veterans, the lessons learned from the program have wider application in the cost-effective provision of health services for an ageing population and the use of electronic health records to target interventions.

An audit would examine DVA's development, implementation and administration of the program, with a particular focus on the use of existing electronic health claims data to target interventions cost-effectively.

On Base Advisory Service

Established in October 2011, the On Base Advisory Service (OBAS) is an early support service for ADF members transitioning from military to civilian life. This service provides an opportunity for ADF members to connect with DVA early in the transition process to access information on available support services and benefits. Through the OBAS, specially trained DVA officers (known as 'on base advisors') are stationed at transition centres in 38 ADF bases across Australia. The response from the ADF community to the OBAS has been positive; in 2014, 4473 ADF members made contact with DVA through the service for the first time.

An audit would examine the effectiveness of DVA's administration of the OBAS.

Processing Compensation Claims

The efficient and timely processing of compensation claims under the Veterans' Entitlements Act 1986, the Safety, Rehabilitation and Compensation Act 1988 (the Safety, Rehabilitation and Compensation Act) and the Military Rehabilitation and Compensation Act 2004 (the Military Rehabilitation and Compensation Act) continues to be a key priority for DVA. It is progressively implementing four key strategies to enhance its processing arrangements: reducing work on hand; improving client communication and engagement throughout the claims process; improving case management practices; and reviewing and improving business processes.

Total administered expenses associated with the compensation payments under the Safety, Rehabilitation and Compensation Act and the Military Rehabilitation and Compensation Act and related legislation were estimated to be \$399.5 million in the 2015–16 Portfolio Budget Statements.

As part of a two-year transformation program, DVA will also take into account the recommendations of an independent report finalised in May 2014, which made 40 recommendations aimed at strengthening DVA's arrangements for processing compensation claims.

An audit would examine the effectiveness of DVA's arrangements for processing compensation claims. It would include an assessment of the current transformation program and the implementation of strategies to enhance processing arrangements.

Transfer of ADF Service and Medical Records through the Single Access Mechanism

The Single Access Mechanism facilitates the transfer of information, including relevant service and medical records, between the Department of Defence and DVA. DVA uses information about current and former members of the ADF (such as records of service, overseas postings, leave confirmations, workplace health and safety incident reports, medical and psychological reports and financial statements) in the determination of compensation claims under the *Veterans' Entitlements Act 1986*, the *Safety, Rehabilitation and Compensation Act 1988* and the *Military Rehabilitation and Compensation Act 2004*. Around 30 per cent of compensation claims necessitate DVA requesting information from the Department of Defence, and the DVA Single Access Mechanism Team receives, actions and monitors all such requests. About 24 350 document requests were completed in 2013–14.

An audit would examine the effectiveness of DVA's and the Department of Defence's administration of the Single Access Mechanism arrangements in facilitating the transfer of information.

Veteran Mental Health Strategy

The Veteran Mental Health Strategy 2013–23 is a 10-year framework developed to guide DVA's mental health policy and programs in support of current and future veterans and their families. Its six strategic objectives are to ensure quality mental health care, promote mental health and wellbeing, strengthen workforce capacity, enable a recovery culture, strengthen partnerships, and build the evidence base. Underpinned by a 'person-centred' approach, the strategy aims to ensure that DVA remains responsive to the needs of existing clients while continuing to reposition itself as a service provider for contemporary veterans and their families.

The strategy is intended to foster a coordinated approach to implementing and evaluating existing programs, as well as new initiatives supported by \$26.4 million in funding announced as part of the 2013–14 Budget. The 2015–16 Budget committed \$179 million per year to continuing support for veterans' mental health.

An audit would examine DVA's progress in implementing the Veteran Mental Health Strategy 2013–23.

Community Pharmacy Agreement: Follow-on Audit

Since 1990 the Australian Government has entered into and funded successive five-year community pharmacy agreements to help maintain a national network of retail pharmacies as the primary means of dispensing Pharmaceutical Benefits Scheme medicines to the public. The Government has also used the agreements to fund professional programs and to establish a funding pool to be drawn on by pharmaceutical wholesalers to retail pharmacies.

In March 2015 the ANAO tabled an audit of the administration of the Fifth Community Pharmacy Agreement. The audit made eight recommendations aimed at improving the overall administration of the agreement and informing the development of the next community pharmacy agreement. As relevant, recommendations were agreed by the Departments of Health, Human Services and Veterans' Affairs.

A follow-on audit would primarily examine Health's implementation of the ANAO's recommendations in the context of negotiating and entering into the Sixth Community Pharmacy Agreement.

Education and Training

Audit strategy overview

The Education and Training portfolio is responsible for national policies and programs that help Australians access quality and affordable early childhood education,¹³ school education, higher education, international education and academic research. To fulfil these responsibilities, portfolio entities work with state and territory governments, contracted service providers, industries and other government entities, including by making payments and providing services to individuals and organisations. The portfolio also provides policy advice and carries out regulatory and information provision roles. The portfolio is responsible for expenditure of \$37.3 billion annually, mainly for schools and tertiary education. The portfolio comprises the Department of Education and Training (Education and Training); the Australian Curriculum, Assessment and Reporting Authority; the Australian Institute of Aboriginal and Torres Strait Islander Studies; the Australian Institute for Teaching and School Leadership; the Australian Research Council; the Australian Skills Quality Authority; the Australian National University; and the Tertiary Education Quality and Standards Entity.

Education and Training administers programs in six key areas: early childhood education (the National Quality Framework for Early Childhood Education and Care), schooling, youth, higher education, higher education research, and international education. The Australian Government has recently made substantial investments to improve the quality of education for Australians.

Recent audit coverage of the portfolio has focused on early childhood programs and the implementation of national partnership agreements. Building on this work, the ANAO's future audit coverage will have a focus on programs relating to school and higher education quality and funding.

Audits in progress at July 2015

Administration of the Shared Services Centre

The Shared Services Centre (SSC) was established through a heads of agreement between the Department of Employment and Education and Training following the 2013 MoG changes. The SSC allows both departments to share key functions, such as information technology systems, assistance with enterprise applications, financial services, communication advice and support, people management and procurement. The collaboration has the potential to reduce costs and increase efficiencies through the consolidation of standardised processes.

The audit of the SSC is examining the establishment of the SSC to assess its delivery of services to both its partner departments and other government entities that purchase its services.

The objective of the audit is to assess the effectiveness of the Department of Employment and Education and Training's administration of the SSC to achieve efficiencies and deliver value to its customers.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

¹³ On 21 December 2014, childcare policies and programs were transferred to the Department of Social Services. Preschool education remained in Education and Training.

Administration of Higher Education Loan Program Debts and Repayments

The Higher Education Loan Program (HELP) is an Australian Government loan program to assist eligible higher education and vocational education and training (VET) students to pay their student contribution amounts. A HELP loan covers all or part of the student contribution amount. If a student receives a HELP loan, the Australian Government pays the loan amount directly to the higher education provider on the student's behalf. The student will subsequently repay the HELP debt when their income is above a certain threshold (\$53 344 in 2014–15). The repayment threshold is adjusted each year to reflect any changes in average weekly earnings to maintain the debt's value. Compulsory repayments are made through income tax assessments. The ATO calculates the compulsory repayment by applying the appropriate percentage rate to an individual's repayment income and includes this on the individual's notice of assessment.

HELP is regulated by provisions in the Higher Education Support Act 2013 and administered by Education and Training. HELP debt repayments are managed by the ATO. The total amount of HELP debt at 30 June 2014 was \$25.2 billion. Education and Training has estimated that around \$7 billion of this debt is unlikely to be recovered.

The objective of the audit is to assess the effectiveness of the administration of HELP debt and repayments.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

Australian Curriculum, Assessment and Reporting Authority

The Australian Curriculum, Assessment and Reporting Authority (ACARA) is an independent authority responsible for providing a national approach to education, curriculum and assessment. ACARA's key responsibilities include delivering:

- an Australian curriculum from the first year of schooling to Year 12 in specified learning areas;
- a national assessment program aligned to the national curriculum that measures students' progress (known as the National Assessment Program—Literacy and Numeracy, NAPLAN); and
- a national data collection and reporting program that supports analysis, evaluation, research and resource allocation, and accountability and reporting on schools and broader national achievement (including via the My School website).

To allow ACARA to fulfil its responsibilities, the Government allocated funding of \$25 million for it in 2015–16.

An audit would examine the effectiveness of ACARA's management of its responsibilities.

Australian Research Council

The Australian Research Council (ARC) is a non-corporate Commonwealth entity that aims to deliver policy and programs that advance Australian research and innovation globally and benefit the community. The ARC provides advice to the Australian Government on research matters, manages the National Competitive Grants Program (NCGP), and administers the Excellence in Research for Australia (ERA) initiative.

The NCGP supports fundamental and applied research and research training through national competition across all disciplines, with the exception of clinical medicine and dentistry. In 2013–14, the ARC provided more than 1500 grants to individual research projects, awards and fellowships. The ERA initiative assesses research quality within Australia's higher education institutions and gives government, industry, business and the wider community assurance on the research conducted. The ERA also provides a national stocktake, by research discipline area, of research strength against international benchmarks.

In 2015–16, the ARC's budget will be approximately \$827 million, of which \$811 million is to be awarded through the NCGP.

An audit would examine the ARC's administration of grants, initiatives, or both.

Commonwealth Grant Scheme for Higher Education

The Commonwealth Grant Scheme for Higher Education provides funding to eligible higher education providers to subsidise tuition costs for students enrolling in bachelor degrees and some other courses of study. The program aims to lift higher education attainment rates, as well as enrolment rates of people from disadvantaged backgrounds. Since the beginning of 2012, public universities have determined the number of domestic students they enrol in bachelor-level courses (excluding medicine) and receive funding for those places. For courses specified by the relevant minister, the Australian Government provides funding for an agreed number of Commonwealth-supported places each year.

For 2015–16, it is estimated the Government will provide \$6.7 billion through the Commonwealth Grant Scheme to fund more than 573 800 student places. Providers must enter into a funding agreement with the Government in order to receive funding under the scheme. There are 44 funding agreements in place for the period from 2014 to 2016.

An audit would examine the effectiveness of Education and Training's administration of the Commonwealth Grant Scheme.

Funding for Non-government Schools

In 2015–16, the Australian Government committed \$10 billion to assist non-government schools in delivering educational programs that are consistent with the identified outcomes for school education. Recurrent funding is intended to support schools to meet their recurring expenses, including the costs of professional development of staff; developing materials related to the school's curriculum; general operating expenses; building and land maintenance; purchasing capital equipment for the school; and administrative costs associated with compliance with the ongoing funding requirements. In 2015–16 an additional \$5.4 million was allocated over two years to support non-government boarding schools with large numbers of Indigenous students from remote or very remote areas.

Recurrent funding is calculated using a needs-based funding arrangement. The funding is provided to approved authorities and bodies, which are responsible for distributing the funds to the schools within their jurisdictions.

An audit would examine the administration of recurrent funding to non-government schools, such as managing the payment of funds and monitoring the use of recurrent funds.

VET FEE-HELP

VET enables students to gain qualifications for types of employment and specific skills to help them in the workplace. VET FEE-HELP provides loans to eligible students to pay all or part of their tuition fees for accredited VET courses, but not for additional study costs, such as accommodation or textbooks. In 2014–15, it is estimated that VET FEE-HELP loans were used for 172 000 student places. This figure is expected to decrease to 128 000 in 2015–16 before climbing to 225 000 in 2018–19.

Education and Training is responsible for the administration of the Higher Education Loan Program (HELP); VET FEE-HELP is one component of that scheme. The providers of VET include technical and further education (TAFE) institutes, adult and community education providers, private providers, community organisations and commercial training providers. In addition, some universities and schools provide VET.

Recently, there have been reports in the media, parliamentary inquiries and Senate estimates concerning activities by certain VET providers, including suggestions that completion rates for online courses were particularly low, with only seven per cent of online students relying on VET FEE-HELP loans completing courses between 2010 and 2013, compared with nearly 40 per cent of disadvantaged students completing face-to-face courses. In response, tougher new regulations on training providers commenced in January 2015. Further regulations restricting enrolment and advertising practices, particularly those targeting disadvantaged people, were announced in March 2015. This followed audits that found high levels of non-compliance with standards among registered training organisations.

An audit would examine the administration of VET FEE-HELP by Education and Training, with a possible focus on the arrangements for the oversight of providers and their marketing to potential students, and the management of online courses.

National Partnership Agreement on Skills Reform

In the 2011–12 Budget, the Australian Government announced the establishment of a new National Partnership Agreement on Skills Reform to support long-term reform in the VET sector. Under the agreement, the Government agreed to provide \$1.75 billion over five years from 2012–13 to promote reforms in the sector leading to higher level qualifications, better recognition of skills, more affordable training, more information about training options, and better catering for disadvantaged learners and regions. Key reform initiatives in the agreement include the establishment of a national training entitlement, which provides working-age Australians with government-subsidised training places, and the extension of income-contingent loans to state-subsidised students undertaking diploma or advanced diploma courses.

Under the agreement, the Commonwealth is responsible for providing a financial contribution to the states and territories to support the implementation of the agreement; monitoring and assessing the delivery of reforms; reviewing the operational requirements for income-contingent loans with a view to streamlining their administration; and leading the development of national initiatives such as the My Skills website and the unique student identifier. The states and territories are responsible for delivering the range of specific reforms and initiatives outlined in their individual implementation plans, including agreed priorities, such as for Indigenous Australians.

An audit would examine the effectiveness of the Commonwealth Department of Education and Training's management of the agreement, including the delivery of reforms for which it is responsible. Subject to a request by the JCPAA, the audit may also consider the performance of responsible state/territory government bodies as Commonwealth partners.

Managing the New Colombo Plan

The New Colombo Plan (NCP), launched in December 2013, is a signature foreign policy initiative of the Australian Government. The NCP supports Australian undergraduates to undertake study and internships in the Indo-Pacific region. The objective of the NCP is to foster closer people-to-people and institutional links between Australia and the Indo-Pacific by contributing to an overall increase in the number of Australian undergraduate students undertaking study and internships in the region. The initiative comprises two components: scholarships for overseas study of up to one academic year, including internships or mentorships of up to six months; and flexible mobility grants for projects such as short- and long-term study, practicums and clinical placements. The NCP is funded for five years, from 2013–14 to 2017–18, through \$100 million of official development assistance.

The Department of Foreign Affairs and Trade administers the program jointly with Education and Training.

The Department of Foreign Affairs and Trade is responsible for taking the strategic and policy leadership of the NCP, and for managing the NCP budget and matters relating to business liaison, internships and mentorships, public diplomacy and alumni. Education and Training coordinates the scholarship and mobility application processes and administers online systems.

The pilot phase of the program, undertaken during 2014, supported around 1300 mobility program students and 40 scholarship holders to study in four locations: Indonesia, Japan, Singapore and Hong Kong. During 2015, the NCP is expected to be scaled up and implemented in up to 38 locations across the Indo-Pacific region.

An audit would examine Education and Training's and the Department of Foreign Affairs and Trade's management of the NCP program.

Employment

Audit strategy overview

The Employment portfolio is responsible for national policies and programs that help Australians find and keep employment and work in safe, fair and productive workplaces. To fulfil those responsibilities, portfolio entities work with state and territory governments, contracted service providers, industries and other Australian Government entities, including by making payments and providing services to individuals and organisations. The portfolio is responsible for expenditure of \$3.2 billion annually, mainly for the delivery of employment services.

The portfolio comprises the Department of Employment (Employment), the Asbestos Safety and Eradication Entity, Comcare, the Fair Work Commission, the Office of the Fair Work Building Industry Inspectorate, the Office of the Fair Work Ombudsman, Safe Work Australia and the Workplace Gender Equality Entity.

In recent years, the Government has identified skills and workforce participation as important priorities to assist in improving economic productivity.

Recent audit coverage of the portfolio has focused on workplace relations and employment programs. Building on this work, the ANAO's future audit coverage will have a focus on programs and organisations that aim to promote cooperative and productive workplace relations and to support employers and employees.

Audits in progress at July 2015

Administration of the Shared Services Centre

The Shared Services Centre (SSC) was established through a heads of agreement between Employment and Education and Training following the 2013 MoG changes. The SSC allows both departments to share key functions, such as information technology systems, assistance with enterprise applications, financial services, communication advice and support, people management and procurement. The collaboration has the potential to reduce costs and increase efficiencies through the consolidation of standardised processes.

The audit of the SSC is examining the establishment of the SSC to assess its delivery of services to both its partner departments and other government entities that purchase its services.

The objective of the audit is to assess the effectiveness of Employment's and Education and Training's administration of the SSC to achieve efficiencies and deliver value to its customers.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Potential audits

Comcare

Comcare collaborates with workers, their employers and unions to keep workers healthy and safe and to reduce the incidence and cost of workplace injury and disease. Comcare implements the Australian Government's policies in federal workplaces to guide social inclusion and productivity, as well as overseeing the operation of national safety, rehabilitation and compensation schemes.

The Comcare scheme provides all scheme employers with an integrated safety, rehabilitation and compensation system, no matter which Australian state or territory an employer operates in or where its employees are located. In 2015–16, Comcare is budgeted to receive \$450 million in workers compensation premiums and to pay claims of \$333 million.

Additionally, through the Safety, Rehabilitation and Compensation Commission (SRCC), Comcare plays a role in licensing a number of non-Commonwealth companies to self-insure, providing them with a nationally consistent insurance framework. Licensing imposes obligations on licensees, and the SRCC is responsible for ensuring compliance. Currently, 33 companies participate in this scheme.

An audit would examine the effectiveness of Comcare's administration of its responsibilities and the monitoring and reporting of outcomes, and may include Comcare's role in licensing non-Commonwealth companies.

Fair Work Commission

The Fair Work Commission (FWC) is one of two institutions established to administer the provisions of the *Fair Work Act 2009* (the Fair Work Act) and to provide a balanced framework for cooperative and productive workplace relations that promote economic prosperity and social inclusion. Before 2013, the FWC was named Fair Work Australia. The FWC has the power to vary awards, make minimum wage orders, approve agreements, resolve workplace and other disputes, determine unfair dismissal claims, deal with applications for orders to stop or prevent workplace bullying, and make orders in relation to such matters as good faith bargaining and industrial action. The FWC is also responsible for administering the provisions of the *Fair Work (Registered Organisations) Act 2009*, which deals with registrations and the accountability of unions and employer associations registered under that Act.

An audit would examine the effectiveness of the FWC's administration, particularly in relation to the FWC's role in registration and regulatory enforcement of registered organisations under the Fair Work Act. The audit may also consider the FWC's actions to improve the planning and management of its investigations into unions and employer associations.

Management of Employment Services

The Employment Services program aims to assist job seekers, particularly those in receipt of government benefits, to obtain sustainable employment. Expenditure on the program is expected to rise from \$1.5 billion in 2015–16 to \$1.9 billion in 2018–19. A tender process for organisations to help deliver employment services from 1 July 2015 commenced in late 2014, and the selected providers began delivering services on 1 July 2015.

An audit of Employment's management of Employment Services providers, Audit Report No.37 2013–14 *Management of Services Delivered by Job Services Australia*, was tabled on 11 June 2014. The audit considered Employment's setting of service requirements, its support and management of service providers, and its overall management of program effectiveness.

An audit would build upon the previous audit and assess further elements of Employment's management of employment services. This may involve an examination of the department's services provided to job seekers, its management of funds for direct support to job seekers, its conduct of a tender for organisations to deliver employment services beyond 2015, the implementation of contracts, the transition from Job Services Australia to new arrangements known as jobactive, or any combination of these areas.

The audit may also examine the implementation of services or the performance of the program in delivering services to Indigenous and culturally and linguistically diverse clients.

New Enterprise Incentive Scheme

The New Enterprise Incentive Scheme (NEIS) provides job seekers who are interested in starting and running a small business with accredited small business training, business mentoring and financial assistance. The scheme is delivered as part of the new jobactive program.

NEIS provides participants with personalised assistance to help them establish their business and achieve their business goals. Job seekers participating in the scheme receive an NEIS Allowance (equivalent to Newstart) for up to 39 weeks while they are operating their NEIS business. The amount received is not affected by the income received from the NEIS business, and some participants may also be eligible to receive NEIS Rental Assistance. The scheme is budgeted to support the establishment of up to 6300 businesses per year from 2015–16.

An audit would examine the effectiveness of Employment's administration of the NEIS, including the management of relationships with NEIS providers, and services provided to NEIS participants.

Environment

Audit strategy overview

The Environment portfolio advances the Australian Government's policy interests and administers programs covering the environment, domestic climate change, water and heritage matters with a national focus, and environmental matters that are the direct responsibility of the Australian Government. In 2015–16, \$2.4 billion has been allocated to the portfolio, which comprises the Department of the Environment (Environment), four non-corporate Australian Government entities (the Bureau of Meteorology, the Great Barrier Reef Marine Park Authority, the Climate Change Authority and the Clean Energy Regulator) and three corporate Australian Government entities (the Director of National Parks, the Murray–Darling Basin Authority and the Sydney Harbour Federation Trust).

Environment is the lead portfolio entity and is responsible for developing and implementing national policy, programs and legislation to protect and conserve Australia's environment and to meet the nation's future needs. The programs and initiatives of the department are designed to protect and improve the environment through the four pillars of clear air, clean land, clean water and heritage protection. Major funding priorities include a \$15.5 billion package of water reform measures, which is the Australian Government's long-term initiative to better balance the water needs of communities, farmers and the environment, and \$2.55 billion for projects designed to reduce Australia's greenhouse gas emissions. The department also has an ongoing role in administering the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act), the central piece of Commonwealth environmental legislation, which provides a legal framework to protect and manage important flora, fauna, ecological communities and heritage places nationally and internationally.

Recent audit activity in the portfolio has included audits of the administration of the Biodiversity Fund Program; the funding and management of the Nimmie–Caira System Enhanced Environmental Water Delivery Project (one of the programs under the Sustainable Rural Water Use and Infrastructure Program, which is part of the package of water reform measures); the regulation of permits in the Great Barrier Reef Marine Park; and the management of compliance with EPBC Act conditions of approval. The ANAO's future audit program will continue to focus on programs concerned with managing water use; conservation and biodiversity; natural resource management; and portfolio entity functions.

Audits in progress at July 2015

Managing Compliance with Wildlife Trade Legislation

The international movement of wildlife and wildlife products is regulated under Part 13A of the EPBC Act, which covers:

- the export of Australian native wildlife species other than those identified as exempt;
- the export and import of species included in the appendices to the Convention on International Trade in Endangered Species (CITES); and
- the import of live plants and animals that (if they became established in Australia) could adversely affect native species or their habitats.

Each year, Environment issues permits and assesses and approves programs and holding facilities to support its regulation of the wildlife trade. In 2013–14, the department reported issuing 1983 permits for the import or export of regulated specimens. Both Environment and the Department of Immigration and Border Protection have responsibilities under the EPBC Act to detect and deter the unlawful movement of wildlife goods across Australia's border.

The objective of the audit is to assess the effectiveness of Environment's and the Department of Immigration and Border Protection's management of compliance with the wildlife trade regulations under Part 13A of the EPBC Act.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitings.

Regulation of Great Barrier Reef Marine Park Permits and Approvals

The Great Barrier Reef Marine Park Authority (GBRMPA) was established in 1975 to ensure the long-term protection, ecologically sustainable use, understanding and enjoyment of the Great Barrier Reef for all Australians and the international community through the care and development of the Great Barrier Reef Marine Park. One means by which GBRMPA helps to manage the ecologically sustainable use of the marine park is by granting permits for particular activities (including tourist operations, the installation and operation of structures and facilities, and the conduct of works and research programs) and monitoring/enforcing permit holders' compliance with permit conditions.

The objective of the audit is to assess the effectiveness of GBRMPA's regulation of permits and approvals within the Great Barrier Reef Marine Park.

The audit is expected to be tabled in the Spring 2015 Parliamentary Sitings.

Supporting Australia's Antarctic Programme

The Australian Antarctic Division (AAD) of Environment is responsible for managing Australia's strategic, scientific, environmental and economic interests in the Antarctic. The AAD administers Australia's Antarctic Programme (funded at around \$100 million per annum), which is aligned with four priorities identified by the Government to:

- lead and collaborate internationally to further Australia's research and policy interests;
- enhance Australia's capability to deliver on Antarctic priorities, and derive optimum benefit from our assets in the region;
- gain recognition as an international leader in Antarctic science and environmental management; and
- maintain and reinforce Australian sovereignty in the Australian Antarctic Territory.

The AAD maintains four permanent Australian stations in the Antarctic and sub-Antarctic regions, trains and equips personnel to travel to Antarctica and live and work there, and administers the Australian Antarctic Science Programme, including by providing grants to researchers. The Antarctic environment is harsh and presents a range of risks to the safety of personnel and the conservation of the environment.

The objective of the audit is to assess the effectiveness of the arrangements established by Environment to support Australia's Antarctic Programme.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Potential audits

Sustainable Rural Water Use and Infrastructure Program

The Sustainable Rural Water Use and Infrastructure Program is a major component of the Australian Government's \$15.5 billion package of water reform measures. Under the program, billions of dollars have been spent on or allocated to a range of programs and projects throughout Australia, with a particular focus on the Murray–Darling Basin. They include the former Restoring the Balance in the Murray–Darling Basin program; competitive grant programs; state priority projects, jointly funded by the Government and the relevant state; and one-off funding for particular projects, such as engineering improvements to the Menindee Lakes.

The 2014–15 Budget indicated that the Sustainable Rural Water Use and Infrastructure Program had been allocated funding of \$4.5 billion over the next 10 years.

An audit or series of audits would examine Environment's administration of material subprograms or funding elements within the Sustainable Rural Water Use and Infrastructure Program.

National Landcare Programme

In August 2013, the Government announced the merger of the Caring for Our Country Initiative and the Landcare Programme to create a single National Landcare Programme that reflects both local and regional programme priorities. The new programme design is intended to increase access to funding for farmers and landcare groups, and to establish a base operational funding pool for Landcare.

The first stage of the former Caring for Our Country Initiative was delivered from 2008 to 2013 and provided around \$2 billion in funding for natural resource management. As part of the 2012–13 Budget, the then Government announced the continuation of Caring for Our Country, with funding of \$2.2 billion over the period from 2013–14 to 2017–18 in two streams—Sustainable Environment and Sustainable Agriculture. This funding was subsequently redirected by the current Government into the National Landcare Programme and other measures, such as the Green Army Programme and Working on Country. The Government continued funding for projects already selected under the earlier Caring for Our Country and Land Sector initiatives.

The \$1 billion National Landcare Programme comprises national and regional funding streams. The regional funding stream is planned to provide \$454 million over four years through Australia's 56 natural resource management organisations. This is to include at least \$90 million in funding for local, on-ground community projects. The national stream is planned to fund a range of programmes, including election commitments such as the 20 Million Trees Programme and 25th Anniversary Landcare Grants, and ongoing commitments such as World Heritage and Indigenous Protected Areas.

An audit would examine aspects of Environment's and Agriculture's administration of the National Landcare Programme, and aspects of the predecessor programmes.

Administration of the National Greenhouse and Energy Reporting Scheme: Follow-on Audit

The *National Greenhouse and Energy Reporting Act 2007* created a new regulatory regime for Australia, requiring 775 constitutional corporations to self-assess and report their greenhouse gas emissions, energy use and production. The assessment and reporting of greenhouse gas emissions and energy use underpins the transparent reporting of Australia's national and global commitments

regarding greenhouse gas emissions and energy use. Accurate and complete datasets are also critical to the integrity of Australia's National Greenhouse Gas Inventory and other international reporting obligations under the United Nations Framework Convention on Climate Change and the International Energy Agency.

In 2011–12, the ANAO undertook an audit of the National Greenhouse and Energy Reporting Scheme (NGERS), assessing the effectiveness of the then Department of Climate Change and Energy Efficiency's implementation and administration of the scheme. The audit made three recommendations designed to better target departmental compliance efforts, improve data sharing with Australian Government and authorised state or territory agencies, and advance efforts to further streamline greenhouse gas emissions and energy use reporting requirements.

Since the tabling of the NGERS audit, new administrative arrangements for the scheme have been implemented. Environment is now responsible for NGERS-related policy development and review, while the Clean Energy Regulator is responsible for the administration of the scheme.

An audit would examine the Clean Energy Regulator's administration of the NGERS, including its implementation of recommendations from the previous ANAO audit.

Australian Government Reef Programme (formerly the Reef Rescue Initiative)

The Great Barrier Reef is the world's largest coral reef ecosystem, covering 348 000 square kilometres and including 2500 individual reefs and 900 islands. A continuing decline in water quality from catchment run-off, impacts from fishing and climate change have been identified as issues affecting the health of the reef in various assessments, including the *Great Barrier Reef Outlook Report 2009*. In response to the report, the Australian Government committed \$200 million in funding over five years (2008 to 2013) under the Reef Rescue Initiative to reduce the discharge of dissolved nutrients and chemicals from agricultural lands into the Great Barrier Reef lagoon by 25 per cent and the discharge of sediment and nutrients by 10 per cent.

In April 2013, the Government committed a further \$200 million to the Reef Rescue Initiative (now named the Australian Government Reef Programme) to continue efforts to protect the reef through improvements to the quality of water flowing into the Great Barrier Reef lagoon. This additional funding will support a second phase of the programme from 2013 to 2018 and is intended to enhance the reef's resilience to the threats posed by climate change and nutrient, pesticide and sediment run-off through a number of complementary approaches. Environment and Agriculture jointly administer aspects of the programme.

An audit would examine the administration of the Australian Government Reef Programme and the extent to which the programme is achieving its objectives.

Green Army Programme

In the lead-up to the 2013 federal election, the incoming Government announced its commitment to establishing a 'Green Army' of 15 000 young Australians to work in small teams on environmental improvement projects for up to 26 weeks. These projects, to be undertaken alongside existing work by local landcare groups, are to address issues such as weed control, revegetation, water quality and sand dune stabilisation. The \$752.8 million Green Army Programme (funded over five years from July 2014) is administered by Environment and is a key component of the Clean Land Plan. The programme is designed as an alternative to Work for the Dole, and is to be open to the unemployed, school leavers and those on a 'gap year'. The programme is expected to create tangible environmental benefits and to increase environmental workforce training and productivity.

In March 2014, Environment issued a request for tender to engage service providers to recruit, deploy and supervise the Green Army teams, after which it engaged five service providers to conduct projects for three years. The service providers are required to train participants, provide protective equipment, administer remuneration and report to the department on project outputs and outcomes. Since the programme's launch on 2 August 2014, Environment has announced the selection of 559 projects from two completed project selection rounds; a third round is now underway. A total of 250 projects were expected to commence during 2014–15. By the completion of the programme in 2017–18, an estimated 1500 projects are expected to have been undertaken.

An audit would examine the establishment of the Green Army Programme, including the engagement of programme service providers and the selection of Green Army projects.

Emissions Reduction Fund

The Emissions Reduction Fund (ERF) was established by the Australian Government to help reduce Australia's greenhouse gas emissions by providing incentives to reduce emissions while delivering co-benefits to Australian businesses, households and the environment. The fund is to operate alongside other programs that are already in place to reduce Australia's emissions growth, such as the Renewable Energy Target and energy efficiency standards on appliances, equipment and buildings. The ERF, which is administered by the Clean Energy Regulator, has been allocated funding of \$2.55 billion over 10 years to 2023–24.

The ERF is the principal policy instrument established by the Government to meet its current target of reducing Australia's greenhouse gas emissions to five per cent below 2000 levels by 2020. The ERF came into effect on 13 December 2014, following legislative amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011*. The three elements of the ERF are: the issuing of carbon credit units for emissions reduction projects; the purchasing of carbon credit units; and the safeguarding of emissions reductions. The first reverse auction to purchase carbon credits was held in mid-April 2015, while the safeguarding mechanism will be introduced from 1 July 2016.

An audit or series of audits would examine the Clean Energy Regulator's administration of elements of the ERF.

Environment Approvals under the EPBC Act 1999

The EPBC Act is the Australian Government's primary legislation to protect Australia's environment and conserve its biodiversity. The EPBC Act prohibits the undertaking of an action that is likely to have a significant impact on matters of national environmental significance without approval from the Minister for the Environment or their delegate. Since the EPBC Act came into force in 2000, Environment has been responsible for assessing and approving controlled actions and determining approval conditions to protect matters of national environmental significance.

In the lead-up to the 2013 federal election, the incoming Government announced its commitment to establishing a one-stop shop for environmental approvals, covering both Commonwealth and state and territory legislation. Under the proposed arrangements, the assessment and approval of most projects against Australian Government environmental requirements would be undertaken by the states and territories using existing processes, once those processes are accredited. The states and territories would also be responsible for monitoring and enforcing proponents' compliance with the conditions of approval related to the EPBC Act for the actions that they approve.

An audit would examine aspects of environmental approvals under the EPBC Act, potentially including Environment's accreditation of state environmental assessment and approval processes; the effectiveness of controls established to provide assurance that state processes are meeting Australian Government requirements under the one-stop shop arrangements; and Environment's assessment and approval of controlled actions not covered under the one-stop shop arrangements with the states.

Monitoring Compliance with the EPBC Act Conditions of Approval: Follow-up Audit

The EPBC Act prohibits the undertaking of an action that is likely to have a significant impact on matters of national environmental significance without approval from the Minister for the Environment or their delegate. When approving a controlled action under Part 9 of the EPBC Act, the minister or delegate may attach conditions to the approval, and proponents are bound to comply with the conditions. In 2013–14, the ANAO tabled Audit Report No.43 2013–14 *Managing Compliance with Environment Protection and Biodiversity Conservation Act 1999 Conditions of Approval*, which assessed the effectiveness of Environment's regulation of proponents' compliance with Part 9 of the EPBC Act.

The ANAO concluded that, nearly 14 years after the enactment of the EPBC Act, Environment was yet to establish mature administrative arrangements to effectively discharge its regulatory responsibilities in relation to approved controlled actions. As a consequence, the assurance that the department has regarding proponents' compliance with action approval conditions (which are designed to address the risks posed to matters of national environmental significance) was limited. Environment acknowledged the shortcomings in its regulation of approved controlled actions and initiated a broad program of work to address the shortcomings identified over recent years, including those identified in earlier reviews and the audit. The ANAO made five recommendations to improve Environment's administration in this area.

An audit would examine Environment's implementation of the recommendations from the 2013–14 audit.

20 Million Trees Programme

As part of the National Landcare Programme, the Australian Government has committed to planting 20 million trees by 2020, with funding of \$50 million committed over four years from 2014–15. The programme is designed to complement other Government environmental initiatives, such as the Green Army and the work of the Threatened Species Commissioner. The objective of the programme is to re-establish green corridors and urban forests and contribute to the reduction of greenhouse gas emissions. The programme involves the provision of competitive grants to deliver plantings by individuals and organisations and large-scale plantings delivered by service providers. The first competitive grants round allocated \$4.5 million to 57 individuals and organisations to fund urban and regional plantings across Australia. As at April 2015, Environment was assessing responses to a request for tender to select service providers for large-scale plantings.

An audit would examine Environment's establishment of the 20 Million Trees Programme, the assessment of applications, the selection of grant recipients and service providers, and the development and management of funding agreements and contracts.

Implementation of the Murray–Darling Basin Plan

The Murray–Darling Basin is the catchment for the Murray and Darling rivers and their tributaries. It contains Australia's three longest rivers—the Darling, the Murray and the Murrumbidgee—as well as nationally and internationally significant environmental assets, such as wetlands, billabongs and floodplains. The Murray–Darling Basin contains most of Australia's irrigated farmland, which generates produces billions of dollars each year from crops and commodities for domestic consumption and export.

The Murray–Darling Basin Plan, adopted into law on 22 November 2012, provides an integrated high-level management framework that sets standards for the Australian Government, the governments of the Basin states and the Murray–Darling Basin Authority to manage the Murray–Darling Basin's water resources. The plan specifies timetables and deliverables for staged implementation over seven years. Multiple, complex and interrelated strategies, plans and activities at the federal and state levels must occur to fully implement the plan. The Murray–Darling Basin Authority has primary responsibility for overseeing the implementation of activities.

An audit would examine the Murray–Darling Basin Authority's implementation of the Basin Plan.

Replacement Antarctic Vessel

The Australian Government is committed to maintaining Australia's position as a leading Antarctic nation. The key to maintaining that position is supporting Australia's Antarctic Programme with a world-class icebreaking research and resupply capability. The programme, which is administered by Environment, currently uses the *Aurora Australis* to ferry infrastructure, equipment, supplies and personnel to and from the stations in Australia's Antarctic Territory.

As the *Aurora Australis* is approaching the end of its usable life, a procurement process for a new icebreaker to replace the vessel commenced in January 2013 with the release of a request for proposal to the open market. Two prequalified bidders were shortlisted and taken through to the request for tender stage in July 2014. In late December 2014, one of the prequalified bidders formally notified Environment that it was withdrawing from the procurement process. The remaining prequalified bidder submitted a response to the request for tender in early March 2015. Environment stated that it would conduct an evaluation process to determine whether the submitted tender represented appropriate value for money, with a decision expected in late 2015. The expected delivery date for the new icebreaker is mid-2019.

An audit would examine the process established by Environment to procure a replacement Antarctic icebreaking vessel.

National Environmental Science Programme

The Australian Government has provided funding of \$145.2 million over six years from January 2015 to the National Environmental Science Programme (NESP) to deliver an improved understanding of Australia's environment through collaborative research that delivers accessible results and informs decisions. The NESP amalgamates the previous National Environmental Research Programme and the Australian Climate Change Science Programme. Research activity funded under the former programme continues under the NESP until June 2015; research funded under the latter will continue until June 2016, respectively.

The NESP is a competitive, merits-based grants programme administered by Environment. Grant recipients will be selected for their science leadership capability and their capacity to deliver a high-quality programme of research. The programme will be delivered through six thematic hubs: clean air and urban landscapes; earth systems; marine biodiversity; northern Australian environmental resources; threatened species recovery; and tropical water quality. Each NESP hub will involve a consortium of institutions and organisations and will be administered by a 'host' Australian research institution led by a researcher of international repute. The Minister for the Environment announced the selection of the six host research institutions and lead researchers in December 2014.

An audit would examine the programme's establishment; the assessment and selection of successful applicants; and the management of funding agreements.

Finance

Audit strategy overview

The Finance portfolio is diverse and provides an array of support and services to the Australian Government, including budget and financial management services and advice; electoral services and support; and the administration of parliamentarians' entitlements. The resources available to the portfolio in 2015–16 amount to \$38.8 billion.

Working at the centre of government, the Department of Finance (Finance) plays an important role in assisting and advising in a wide range of policy areas. Essential services that Finance provides include supporting the delivery of the Budget, administering entitlements provided to parliamentarians, and developing and maintaining the financial framework for Australian Government entities.

The ANAO's planned performance audit strategy reflects Finance's central role in providing budget and financial management services and advice. In particular, Finance is often included in the scope of various cross-portfolio audits in the context of the Australian Government financial framework and budgetary arrangements.

Planned performance audit work specific to the Finance portfolio relates to the administration of a key aspect of the grants administration framework and further work on the Australian Electoral Commission's (AEC's) preparation for and conduct of federal general elections.

Audits in progress at July 2015

Third Follow-up Audit into the Australian Electoral Commission's Preparation for and Conduct of Federal Elections

In February 2014, the Chair of the Joint Senate Committee on Electoral Matters (JSCEM) wrote to the Auditor-General requesting a performance audit of the adequacy of the AEC's implementation of recommendations in Audit Report No.28 2009–10 *The Australian Electoral Commission's Preparation for and Conduct of the 2007 Federal General Election*. The ANAO took a staged approach involving three performance audits. The first two audit reports were tabled in May 2014 (Report 31 of 2013–14, focusing on ballot paper storage and transport) and November 2014 (Report 4 of 2014–15, focusing on election workforce planning, the suitability and accessibility of polling places and scrutiny premises, and compliance with new ballot paper transport and security arrangements introduced following the September 2013 election).

The objective of this third follow-up audit is to assess the adequacy and effectiveness of the AEC's implementation of those recommendations relating to improving the accuracy and completeness of the electoral roll and other matters from Audit Report No.28 2009–10 that have not previously been followed up by the ANAO. Completion of the third follow-up audit will mean that the ANAO has fully responded to JSCEM's request.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

Entity Administration of the Grant Briefing Requirements

The Australian Government's grants administration framework has a particular focus on the establishment of transparent and accountable decision-making processes for the awarding of grants. Key underpinnings of that framework include requirements that ministers receive advice on the merits of a proposed grant, based on the relevant program's guidelines, before any funding decision is taken, and that decisions to approve funding for grants that the entity recommended be rejected are reported to the Finance Minister.

In January 2012, the ANAO tabled an audit report that examined advice provided to ministerial decision-makers by entities between 1 January 2009 and 30 June 2010 in which the minister was asked to make a decision about whether or not to approve a grant. The ANAO concluded that the quality and nature of entities' briefing practices were variable, and that a significant proportion of the briefs examined during the audit did not clearly identify those grants that the entity recommended be approved and those that it recommended be rejected. It was also identified that some decisions by ministers to approve grants that the relevant entities had recommended be rejected had not been reported to the Finance Minister.

Following on from the 2010 audit report, the proposed audit would examine how the briefing requirements set out in the Commonwealth Grants Rules and Guidelines and associated guidance material are being applied in practice, and would highlight any examples of better practice. It would also assess the support provided by entities to enable ministers to fulfil the related obligation to report to the Finance Minister any decision to approve a grant that the relevant entity recommended be rejected.

The Australian Electoral Commission's Implementation of ANAO Recommendations

In April 2010, the ANAO tabled a performance audit report on the preparation for and conduct of the 2007 federal general election by the AEC. In response to a request from the JSCEM, in 2014 the ANAO completed two related performance audits following up the AEC's implementation of various recommendations made in ANAO Audit Report No.28 2009–10 *The Australian Electoral Commission's Preparation for and Conduct of the 2007 Federal General Election*. Those recommendations related to the transport and storage of completed ballot papers, workforce planning and management, and the selection of polling place and scrutiny premises. In light of the conclusions and findings of those two follow-up audits, the ANAO made a further eight recommendations to the AEC in relation to those matters. The AEC agreed to each of the eight recommendations.

An audit would follow up the AEC's implementation of the eight recommendations made in Audit Report No.31 2013–14 and Audit Report No.4 2014–15. The audit would commence after the next federal election, so that it can incorporate an assessment of whether the actions taken by the AEC to implement the recommendations has effectively addressed the matters that led to them being made.

Foreign Affairs and Trade

Audit strategy overview

The overarching objective of the Foreign Affairs and Trade portfolio is to advance Australia's national interest—the security and prosperity of Australians—by contributing to improvements in international security, national economic and trade performance, and global cooperation. In 2015–16, funding for the entities within the portfolio will total \$6.6 billion.

The Foreign Affairs and Trade portfolio comprises the Department of Foreign Affairs and Trade (DFAT), the Australian Trade Commission, the Australian Secret Intelligence Service, the Australian Centre for International Agricultural Research, Tourism Australia and the Export Finance and Insurance Corporation.

Following machinery of government changes announced in late 2013, DFAT assumed responsibility for Australia's overseas aid program, international climate change negotiations and some international tourism functions. The Australian Agency for International Development (AusAID) was integrated into DFAT from 1 November 2013. Aligning business processes, staffing requirements and systems while maintaining continuity of service performance has produced considerable management challenges for the department.

The ANAO has focused its recent audit coverage on the administration of the Export Market Development Grants Scheme and Australia's management of consular services. Planned audit work is focused on the delivery of core portfolio programs and activities, and the steps taken to secure Australia's overseas missions and staff.

Potential audits

Managing the Implementation of Free Trade Agreements

Free trade agreements (FTAs) are developed by governments to achieve economic and trade benefits by liberalising access to each other's markets for goods and services and investment. FTAs provide opportunities for Australian exporters and investors to expand into overseas markets, while stimulating the competitiveness of Australian businesses through open markets and improving access to better value goods and services for Australian consumers. FTAs also address a range of other issues, such as quality standards, professional qualifications, intellectual property rights, government procurement and competition policy. The Australian Government's FTA policy is to maximise the economic benefits to Australia through the negotiation of FTAs.

Australia currently has eight bilateral and one regional FTA in place with New Zealand, Chile, the US, Japan, Korea, Malaysia, Singapore, Thailand and the Association of Southeast Asian Nations (with New Zealand). The nine FTAs account for 42 per cent of Australia's total trade. Australia concluded FTA negotiations with China in November 2014. That agreement will enter into force when domestic processes have been completed. China accounts for 23 per cent of Australia's total trade. Six bilateral and plurilateral FTAs are under negotiation, accounting for a further six per cent of Australian trade.

DFAT is responsible for FTA negotiations and the implementation of concluded FTAs. This role requires DFAT to consult extensively with domestic stakeholders, including the state and territory governments, lead Australia's whole-of-government negotiation teams, and work with other government entities to implement the requirements of the FTA.

An audit would examine DFAT's management of the implementation of one or more selected FTAs. The audit would include a focus on arrangements to measure, monitor and report on compliance with the terms of the FTAs by Australia and overseas signatories, and on the achievement of the intended benefits of the FTAs.

Protecting Australia's Missions and Staff Overseas: Follow-on Audit

Australia has about 1400 Australia-based and 2400 locally engaged staff based in 95 missions overseas. DFAT has overall carriage of Australia's external relations, but other government entities also have official interests that require their presence abroad. Mission staff may be exposed to a variety of threats, such as politically motivated violence, crime and civil disorder, both in the chancery building and in their residences. The level of threat varies from country to country, depending on a range of factors, such as the capacity of the host government security force to provide a secure environment.

Following the Jakarta Embassy bombing and ANAO Audit Report No.28 2004–05 *Protecting Australian Missions and Staff Overseas*, the Australian Government provided additional funding of \$860 million to improve physical security at Australia's overseas missions. The ANAO audit report included a wide range of recommendations to help address potential physical security vulnerabilities in the DFAT and Austrade networks.

A follow-on audit would examine the effectiveness of corrective measures taken to strengthen the protection of Australia's missions and staff overseas. Given the sensitivity of this subject, some elements of the audit report may not be able to be made publicly available.

Managing the New Colombo Plan

The New Colombo Plan (NCP), launched in December 2013, is a signature foreign policy initiative of the Australian Government. The NCP supports Australian undergraduates to undertake study and internships in the Indo-Pacific region. The objective of the NCP is to foster closer people-to-people and institutional links between Australia and the Indo-Pacific by contributing to an overall increase in the number of Australian undergraduate students undertaking study and internships in the region. The initiative comprises two components: scholarships for overseas study of up to one academic year, including internships or mentorships of up to six months; and flexible mobility grants for projects such as short- and long-term study, practicums and clinical placements. The NCP is funded for five years, from 2013–14 to 2017–18, through \$100 million of official development assistance.

The Department of Foreign Affairs and Trade administers the program jointly with Education and Training.

DFAT is responsible for taking the strategic and policy leadership of the NCP, and for managing the NCP budget and matters relating to business liaison, internships and mentorships, public diplomacy and alumni. Education and Training coordinates the scholarship and mobility application processes and administers online systems.

The pilot phase of the program, undertaken during 2014, supported around 1300 mobility program students and 40 scholarship holders to study in four locations: Indonesia, Japan, Singapore and Hong Kong. During 2015, the NCP is expected to be scaled up and implemented in up to 38 locations across the Indo-Pacific region.

An audit would examine DFAT's and Education and Training's management of the NCP program.

Managing Aid for Disaster and Humanitarian Response

In 2013–14, Australia responded to emergencies in 24 countries, providing assistance to more than 13 million people at an estimated cost of \$271.5 million. Australia's assistance helped communities affected by disaster, as well as those displaced by conflict, persecution or armed violence in the Indo-Pacific region, the Middle East and Africa.

DFAT delivers humanitarian aid through partnerships with Australian Government, non-government and international agencies. DFAT has a Humanitarian Partnership Arrangement with Australian non-government organisations to coordinate emergency responses. The department also provides funding to several United Nations (UN) agencies to deliver humanitarian responses, including the UN World Food Programme, the UN Office for the Coordination of Humanitarian Affairs and the Central Emergency Response Fund.

To support prompt responses to disasters and humanitarian emergencies, DFAT manages emergency and relief stores located in Australia, Papua New Guinea, Indonesia and the Philippines as well as in a UN regional depot in Malaysia. The department also manages rapid response teams and the Australian Medical Assistance Team. In addition, during 2013–14, DFAT delivered \$100 million in disaster risk reduction programs, mostly through country development programs. DFAT has also committed to integrating disaster risk considerations into its projects in developing countries prone to natural hazards.

An audit would examine DFAT's preparedness for emergencies, management of the response to humanitarian crises (both disaster and conflict), and disaster risk reduction programs. Consideration could also be given to examining DFAT's management of the response to a particular disaster.

Managing and Coordinating International Agricultural Research

The Australian Centre for International Agricultural Research (ACIAR), established in 1982, is a statutory authority in the Foreign Affairs and Trade portfolio. ACIAR operates as part of the Australian Government's overseas aid program. Its purpose is to commission research that leads to more productive and sustainable agricultural systems through collaborative projects involving Australia and developing country partners. ACIAR manages projects in the areas of crops; livestock and fisheries; natural resources and forestry; and socioeconomics and policy.

ACIAR's budget has increased in recent years, from \$96 million in 2010–11 to \$119 million in 2015–16. During 2013–14, ACIAR funded more than 300 active bilateral and multilateral research projects. Much of its research expenditure during the period (45 per cent) went to projects in East Asia; smaller amounts of funding went to projects in the Pacific, Sub-Saharan Africa, South and West Asia, the Middle East and North Africa.

An audit would examine ACIAR's management and coordination of bilateral and multilateral research projects.

Health

Audit strategy overview

The Department of Health (Health) is the lead entity in the Health portfolio and is responsible for achieving the Australian Government's health priorities through evidence-based policy, program administration, research, regulatory activities and partnerships with other government entities, consumers and stakeholders. Health and the 22 other entities in the Health portfolio deliver programs and initiatives against 15 specific outcomes that reflect the Government's expected results for health and sport. In 2015–16, Health and its portfolio entities had budgeted resources of approximately \$48 billion to deliver their outcomes.

Recent ANAO audit coverage has focused on portfolio outcomes involving the administration of the Fifth Community Pharmacy Agreement, the Medical Specialist Training Program, diagnostic imaging reforms and Health's implementation of ANAO and internal performance audit recommendations.

The ANAO's 2015–16 audit program for the Health portfolio has been developed within the context of the ANAO's audit strategy, which recognises the broad range of departmental and portfolio entity outcomes and targets key risks to their achievement. The strategic areas of the ANAO's planned audit coverage include national health reform; various aspects of the Medicare Benefits Schedule and Pharmaceutical Benefits Schedule schemes; dental health reform; diabetes services; food labelling and food standards; narcotics and other controlled substances; the new primary health networks; the Prostheses List; medical indemnity; bowel cancer screening; immunisation; gene technology; and sport.

Audits in progress at July 2015

Records Management in Health

A key element of effective administration is having a record-keeping system that is complete, accurate and reliable. The *Archives Act 1983* sets out the legislative framework for managing Australian Government records, including access to records and the preservation and destruction of information created and received in the course of Australian Government business. The Digital Transition Policy released by the Australian Government in July 2011 requires all Australian Government entities to move to digital records management. The centralisation of electronic records in a mandated system can assist entities to realise a number of benefits, including meeting legislative obligations, increased transparency and accountability and improved corporate governance. It can also reduce the costs of storing and maintaining paper records.

In July 2012, Health commenced a production pilot rollout phase of the information technology-based Kapish TRIM Explorer V4.1.3 system. System and training improvements were made based on feedback from pilot sites, and full production rollout occurred between October 2012 and August 2013. The system has been deployed to a total of 5202 staff in Health and some portfolio entities. There are 5500 licences.

A total of \$6.35 million was budgeted for the rollout (\$5.4 million for capital and \$950 000 for operational costs). However, actual expenditure was \$7.1 million (\$5.8 million for capital and \$1.3 million for operational costs). Portfolio entities were provided with the system on a cost-recovery basis.

The objective of the audit is to examine Health's performance against records management arrangements and policies, including Health's progress in transitioning to effective digital records management.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Dental Health Reform—Child Dental Benefits Schedule

In August 2012, the Government announced a \$4 billion Dental Health Reform package aimed at improving access to dental services, primarily through Medicare, for low-income Australians and disadvantaged communities. Included in this package was \$2.7 billion over six years for approximately 3.4 million eligible children under the Child Dental Benefits Schedule (CDBS). The CDBS provides \$1000 in benefits over two calendar years for basic dental services for each eligible child between 2 and 17 years of age.

The CDBS is administered by Health and the Department of Human Services: Health is responsible for the administration, delivery and management of specific claimable items under the CDBS, and the Department of Human Services is responsible for the promotion of the CDBS and the administration of payments.

The objective of the audit is to assess the effectiveness of Health's and the Department of Human Services' management and administration of the CDBS.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Radiation Oncology Health Program Grants Scheme

Oncology is the study and treatment of cancers and tumours. The Radiation Oncology Health Program Grants (ROHPG) scheme has operated since 1988 to assist radiation oncology providers with the cost of major radiation oncology equipment.

Funding under the ROHPG scheme is separate from and complementary to Medicare benefits. The ROHPG scheme gradually reimburses service providers for the cost of approved equipment used to provide treatment services, to help ensure that equipment is replaced regularly and patients are treated using up-to-date techniques and technologies. Payments are made on a monthly 'per service' basis by Medicare Australia. The approximate cost of the scheme is \$65 million per year. Both private and public sector radiation oncology facilities are eligible to apply for ROHPG funding.

The objective of the audit is to assess the effectiveness of Health's and the Department of Human Services' administration of the ROHPG scheme.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

Progressing National Health Reforms

In August 2011, all Australian governments signed the National Health Reform Agreement. Under the agreement, the Australian Government has committed an extra \$16.4 billion until 2019–20 for public hospitals. The National Health Reform Agreement, and the National Health and Hospitals Network Agreement that it superseded, reformed the financing of the Australian health and hospital system and introduced major changes to the governance arrangements between the Australian Government

and the states and territories aimed at delivering better health and hospital services. The changes to the funding arrangements are designed to provide a secure funding base for health and hospital services in the future. The new governance arrangements are intended to improve the responsiveness of the system to local needs, enhance the quality of services and allow greater transparency.

An audit would examine the effectiveness of Health's actions to progress the national health reforms.

National Diabetes Services Scheme

The National Diabetes Services Scheme (NDSS), which was established in 1987, is an initiative of the Australian Government administered by Diabetes Australia Ltd, a non-government entity. The NDSS delivers diabetes-related products at subsidised prices and provides information and support services to more than one million Australians diagnosed with diabetes. Diabetes Australia works in partnership with diabetes health professionals and educators, researchers and health-care providers to minimise the impact of diabetes on the Australian community.

In June 2011, the Government entered into a new five-year funding agreement with Diabetes Australia for the delivery of the NDSS. Government funding over the life of the agreement is expected to be around \$1 billion. As part of the funding agreement, several reviews of key aspects of NDSS operations were undertaken during 2012–13, culminating in an integrated review being provided to Health in May 2014. In December 2013, the Government also committed to the development of a National Diabetes Strategy to assist in identifying gaps in diabetes prevention and care and ways to more effectively close those gaps. The strategy is due to be considered by the Government and the COAG Health Council in 2015–16.

An audit would examine, in the context of the 2014 integrated review and the proposed 2015 National Diabetes Strategy, how Health has sought to improve the delivery of the NDSS, including through negotiations for a new NDSS funding agreement with Diabetes Australia.

High-performance Sports Grants

The Australian Sports Commission (ASC) has responsibility for delivering a program to meet the Government's objectives of supporting Australian athletes, their coaches and support staff as they compete in high-performance sports events. Such events include the Olympics, the Paralympics, the Commonwealth Games, various world championships and other international events. The Australia's Winning Edge strategy, launched by the Australian Government in 2012, establishes a framework for the ASC's high-performance sports program, which is delivered in collaboration with national sporting organisations and other bodies.

A key component of Australia's Winning Edge was a new 'investment allocation model' and an associated 'investment approach' that set out the process through which the ASC allocates annual high-performance sports grants to able-bodied and Paralympic national sporting organisations. Such grants totalled \$97.5 million in 2014–15, making up a significant proportion of the \$177 million of Australian Government funding to the ASC for high-performance sport.

Through a separate Direct Athlete Support scheme, the ASC also provides grants to athletes who have the potential to contribute to Australia's Winning Edge performance targets. For 2014–15, Direct Athlete Support funding was \$12 million, allocated to some 900 athletes.

An audit would examine the ASC's administration of high-performance sports grants under the Australia's Winning Edge strategy.

Indemnity Insurance Fund

The Indemnity Insurance Fund (the II Fund) is a set of Australian Government schemes that provide support for medical indemnity for doctors and professional indemnity for privately practising midwives. The schemes are intended to ensure that the medical indemnity insurance industry is stable, and that the insurance products are affordable for doctors and accessible and affordable for midwives.

Specific schemes supported under the II Fund include the Premium Support Scheme, the High Cost Claims Scheme, the Run-off Cover Scheme, the Incurred-but-not-reported Scheme, the Exceptional Claims Scheme, the Midwife Professional Indemnity (Commonwealth Contribution) Scheme and the Midwife Professional Indemnity Run-off Cover Scheme.

Depending on the scheme, payments may be made to doctors or midwives (including to subsidise their insurance premiums or pay for claims above the amount they are insured for) or to insurers (to assist with paying out certain claims brought against doctors or midwives). The Run-off Cover Scheme is funded through a levy on insurers.

Between 2013–14 and 2016–17, total expenditure (including liabilities and departmental expenses) under the fund is expected to total \$458 million. This estimate is based on actuarial advice, but actual expenditure will vary according to future claims.

Medical indemnity is administered by Health under the *Medical Indemnity Act 2002* and the *Midwife Professional Indemnity (Commonwealth Contribution) Scheme Act 2010*. Payments are managed by the Department of Human Services.

An audit would examine the effectiveness of Health's administration of the schemes under the II Fund, including Health's management of its relationship with the Department of Human Services to ensure the integrity of the II Fund.

Administration of the Prostheses List

The Prostheses List contains more than 10 000 items that can be surgically implanted, including hip and knee replacements and cardiac pacemakers. Under the *Private Health Insurance Act 2007*, private health insurers are required to pay benefits for prostheses included on the Prostheses List, subject to some conditions. An advisory committee supported by Health makes recommendations to the Minister for Health about products to be included on the Prostheses List and about appropriate benefit payments.

A review of private health insurance prostheses listing arrangements was completed in 2007. However, the recommendations of that review have been largely overtaken by the report of the broader 2010 Health Technology Australia Review, which recommended improvements to the way new health technologies, procedures and services are assessed for public and private funding in line with international best practice. In late 2013, Health undertook an internal evaluation of progress in implementing all Health Technology Australia Review recommendations. The evaluation concluded that the recommended improvements to the prostheses listing arrangements were in place.

An audit would examine the effectiveness of Health's administration of the Prostheses List.

Health Star Rating System

In June 2014, a front-of-packet labelling system, the Health Star Rating, was introduced as a means of encouraging better food choices by consumers. The rating system applies to packaged, manufactured or processed foods presented ready for sale to the customer (except for certain agreed exemptions)

and includes an overall product rating as well as information on the amount of energy, saturated fat, sugar and sodium contained in the products. Over the next five years, the rating system will be introduced under a voluntary arrangement with industry. Progress in implementing the rating system is intended to be reviewed after two years.

An audit would examine the effectiveness of Health's implementation of the Health Star Rating system.

Management of Controlled Substances

The Therapeutic Goods Administration (TGA) is responsible for granting permits and licences that authorise the import and export of certain narcotic drugs and other substances controlled under the Customs (Prohibited Imports) Regulations 1956 and Customs (Prohibited Exports) Regulations 1958. Responsibility for these matters was transferred to the TGA from Health's Office of Chemical Safety in August 2014.

In 2013–14, Health monitored the stock and manufacture of internationally controlled drugs and monitored around 4.2 million wholesale transactions involving those drugs within Australia. The department also cooperates with other countries to control the export of chemicals that have the potential to be used to manufacture illicit drugs. Pre-export notifications provide an early warning system to other customs authorities. Australia is also a major global producer of narcotic raw materials from poppy cultivation, providing almost half the world's legal supply. Health issues manufacturing licences and permits under the *Narcotic Drugs Act 1967* to regulate the supply of narcotics. In 2013–14, the department issued a total of 7888 licences and permits authorising the import, export and manufacture of controlled drugs.

An audit would examine Health's administration of the framework for managing the import, export and manufacture of controlled drugs.

Medicare Benefits Schedule Review Process

In June 2009, the Australian Government announced the introduction of a systematic approach to reviewing Medicare Benefits Schedule (MBS) items to ensure that those services reflect contemporary evidence, are safe and effective, and are used appropriately. The MBS review process was introduced as part of the MBS Quality Framework, which was intended to include evaluations of new MBS items (to be completed three years after the introduction of a new service), as well as reviews of existing MBS items. Funding was originally provided under the MBS Quality Framework to develop and trial review processes. The review process was subsequently incorporated into the Comprehensive Management Framework for the MBS, which was announced by the Australian Government in the 2011–12 Budget.

The report of the National Commission of Audit indicated that, of the nearly 6000 items on the MBS in 2012 (excluding pharmaceuticals), only three per cent had been formally assessed against contemporary evidence for safety, clinical effectiveness and cost-effectiveness.

An audit would examine Health's implementation of the MBS review process.

National Immunisation Strategy

Immunisation is widely regarded as one of the most cost-effective health interventions, saving millions of people from illness, disability and death each year. In Australia, annual expenditure on vaccines has risen from \$13 million in 1996–97 to an estimated \$242 million in 2015–16. The National Immunisation Program (NIP) includes vaccines for a total of 16 diseases, and coverage rates of over 90 per cent have

been achieved in Australia for most childhood vaccines. However, Australia's high overall coverage rates have masked relatively low rates in some population groups and geographical areas, and the success of the NIP also carries with it the risk of increased complacency in the community.

The National Immunisation Strategy 2013–18 is a joint strategy between the Australian Government and the state and territory governments. It identifies eight strategic priorities for the NIP, including increasing immunisation coverage rates, addressing vaccine safety concerns and strengthening monitoring and evaluation arrangements for the NIP.

An audit would examine Health's progress in implementing some of the key priorities identified in the National Immunisation Strategy. The Government announced in the 2015–16 Budget that it would provide an additional \$26 million to fund: financial incentives to health-care providers to administer and record catch-up vaccinations; a new Australian School Vaccination Register; and an information program to increase awareness of the NIP.

Office of the Gene Technology Regulator

The Gene Technology Regulator, supported by the Office of the Gene Technology Regulator (OGTR), administers a national scheme for the regulation of gene technology to protect the health and safety of people and the environment. In the 2015–16 Budget, the OGTR was allocated \$8 million to fulfil its role. The OGTR is currently fully funded through annual appropriations, but the Government is exploring options to move it to a cost-recovery funding arrangement.

ANAO Audit No.7 2005–06 *Regulation by the Office of the Gene Technology Regulator* made five recommendations aimed at supporting the efficient and effective regulation of gene technology. In 2011, an external review of the *Gene Technology Act 2000* made 16 recommendations aimed at supporting a harmonised regulatory system and maintaining a science-based precautionary approach to regulation.

An audit would examine the OGTR's implementation of the recommendations made by the ANAO and the 2011 review.

National eHealth Implementation

In the 2011–12 Budget, the Australian Government committed \$433 million to eHealth, largely as part of ongoing processes to facilitate the transition from paper-based clinical records to electronic records for better information exchange to deliver safer, more efficient, better quality health care.

The National eHealth Transition Authority (NeHTA) has been responsible for delivering key components of the National eHealth Strategy (a Council of Australian Governments initiative) since June 2009 and, from 2010, had a managing agent role, under Health's leadership, in relation to the personally controlled electronic health record (PCEHR) for all Australians.

Health set a goal to have 0.5 million Australians registered for their own PCEHR before the national launch of eHealth in 2012–13. However, the goal was not achieved. In November 2013, the Australian Government announced that progress in implementing the PCEHR system would be reviewed. The review made 38 recommendations to address the shortcomings of the system and make it more effective for doctors and patients. The 2014–15 Budget provided a further \$140.6 million to support the operation of eHealth and the PCEHR system for 12 months, while the Government continued to plan its response to recommendations of the PCEHR review.

The Government announced major changes to eHealth in the 2015–16 Budget, committing \$485 million from 2015–19 to implementing key recommendations of the review, including: usability improvements; renaming the PCEHR 'myHealth Record'; revised incentives; and education and training for health-care providers. The department will also commence trials of a new optout system. The administration of the program will transition from NeHTA and Health to a newly established Australian Commission for eHealth, which will take on responsibility for the governance, operation and delivery of eHealth from 1 July 2016.

An audit would examine the implementation of the agreed recommendations from the eHealth record review of November 2013.

Implementation of Capability Improvement Action Plans

The Australian Public Service Commission (APSC) undertakes assessments of Australian Government entities' ability to meet future objectives and challenges. These assessments, known as capability reviews, are designed to take a high-level view of the operations of the entity and are focused on three areas: leadership; strategy; and delivery capabilities.

The APSC undertook a capability review of Health and released its report in December 2014. The APSC identified a number of overarching themes for capability improvement:

- Prioritise focus on organisational culture and people leadership.
- Develop a high-level organisational and policy strategic capability.
- Address inadequate governance arrangements and delivery frameworks.
- Foster a culture that appropriately embraces and manages risks within defined tolerances.
- Lead purposeful engagement and partnership with external stakeholders.

Following the review, Health undertook to address each of the key findings through a detailed action plan.

An audit would examine the implementation of the action plan, including the mechanisms used by Health to monitor the effectiveness of its responses.

Establishment of Primary Health Networks

Medicare Locals were established in 2011–12 as a nationwide network of primary health-care organisations designed to make it easier for patients to navigate the health system. They were intended to improve the planning and coordination of services at the local level; support the delivery of a range of primary health-care initiatives, including addressing service gaps and inequities; and improve collaboration between practitioners and service providers across the health system. At the beginning of 2015, there were 61 Medicare Locals across Australia.

Following a review, the Australian Government decided to replace Medicare Locals with 31 Primary Health Networks. An approach to market (grant) process, administered by Health, opened in December 2014 and closed on 27 January 2015.

Successful applicants were announced in April 2015 and were offered grants to establish and operate one or more Primary Health Networks, with outcomes scheduled to be announced in time to allow for a transitional period of up to three months before the Medicare Locals cease to exist on 30 June 2015. Total grant funding for the Primary Health Networks is about \$1.2 billion over four years from 2015 to 2019.

An audit would examine the establishment of the Primary Health Networks by Health, including how Health has facilitated an orderly transition from Medicare Locals to the Primary Health Networks to ensure continuity of relevant services and programs.

Pharmaceutical Benefits Scheme Safety Net

The Pharmaceutical Benefits Scheme (PBS) aims to improve the affordability of around 770 prescription medicines. Overall program responsibilities are shared between Health and Human Services, and expenditure in 2015–16 is estimated at \$9.2 billion. As part of the PBS, the PBS Safety Net provides additional assistance for those with high volumes of prescriptions each year.

Under the Safety Net arrangements, concession card holders who spend \$366 on PBS medications in a year can receive any additional PBS prescriptions at no extra cost, while others may receive subsidised PBS prescriptions after spending \$1453.90 (in 2015 rates) in a year. However, enrolment in the safety net relies on customers recording their annual PBS expenditure, or asking their pharmacists to do so on their behalf. In ANAO Audit Report No.39 2009–10 *Medicare Australia's Administration of the Pharmaceutical Benefits Scheme*, the ANAO recommended that the former Medicare Australia and the then Department of Health and Ageing examine options for patients to be automatically informed when they reach the Safety Net threshold.

An audit would examine Health's and Human Services' administration of the PBS Safety Net, including the implementation of the previous ANAO recommendation.

Community Pharmacy Agreement: Follow-on Audit

Since 1990 the Australian Government has entered into and funded successive five year community pharmacy agreements to help maintain a national network of retail pharmacies as the primary means of dispensing PBS medicines to the public. The Government has also used the agreements to fund professional programs and to establish a funding pool to be drawn on by pharmaceutical wholesalers to retail pharmacies.

In March 2015 the ANAO tabled the results of an audit of the administration of the Fifth Community Pharmacy Agreement. The audit made eight recommendations aimed at improving the overall administration of the agreement and informing the development of the next community pharmacy agreement. As relevant, recommendations were agreed by the Departments of Health, Human Services and Veterans' Affairs.

A follow-on audit would primarily examine Health's implementation of the ANAO's recommendations in the context of negotiating and entering into the Sixth Community Pharmacy Agreement.

Immigration and Border Protection

Audit strategy overview

The Immigration and Border Protection portfolio has undergone significant change since the Government's announcement that the Department of Immigration and Border Protection (DIBP) and the Australian Customs and Border Protection Service (Customs) will be merged into a single, integrated department. On 1 July 2015, the two entities will be formally consolidated and, simultaneously, the Australian Border Force, a frontline operational border protection force, will be established within the new department.

DIBP has primary responsibility for the security of Australia's borders. The department manages policy, regulatory and corporate services for the entity, including the Australian Border Force. It is also responsible for refugee and humanitarian programs; immigration and citizenship; trade and customs; offshore maritime security; and revenue collection. The Australian Border Force undertakes investigations as well as compliance and detention operations. The department faces significant challenges to keep pace with developments in its area of responsibilities, particularly the substantially increasing volumes of passengers and cargo crossing the border.

In 2015–16, funding for the entities in the portfolio totalled \$5.6 billion. The average staffing level is forecast to decrease from 14 304, including locally engaged employees, to 13 824— a reduction of about 480 full-time positions. The reduction reflects the MoG changes of 18 September 2013 and the transfer of functions out of both entities.

Recent ANAO audits have focused on the management of interpreting services, the tariff concession system, the Cape-class Patrol Boat Program, and the verification of identity under the citizenship program. The management of compliance with visa obligations and wildlife trade legislation are the subjects of current audits. Planned audit work encompasses the key aspects of the full range of activities of the integrated department, as well as new initiatives to enhance staff integrity.

Audits in progress at July 2015

Managing Compliance with Wildlife Trade Legislation

The international movement of wildlife and wildlife products is regulated under Part 13A of the EPBC Act, which covers:

- the export of Australian native wildlife species other than those identified as exempt;
- the export and import of species included in the appendices to the Convention on International Trade in Endangered Species and
- the import of live plants and animals that (if they became established in Australia) could adversely affect native species or their habitats.

Each year, Environment issues permits and assesses and approves programs and holding facilities to support its regulation of the wildlife trade. In 2013–14, the department reported issuing 1983 permits for the import or export of regulated specimens. Both Environment and DIBP have responsibilities under the EPBC Act to detect and deter the unlawful movement of wildlife goods across Australia's border.

The objective of the audit is to assess the effectiveness of DIBP's and Environment's management of compliance with the wildlife trade regulations under Part 13A of the EPBC Act.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Managing Compliance with Visa Obligations

Australia's immigration laws impose a range of compliance obligations on visa holders, including their duration of stay, the activities they can engage in while in Australia, employment restrictions and health insurance requirements. Managing compliance effectively is important in maintaining the integrity of Australia's immigration and citizenship regimes. DIBP aims to maximise visa holders' voluntary compliance with Australia's citizenship and migration laws. When necessary, DIBP pursues deliberate or high-risk non-compliance through the use of detention, removal from Australia, the enforcement of penalties and litigation.

DIBP has developed the Compliance Strategy 2012–15 to assist in the identification of program-specific risks and strategies for managing those risks. The strategy outlines DIBP's compliance philosophy and principles, compliance risks, strategic risk context, compliance model and desired outcomes from compliance activities.

The objective of the audit is to assess the effectiveness of DIBP's management of compliance with visa obligations.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Administration of Tobacco Excise and Excise Equivalent Goods

Under the *Excise Act 1901* and the *Excise Tariff Act 1921*, the Australian Taxation Office administers excise (a tax or duty) on domestically produced goods, which include tobacco products. In 2010, the administration of excise equivalent goods (EEGs), including tobacco, was delegated to the Australian Taxation Office by Customs. Management of tobacco EEGs is established through a memorandum of understanding between the Australian Taxation Office and DIBP.

In 2013–14, the excise and customs equivalent duty collected for tobacco products for home consumption amounted to around \$8.5 billion in government revenue. Declining domestic tobacco production and increasing offshore production and importation of tobacco products have led to a substantial shift from excise revenue to customs EEG revenue, with resulting changes to risks for both licit and illicit tobacco supplies.

The objective of the audit is to assess the effectiveness of the administration of tobacco excise and excise equivalent goods.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Procurement and Contract Management of Garrison Support and Welfare Services for Offshore Processing Centres on Nauru and Manus

Following the 2012 report by the Expert Panel on Asylum Seekers, the then Department of Immigration and Citizenship instituted a range of disincentives for unauthorised maritime arrivals. The most notable was the establishment of offshore processing centres in the Republic of Nauru and Manus Province, Papua New Guinea. Transfers of unauthorised maritime arrivals to Nauru and Manus commenced in the latter part of 2012; DIBP has reported that a total of 1746 people were in offshore processing centres on Nauru and Manus at 28 February 2015.

DIBP has undertaken a number of procurements relating to the delivery of garrison support and welfare services for the offshore processing centres. The total reported value of the contracts is over \$2.7 billion for the three-year period from September 2012 to October 2015. A new tender for the provision of these services beyond October 2015 was recently released to the market.

The objective of the audit is to assess whether DIBP adopted sound procurement and contract management practices for the delivery of garrison support and welfare services for the offshore processing centres on Nauru and Manus.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Potential audits

Health Care Services Provided to People in Immigration Detention (Onshore)

DIBP is responsible for Australia's immigration detention arrangements, which include community detention in Australia as well as 'held' detention in onshore and offshore facilities. At 31 March 2015, there were 5062 people in immigration detention, compared to 6631 at 30 June 2014. This included 4360 people in onshore detention (including Christmas Island), and 1707 in the offshore regional processing centres on Nauru and in Manus Province (Papua New Guinea).

Since 2006, health-care services for people in immigration detention have been provided under contract by International Health and Medical Services (IHMS). Concerns about the level of health-care services provided to asylum seekers in immigration detention have been highlighted, principally in an open letter of concern from Christmas Island medical officers to IHMS's management and executive. Other reports have touched on concerns about detainees' mental health when they are detained for long periods, particularly in remote locations.

On 11 December 2014, new contracts with IHMS and Serco Australia for onshore detention health services and facilities, and detainee services commenced. The IHMS contract is currently estimated at \$438 million, and the Serco Australia contract is estimated at \$1.9 billion. The new contracts are for a five-year period.

An audit would examine arrangements for the provision of health services to detainees in onshore immigration detention. The audit would complement the current audit of the procurement and contract management practices for the delivery of garrison support and welfare services for the offshore processing centres on Nauru and Manus.

Identity Resolution in Immigration and Citizenship Processes

In 2013–14, more than 35 million people entered and departed Australia, and 163 017 people had Australian citizenship conferred on them. As the entity responsible for managing these key activities, DIBP needs a high level of confidence in the accurate identification of the people with whom it interacts. DIBP has undertaken a number of initiatives to maximise the effectiveness of identity management, including investing more than \$650 million in its System for People project (completed in 2011), a key goal of which was to provide a 'single view' of each client across DIBP's information systems. In 2013–14, DIBP introduced a new identity policy that outlines the strategic direction for identity management, including the expansion of biometric acquisition, the storage and matching of fingerprints on the National Automated Fingerprint Identification System, international capacity building, and continued involvement in a biometric data sharing arrangement with certain overseas countries.

An audit would examine the effectiveness of DIBP's initiatives to accurately identify people as they interact with immigration and citizenship processes. The audit would complement previous work on the verification of identity in the citizenship program and the introduction of biometric technologies by the department.

Managing the 457 Visa Program

Temporary migration is a key contributor to Australia's social, cultural and economic wellbeing. The 457 visa program is designed to address labour shortages by allowing genuinely skilled overseas workers to enter Australia temporarily when employers are unable to find an appropriately qualified Australian to fill a position. In 2013–14, 51 939 primary applications for 457 visas were granted, down 39.7 per cent from the previous year.

The 457 visa program was subject to a number of reforms implemented on 1 July 2013, including enforceable training benchmarks, higher standards for 457 nominations and work requirements, and changes in salary and cost arrangements. The program was also subject to an independent integrity review in 2014, titled 'Robust New Foundations'. Proposed areas of reform included improving training opportunities for Australians, simplifying sponsorship requirements and fast-tracking low-risk applications. On 18 March 2015, the Australian Government released its response to the review, stating its support or in-principle support for most of the 51 recommendations, including relaxing English language testing requirements, implementing penalties for sponsoring workers in exchange for payment, and appointing a tripartite ministerial advisory council to report on skilled migration issues. The implementation of the recommendations is taking place throughout 2015.

An audit would examine the effectiveness of DIBP's management of the 457 visa program, focusing on the effective administration of the application and decision-making processes, as well as the effectiveness of activities to ensure compliance with visa conditions.

Implementing Staff Integrity Measures

Managing the integrity of staff is a high priority for DIBP. Law enforcement entities work alongside the Australian Commission for Law Enforcement Integrity and the Commonwealth Law Enforcement Ombudsman on managing and investigating complaints relating to staff integrity. The *Law Enforcement Integrity Legislation Amendment Act 2012* introduced targeted integrity testing for staff members of Australian Government entities who have been suspected of corrupt conduct.

Following high-profile corruption-related arrests of staff in 2012, Customs instituted a suite of reforms in its Blueprint for Reform 2013–18, in which staff integrity has been a key focus. By November 2014, reform initiatives included integrity testing, drug and alcohol testing, and mandatory reporting by staff. Other measures include the appointment of a Special Integrity Officer to manage investigations of complex and serious cases of misconduct, a ‘declarable associations’ policy and the establishment of the Integrity, Security and Assurance Division, which is responsible for integrating integrity matters into service operations and corporate governance. Since 10 March 2015, nine policies have been applied to all DIBP staff, while the remaining policies will come into force from 1 July 2015.

An audit would examine the implementation and effectiveness of DIBP’s staff integrity framework. The audit scope may include activity in other government entities.

Border Management of Foreign Military Personnel and Equipment

Foreign military personnel and equipment are regularly deployed to Australia, both on a long-term basis and for particular military exercises. For example, in November 2011, the Australian and US governments announced a joint defence force initiative involving a rotation of around 1100 members of the US Marine Corps into northern Australia for periods of six months. Around 1150 US Marines were deployed in 2014, and numbers are expected to reach 2500 by 2017. The visiting Marines are accompanied by a range of equipment, including vehicles; weapons such as small arms, mortars and towed cannons; and aircraft, including transport helicopters and fighter jets.

US Defense Force personnel have also been deployed in Australia biennially since 2005 for shared training with the ADF. In 2013, around 21 000 US Defense Force personnel participated with 7000 ADF personnel for about four weeks in Queensland, the Northern Territory and Australian maritime zones. The next shared training exercise is scheduled for July 2015 and will involve 30 000 military personnel. Military cooperation and joint exercises also occur between Australia and other countries, such as Malaysia, Singapore and, most recently, China.

Australian border protection entities provide immigration clearance, inspection for prohibited and restricted goods and screening for items of biosecurity concern under specific agreements relating to the entry of foreign military personnel.

An audit would examine the effectiveness of the border protection entities’ regulation of the immigration, customs and biosecurity aspects of the entry of foreign military personnel and equipment into Australia. Consideration would be given to having the audit coverage coincide with planned periodic movements of foreign military personnel and equipment.

Arrangements to Prevent, Detect and Destroy Illicit Tobacco Imports

DIBP is responsible for the prevention, deterrence and detection of the unlawful movement of prohibited, restricted or regulated goods in Australia, including illicit tobacco. Strategies used by the department to combat the importation of illicit tobacco include gathering intelligence; conducting risk-based targeting for the inspection and examination of high-risk cargo, mail and passengers; seizing tobacco at the border; investigating and prosecuting parties involved in tobacco smuggling; and working with other entities to identify opportunities to disrupt and prosecute tobacco smuggling syndicates.

The ACC has noted that organised crime groups consider Australia’s illicit tobacco market to be a ‘low risk, high profit activity’, and use their access to cheap overseas tobacco to supply the illicit tobacco market in Australia. During 2013–14, Customs reported detecting 178 tonnes of undeclared tobacco and 147 million sticks of cigarettes in sea cargo, with an estimated total customs duty

of \$139 million. In October 2013, Taskforce Trident, a joint operation, reported seizing 80 million cigarettes and 70 tonnes of tobacco and made 10 arrests, disrupting one of the largest organised illicit tobacco importation syndicates detected in Australia to date.

An audit would examine the effectiveness of DIBP's strategies to combat the importation of illicit tobacco and the department's cooperation with other government entities, such as the Australian Taxation Office and the AFP. The audit would complement the ANAO's current audit of the administration of tobacco excise and excise equivalent goods in the Australian Taxation Office and DIBP, the report on which is expected to be tabled during the Spring 2015 Parliamentary Sitzings.

Industry and Science

Audit strategy overview

The Industry and Science portfolio was created following machinery of government changes in September 2013 and December 2014. The portfolio aims to enable growth and productivity for globally competitive industries by supporting science and commercialisation, growing business investment and improving business capability, streamlining regulation and building a high performance organisation. In 2015–16, the portfolio had budgeted resources of around \$3.7 billion, of which about \$1.7 billion was allocated to the Department of Industry and Science (Industry and Science).

Industry and Science is the lead policy, coordination and delivery entity in the portfolio. Other entities in the portfolio are the Anti-Dumping Commission; the Australian Institute of Marine Science (AIMS); the Australian Nuclear Science and Technology Organisation (ANSTO); the Australian Renewable Energy Entity (ARENA); the Commonwealth Scientific and Industrial Research Organisation (CSIRO); Geoscience Australia; Intellectual Property Australia (IP Australia); the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA); and the Office of the Chief Scientist.

Recent ANAO performance audits have examined the administration of the Commercialisation Australia Program, the effectiveness of NOPSEMA's regulatory functions and the administration of the Ethanol Production Grants Programme. Two other portfolio entities—IP Australia and Geoscience Australia—have been involved in cross-entity performance audits examining compliance with mandatory controls in the *Australian Government Information Security Manual* that relate to cybersecurity attacks (IP Australia) and the management of physical security (Geoscience Australia).

The ongoing audit strategy for the portfolio focuses on the effectiveness of Industry and Science's delivery of grant and other assistance programs, as well as key aspects of operations in portfolio entities, such as regulatory activities, procurement and grants administration.

Audits in progress at July 2015

CSIRO's Administration of the Science and Industry Endowment Fund

The Science and Industry Endowment Fund (SIEF) was established by the *Science and Industry Endowment Act 1926* to provide financial assistance to people engaged in scientific research that addresses issues of national priority for Australia. The SIEF delivers funding through four program groups: research projects; research infrastructure; special research; and the promotion of science.

In 2009, CSIRO gave \$150 million to the SIEF from the proceeds of wireless technology licence agreements. By January 2015, the total amount spent from the fund was around \$75 million, and about a further \$79 million had been committed. Under a services agreement between the SIEF and CSIRO, CSIRO is responsible for providing financial management services, promoting the SIEF and its funding rounds, assessing applications for funding, developing contracts with funding recipients and maintaining oversight of the funded projects.

The objective of the audit is to assess the effectiveness of the administration of CSIRO's gift of \$150 million to the SIEF by the SIEF Trustee and CSIRO.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

The Administration of Grants under the Australian Renewable Energy Agency Act 2011

The *Australian Renewable Energy Agency Act 2011* (the ARENA Act) established the Australian Renewable Energy Agency (ARENA) with the objectives of improving the competitiveness of renewable energy technologies and increasing the supply of renewable energy in Australia. ARENA also assumed responsibility for committed grants-funded projects from the former Australian Centre for Renewable Energy, the former Department of Resources, Energy and Tourism, and the Australian Solar Institute. The ARENA Act specified total funding of \$2.5 billion over eight years. In the 2013–14 Mid-Year Economic and Fiscal Outlook, the Government announced a reduction to ARENA's funding of \$435 million and announced a further reduction of \$1.3 billion in the 2014–15 Budget.

In June 2014, the Australian Renewable Energy Agency (Repeal) Bill 2014 was presented to Parliament. The Repeal Bill sought to close ARENA and transfer management of ARENA's functions and commitments to Industry and Science. The Repeal Bill has not yet been passed into law by the Parliament.

An audit would examine the portfolio's administration of ARENA Act grants, with a particular focus on risk management, project assessment and performance monitoring arrangements, including value-for-money considerations.

The Anti-Dumping Commission's Management of Dumping and Subsidy Complaints

The Anti-Dumping Commission, established by Part XVB of Volume 3 of the *Customs Act 1901*, investigates allegations of dumping and subsidisation of goods imported into Australia and, where appropriate, recommends the imposition of duties on imported goods. Responsibility for the Anti-Dumping Commission was transferred from Customs to the former Department of Industry (now Industry and Science) in March 2014.

In the 2014–15 Mid-Year Economic and Fiscal Outlook, the Australian Government announced additional funding of around \$3 million over four years to strengthen Australia's anti-dumping system. Reforms are intended to:

- place a greater onus on overseas businesses to cooperate with investigations;
- identify uncooperative overseas exporters;
- improve the level of support, assistance and information available to Australian industries about the anti-dumping system;
- streamline administrative aspects of the anti-dumping process; and
- improve the system's merit review processes.

An audit would examine the administration of the Anti-Dumping Commission's responsibilities, including management of dumping complaints by Australian businesses. The audit would also assess progress in the implementation of the agreed reforms as announced in the 2014–15 Mid-Year Economic and Fiscal Outlook.

Australian Nuclear Science and Technology Organisation's Financial Management

ANSTO was established in 1987 by the *Australian Nuclear Science and Technology Organisation Act 1987* (the ANSTO Act). Under the ANSTO Act, ANSTO's functions include:

- conducting research and development in relation to nuclear science and technology;
- managing radioactive materials and waste arising from various prescribed activities; and
- making available facilities, equipment and expertise for research related to nuclear science and technology.

In its financial statements for 2013–14, ANSTO reported that it had incurred expenditure of around \$60 million in procuring goods and services from suppliers, capitalised nearly \$130 million worth of expenditure relating to the construction of plant and equipment, and earned around \$67 million from the sale of goods and the rendering of services.

An audit would examine ANSTO's financial management arrangements, with a particular focus on the administration of activities associated with procurement and own-source revenues.

Automotive Transformation Scheme

The Automotive Transformation Scheme (ATS), which began operating in January 2011, provides financial assistance for eligible automotive producers. The program was established by the *Automotive Transformation Scheme Act 2009* (the ATS Act) and is administered in accordance with the Automotive Transformation Scheme Regulations 2010 (the ATS Regulations). The ATS aims to encourage competitive investment and innovation in the Australian automotive industry and bolster the industry's economic position.

The ATS provides assistance in the form of grants to:

- motor vehicle producers;
- automotive component producers;
- automotive machine tool and automotive tooling producers; and
- automotive service providers.

In the 2014–15 Budget, the Australian Government announced that the ATS would end in December 2017 (rather than 2021, as originally intended)—coinciding with the planned cessation of vehicle manufacturing in Australia. The level of financial assistance provided through the ATS program in 2014–15 was estimated to be around \$270 million, and an additional \$405 million was expected to be provided between July 2015 and December 2017. Over the life of the program (2011 to 2017), it is estimated that the ATS will provide about \$2 billion in assistance to the automotive industry.

An audit would examine Industry and Science's administration of the ATS, including compliance with the requirements of the ATS Act, the ATS Regulations and the Commonwealth Grants Rules and Guidelines. The audit would also review the department's closure strategy for the ATS.

Management of Programs for Low-Emissions Technologies and Carbon Capture and Storage

Industry and Science manages a number of programs to encourage Australian industries to reduce emissions of greenhouse gases, including carbon dioxide (CO₂). Grant programs providing financial support for clean energy initiatives include:

- the National Low Emissions Coal Initiative (NLECI)—announced in 2008 and intended to help accelerate the development and deployment of low-emissions technologies and CO₂ transport and storage infrastructure; and
- the Carbon Capture and Storage Flagships (CCSF)—announced in 2009 and intended to promote wider dissemination of carbon capture and storage technologies by supporting demonstration projects that capture, transport and store CO₂ emissions from industrial processes.

When originally announced, the NLECI was allocated \$500 million over eight years and the CCSF was allocated \$2 billion over nine years. In the 2015–16 Budget, total expenditure for the NLECI for the period from 2014–15 to 2016–17 was reduced to \$49.2 million, while budgeted expenditure for the CCSF for the same period was reduced to \$144.6 million.

An audit would examine Industry and Science's administration of the NLECI and CCSF, including the application of the Commonwealth Grants Rules and Guidelines.

Management of Royalty Revenues

Industry and Science is responsible for the collection of around \$1.8 billion in royalty revenues each year. Most is collected from two resource areas: the North West Shelf (NWS) and the Joint Petroleum Development Area (JPDA) in the Timor Sea.

For the NWS resource, royalty revenues are payable to both the Australian Government and the Western Australian Government in accordance with the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the OPGGSA Act). The department is responsible for collecting the royalty payments from the NWS companies and providing the appropriate share of those royalties to the Western Australian Government. Royalty payments relating to the JPDA are payable pursuant to the terms of the Timor Sea Treaty between the governments of Australia and East Timor, which came into effect in April 2003.

An audit would examine Industry and Science's administration of the collection and payment of royalty revenues, including compliance with relevant requirements in the OPGGSA Act and the Timor Sea Treaty.

Management of the Home Insulation Program Industry Payment Scheme

In December 2013, the Minister for the Environment announced the Government's response to the Report of the Royal Commission into the Home Insulation Program (HIP). Among the initiatives included in the Government's response was the establishment of a process for making discretionary payments to eligible pre-existing insulation businesses adversely affected by the HIP. The Government's response noted that the scheme would involve:

- an independent, transparent, equitable and evidence-based process for the assessment of business losses and the making of payments; and
- robust arrangements to verify claims.

The development of the scheme, known as the Industry Payment Scheme (IPS), is the responsibility of Industry and Science. Funds were allocated for the IPS in the 2015–16 Budget, although the amount was not announced, reportedly due to commercial-in-confidence reasons.

An audit would examine Industry and Science's development and administration of the IPS.

Meeting Responsibilities under the Greenhouse and Energy Minimum Standards Act 2012

The *Greenhouse and Energy Minimum Standards Act 2012* (the GEMS Act) came into force on 1 October 2012. It aims to promote the development and adoption of products that use less energy and produce fewer greenhouse gases. Industry and Science is responsible for the delivery of two key components of the GEMS Act: the GEMS Regulator and the Equipment Energy Efficiency (E3) Programme.

The GEMS Regulator is responsible for reviewing and processing registration applications for minimum energy performance standards and energy-rating labelling. The regulator is also responsible for monitoring and enforcing compliance with the GEMS Act. The E3 Programme seeks to drive greater energy efficiency for regulated products and ensure that consumers can make informed choices to improve energy efficiency and to reduce energy consumption and costs.

An audit would examine Industry and Science's administration of the E3 Programme.

The National Radioactive Waste Management Facility

Almost 5000 cubic metres of low- and intermediate-level radioactive waste is stored at dozens of locations around Australia, including at the Open Pool Australian Lightwater (OPAL) nuclear reactor at Lucas Heights in south-western Sydney.

Since the 1970s, many sites for a dedicated national facility to store the waste have been proposed, but none have proceeded. The *National Radioactive Waste Management Act 2012* had as one of its objects 'to provide for the selection of a site for a radioactive waste management facility on voluntarily nominated land in Australia'. On 2 March 2015, the Minister for Industry and Science announced the opening of a process to allow landholders to nominate land for a facility. An independent advisory panel has been established to help to assess nominations and advise the Government on sites that may be suitable. The current indicative timetable is for construction to commence in 2020. There is continuing public interest in this issue.

An audit or series of audits would examine various phases of the project to identify and select a site and construct a national radioactive waste management facility.

Infrastructure and Regional Development

Audit strategy overview

The Infrastructure and Regional Development portfolio is responsible for providing, evaluating, planning and investing in infrastructure; fostering an efficient, sustainable, competitive, safe and secure transport system; and functions relating to regional development, local government and territories. The resources available to the portfolio in 2015–16 amount to more than \$7.3 billion.

The portfolio consists of the Department of Infrastructure and Regional Development (DIRD) and nine other entities.

The ANAO's performance audit activities have examined each of the major land transport infrastructure programs at least once. The ANAO has also audited Infrastructure Australia's conduct of the first national infrastructure audit and its development of the first infrastructure priority list. A range of economic stimulus programs that funded the construction of community infrastructure have also been audited, as have various regional grant funding programs.

The ANAO's potential audit coverage includes continued attention to the delivery of funding programs, with a particular focus on discretionary funding programs that have been announced by the Australian Government. In addition, follow-up work is planned in relation to previous audit activity relating to government funding for post-flood reconstruction work. Audit work is also proposed in relation to important aspects of transport security arrangements.

Audits in progress at July 2015

The Approval and Administration of Commonwealth Funding for the East West Link Project

The East West Link was a proposed 18-kilometre cross-city road connection (including tunnels) north of the Melbourne central business district, to be constructed in two stages. The project had been the subject of a number of Victorian Government submissions to Infrastructure Australia, which had identified the project as one with 'real potential' but not, on the basis of the available information from the state, one that had demonstrated its economic merit and met all of Infrastructure Australia's criteria. Nevertheless, a total of \$3 billion in Commonwealth funding was committed to this project, and \$1.5 billion was paid in June 2014. Following the Victorian state election in November 2014, the new Victorian Government announced that it would not proceed with the project and, consequently, the Commonwealth Government has requested the return of \$1.5 billion of unspent funding from the Victorian Government. Nevertheless, in the 2015–16 Federal Budget the Commonwealth Government stated that it remains committed to constructing the East West Link and the commitment of \$3 billion in Commonwealth funding for the project was included as a contingent liability. In response to a request from a Member of Parliament, the ANAO agreed to undertake an audit of the approval and administration of Commonwealth funding for this project.

The objective of the audit is to assess whether appropriate steps were taken to protect the Commonwealth's interests and obtain value for money in:

- the approval of \$1.5 billion in Commonwealth Government funding for stage 1 of the East West Link project, and the June 2014 payment of \$500 million of that funding; and
- the approval of \$1.5 billion in Commonwealth Government funding for stage 2 of the East West Link project, and the June 2014 payment of \$1 billion of that funding.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Design and Implementation of the Bridges Renewal Program

Originally announced in the 2010 federal election campaign, and reannounced in the 2013 campaign, the Bridges Renewal Program is to provide \$300 million to restore and rebuild local road bridges. This commitment is to be matched by state and local governments. The aim is to make at least \$600 million available under the program.

The objective of the audit is to assess the effectiveness of DIRD's design and implementation of the first funding round of the program.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

The Approval and Administration of Commonwealth Funding for the WestConnex Project

At an estimated cost of \$14.9 billion, the WestConnex project in New South Wales (NSW) is to provide 33 kilometres of motorway to link western and south-western Sydney with the city, Kingsford Smith Airport and port precincts. To be constructed in stages between 2015 and 2023, it is to comprise approximately 14 kilometres of road above ground and about 19 kilometres of tunnels.

On 7 March 2013, the Australian Government provided \$25 million to assist the NSW Government to undertake advance planning and to develop a business case for WestConnex. The NSW Government had provided \$30 million for this purpose. Commonwealth funding towards construction of \$3.5 billion has been committed, comprising:

- a \$1.5 billion commitment from the 2013 election campaign, governed by a national partnership agreement (the Australian Labor Party had also committed up to \$1.8 billion to the project, with conditions); and
- \$2 billion through a concessional loan.

The \$2 billion was to be available for drawdown during the planned construction period of 1 July 2015 to 31 December 2018.

An audit would examine whether appropriate steps were taken to protect the Commonwealth's interests and obtain value for money with the funding committed to this project.

Design and Implementation of the National Stronger Regions Fund

The National Stronger Regions Fund is a 2013 federal election commitment. The 2014 Budget included an expense measure delivering on this commitment, with \$1 billion in funding to be provided over five years from 2015–16 for a competitive grants program. The fund is to finance the construction, expansion and enhancement of infrastructure, with a focus on regions with low socioeconomic status or higher than average unemployment. Grants are to be available for projects to be delivered in partnership with local, state and territory governments, the private sector and community groups. Funding partners are required to contribute at least half the total project cost.

An audit would examine the effectiveness of the design and implementation of the National Stronger Regions Fund, including the processes by which projects are awarded funding.

Management of Service Delivery Arrangements with the Western Australian Government regarding the Indian Ocean Territories

The Indian Ocean Territories (IOT) consist of Christmas Island and the Cocos (Keeling) Islands. DIRD is responsible for administering the IOT on behalf of the Australian Government, including delivering state-government-type services. The Commonwealth delivers the majority of these services through service delivery arrangements (SDAs) with the Western Australian Government. Funding of around \$35 million a year is provided to the IOT through SDAs with approximately 40 Western Australian agencies.

An audit would examine the effectiveness of the department's management of a selection of SDAs with Western Australian government agencies, including the coordination of services, monitoring of agreements, and evaluation of outcomes achieved under the SDAs.

Design, Implementation and Administration of the Indian Ocean Territories Community Development Grants Programme

The objective of the IOT Community Development Grants Programme is to fund projects that contribute to the development and community amenity of the IOT by supporting investment in a diverse range of community projects. The first funding round was conducted in 2013–14. The programme received 57 applications seeking over \$3.5 million in grant funding; 31 projects were successful. The second funding round opened in February 2015 and closed on 15 April 2015.

An audit would examine the effectiveness of the design, implementation and administration of the first two funding rounds, including the processes by which projects are awarded funding, and the administration of funding agreements with successful applicants.

Delivery of the Christmas Island New Housing Program

The \$26.6 million Christmas Island New Housing Program consists of three separate projects to reduce pressure on the rental market by constructing a number of new dwellings. These dwellings were to accommodate the increase in personnel required for policing, health, administration and education services.

An audit would examine the effectiveness of DIRD's delivery of the program.

Administration of the Community Development Grants Programme

The Community Development Grants Programme was announced by the Australian Government in December 2013. The programme, which is administered by DIRD, was established to upgrade facilities to provide long-term improvements in social and economic viability of local communities.

Programme funding of \$342 million was announced in December 2013 to fund various Coalition election commitments, as well as projects approved in rounds two to four of the former government's Regional Development Australia Fund that did not have a funding agreement in place prior to the election period. The 2015–16 Budget included a further \$50 million in programme funding over three years to fund additional projects initiated by the Government.

An audit would examine the effectiveness of the design and implementation of the Community Development Grants Programme, including the processes by which projects additional to those originally allocated for programme funding are identified. It would also examine the implementation of relevant recommendations from earlier ANAO performance audits, including ANAO Report No.24 2010–11 *The Design and Administration of the Better Regions Program* and ANAO Report No.7 2011–12 *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund*.

Management of Domestic Passenger Security Screening

Aviation security is designed to safeguard Australia's civil aviation operations against 'acts of unlawful interference'. A key component of aviation security is passenger screening. Screening involves checking what passengers are carrying by having them walk through a metal detector and, if necessary, subjecting them to a frisk (pat down) search. Screening can also include X-ray examinations and physical searches of baggage. As passenger numbers continue to grow (Australia had 33.6 million international and 60 million domestic passengers during 2013–14), efficient and effective screening is of critical importance.

DIRD is responsible for regulating the security of the Australian aviation environment through its administration of the *Aviation Transport Security Act 2004* and the Aviation Transport Security Regulations 2005. In particular, through system testing, audits and compliance activities, the department provides assurance that screening authorities, contracted by airport operators, are delivering services in accordance with the relevant legislation. DIRD also provides advice to the Government on aviation security policy and practice.

As at January 2015, DIRD regulated 174 airports and 397 airlines. During 2014–15, DIRD's expenses for transport security (including improving international aviation security, regional passenger screening, optimal technologies at international gateway airports, regional and domestic aviation security, and program support) totalled \$84.4 million. The 2015–16 budget for transport security is \$79.3 million.

An audit would examine DIRD's management of passenger screening at Australian airports, including processes for security standards, and monitoring and compliance regimes. The audit would complement ANAO Audit Report No.26 2002–03 *Aviation Security in Australia*.

Managing the Aviation and Maritime Security Identification Card Schemes: Follow-up Audit

Aviation and maritime security identification cards (ASICs and MSICs) for airport and seaport workers are part of Australia's effort to secure the transport sector against terrorism. All individuals who require unescorted access to a secure area of an airport, seaport or offshore facility are required to pass a background check and display an ASIC or MSIC indicating that they have passed the check. Responsibility for the ASIC and MSIC regime is shared between DIRD and AGD, although the cards are issued by separate issuing authorities, including private and public sector bodies.

The ASIC and MSIC schemes were established by the *Aviation Transport Security Act 2004* and the *Maritime Transport and Offshore Facilities Security Act 2003*. The legislation prescribes a range of conditions for the use of the cards and eligibility criteria for obtaining a card. During 2013–14, AGD completed 82 451 background checks for ASICs and 66 240 background checks for MSICs.

The management of the ASIC and MSIC schemes was examined in ANAO Audit Report No.39 2010–11 *Management of the Aviation and Maritime Security Identification Card Schemes*. Recommendations focused on the need for DIRD to review the administrative practices of issuing bodies and implement mechanisms to support future compliance with the schemes.

An audit would examine the effectiveness of DIRD's and AGD's management of the ASIC and MSIC regime, with a focus on the implementation of recommendations from the previous ANAO audit.

Parliamentary Departments

Audit strategy overview

Four parliamentary departments provide support for the workings of the Parliament of Australia: the Department of Parliamentary Services (DPS), the Department of the Senate, the Department of the House of Representatives and the Parliamentary Budget Office. In 2015–16, resources available to the departments total \$243.3 million.

DPS provides a range of corporate services to occupants and users of Parliament. Its responsibilities include information and communication technology services, library and research services, building and security services, and visitor services, including the management of the Parliament Shop and visitor guide service. The departments of the House of Representatives and Senate provide facilities, support, advice and information to their respective chambers and to the Parliament more widely. They also maintain relationships with other official parliamentary bodies, both national and international, as well as with the Australian community. The Parliamentary Budget Office assists the Parliament in its scrutiny of budget and fiscal policy.

Previous audit coverage has focused on asset and contract management practices by DPS in managing Parliament House. The future audit program will consider a follow-up of the 2014–15 audit to assess the department's implementation of the audit's recommendations in the light of its broader transformation process.

Potential audits

Managing Assets and Contracts at Parliament House: Follow-up Audit

In managing Parliament House, DPS is responsible for maintaining the building, supporting the work of the Parliament and providing access for the public. Parliament House and associated assets are collectively valued at more than \$2 billion, and in 2014–15 the portfolio had around 700 staff and a budget of \$165 million.

Over recent years, DPS has been subject to considerable parliamentary scrutiny. In addition, ANAO Audit Report No.24 2014–15 *Managing Assets and Contracts at Parliament House* examined the effectiveness of DPS' management of assets and contracts to support the operations of Parliament House. The audit noted that since mid-2012 the new Secretary had commenced a process to 'transform' DPS, and changes were underway at the time of the audit. The audit report contained six recommendations to improve the department's asset (including heritage) management and contract management arrangements.

A follow-up audit would examine DPS' implementation of the recommendations in the ANAO audit report in the context of its transformation process.

Prime Minister and Cabinet

Audit strategy overview

The role of the Prime Minister and Cabinet portfolio is to provide support and policy advice to the Prime Minister, the Cabinet, portfolio ministers and parliamentary secretaries on matters relating to public and government administration.

The portfolio includes the Department of the Prime Minister and Cabinet (PM&C), nine statutory agencies (the ANAO, the Australian Public Service Commission, the Office of National Assessments, the Office of the Commonwealth Ombudsman, the Office of the Inspector-General of Intelligence and Security, the Office of the Official Secretary to the Governor-General, the Aboriginal Land Commission, and the Registrar of Indigenous Corporations) and 11 corporate Commonwealth entity and Commonwealth companies (10 of which relate directly to Indigenous issues).

PM&C has a key role in driving policy development and innovation across the APS, coordinating portfolio responsibilities in the areas of domestic policy; national security and international policy; counterterrorism and cybersecurity; Indigenous advancement; and women's policy. The department also coordinates various whole-of-government initiatives, including deregulation.

Following the transfer of responsibilities for Indigenous affairs and deregulation to PM&C, the department's workforce grew from 798 staff in one location to 2467 in 110 locations between June 2013 and June 2014. In 2015–16, the portfolio's total estimated resources available are \$2 billion. Future audits will focus on major risks for the Prime Minister and Cabinet portfolio, including the administration and delivery of Indigenous programs under the Indigenous Advancement Strategy introduced in 2014, as well as deregulation responsibilities.

Audits in progress at July 2015

Indigenous Home Ownership Program

The Indigenous Home Ownership Program, administered by Indigenous Business Australia, aims to facilitate higher levels of home ownership among Indigenous Australians by addressing common barriers to ownership, such as lower incomes and savings, credit impairment and limited experience with loan repayments.

In 2012–13, the Australian Government consolidated the former Home Ownership Program and the related Home Ownership on Indigenous Land Program into a single program. The program targets first home buyers and people in remote Indigenous communities who are overcoming substantial barriers, such as difficulty obtaining home loan finance, appropriate tenure for home ownership, a lack of financial institutions, high construction costs and a lack of established housing.

The budgeted expenses for the Indigenous Home Ownership Program were \$40.29 million in 2015–16 and are estimated to rise to \$43.39 million in 2018–19. Indigenous Business Australia's performance target for 2015–16 was to approve 575 new loans, and it seeks to increase the number of loans it approves each year, up to 630 in 2018–19.

The objective of the audit is to assess the effectiveness of Indigenous Business Australia's implementation of the Indigenous Home Ownership Program.

The audit report is expected to be tabled in the 2015 Spring Parliamentary Sitings.

Potential audits

Vocational Training and Employment Centres

The objective of the Vocational Training and Employment Centres initiative is to increase Indigenous Australians' employment outcomes and participation in economic activities by training people for specific jobs. The initiative contributes to the broader Indigenous Advancement—Jobs, Land and Economy Programme.

The Government committed \$45 million to the initiative over two years from 2013–14, with the aim of training up to 5000 Indigenous Australians for guaranteed jobs by 2015. By May 2015, 29 centres had been established and providers had been contracted to deliver up to 5470 jobs. The centres are designed to provide Indigenous job seekers with training and support to prepare for already available job opportunities.

An audit would examine PM&C's implementation of the Vocational Training and Employment Centres initiative and the results achieved.

Remote School Attendance Strategy

Improving Indigenous children's school attendance is a high priority for the Australian Government. The Remote School Attendance Strategy aims to improve the school attendance of children in 73 schools in remote Indigenous communities across the Northern Territory, Western Australia, South Australia, Queensland and New South Wales. The strategy funds local school attendance supervisors and school attendance officers to support families to ensure that children attend and stay at school. It is being implemented in partnership with communities and schools and is designed to be driven by the communities and adapted to their different needs.

The Government has allocated \$46.4 million over two years from 1 January 2014 for the strategy, which contributes to the Indigenous Advancement—Children and Schooling Programme. A small fund for items such as shoes and uniforms is available to assist the school attendance officers to work with families.

An audit would examine PM&C's implementation and management of the Remote School Attendance Strategy in selected locations. The audit would complement the ANAO's Audit Report No.51 2013–14 *Improving School Enrolment and Attendance Through Welfare Reform Measures*.

Implementation of the National Partnership Agreement on Remote Indigenous Housing in Queensland and Western Australia

The National Partnership Agreement on Remote Indigenous Housing (NPARIH) is a 10-year agreement between the Australian Government and the state and Northern Territory governments aimed at reducing significant overcrowding, homelessness and poor housing conditions in remote Indigenous communities. The NPARIH contributes to the Indigenous Advancement—Remote Australia Strategies Programme. The Australian Government has committed \$5.5 billion in funding to improve the standard

of housing and reduce overcrowding and homelessness in remote communities. Of that, Queensland has been allocated \$1.15 billion to deliver 1141 new dwellings and more than 1216 refurbishments over the 10 years to 2017–18.

In addition, this funding is being used to provide affordable accommodation, such as hostel accommodation in regional centres, to assist Indigenous people from remote communities to access education, training and support services. This funding includes the purchase of employment-related accommodation in areas such as Townsville, Toowoomba, Gladstone, Rockhampton and Cairns.

By 30 June 2014, the Queensland Government had completed 449 new houses (39 per cent of the target) and refurbished 1182 houses (97 per cent) under the NPARIH.

Western Australia has been allocated \$1.18 billion to deliver 1012 new dwellings and more than 1280 refurbishments over 10 years to 2017–18. Funding is also being used to provide employment-related accommodation in regional centres.

By 30 June 2014, 497 new houses (49 per cent of the target) had been completed and 1299 houses (101 per cent) had been refurbished under the NPARIH in Western Australia. Under the employment-related accommodation component of the agreement, four hostels providing 62 beds had been established in the Kimberley region.

Separate audits would examine the Australian Government's (through PM&C) implementation and delivery of housing in Queensland and Western Australia under the NPARIH. Subject to a request from the JCPAA, the audits may also consider the performance of responsible state government entities as Commonwealth partners. Consideration may also be given to the delivery of the NPARIH in other jurisdictions and the follow-up of recommendations made in ANAO Audit Report No.12 2011–12 *Implementation of the National Partnership Agreement on Remote Indigenous Housing in the Northern Territory*. An audit may also include examination of the arrangements for municipal and essential services, where relevant.

Indigenous Advancement Strategy

In July 2014, the Government announced the Indigenous Advancement Strategy (IAS). The objective of the IAS is to improve the lives of Indigenous Australians, with a particular focus on getting children to school, getting adults into work, increasing Year 12 attainment, ensuring that communities are safe, increasing participation in the economic and social life of the nation and addressing the disproportionate disadvantage in remote Australia. The IAS replaced more than 150 individual programs and activities with five flexible, broad-based programs: Jobs, Land and Economy; Children and Schooling; Safety and Wellbeing; Culture and Capability; and Remote Australia Strategies. The Government committed \$4.8 billion over four years to the IAS from 1 July 2014.

The first grant funding round under the IAS commenced in September 2014. The Government announced that funding of \$2.3 billion was available through that round and future funding rounds. As part of the funding round, the department received 2472 applications for 4948 projects from 2345 organisations. In March 2015, the Government announced that \$860 million would be distributed among 964 organisations to deliver 1297 projects to Indigenous people and communities throughout Australia.

An audit would examine the conduct of grant rounds under the IAS.

Regulation of Indigenous Corporations through the Office of the Registrar of Indigenous Corporations

The *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (the CATSI Act), which came into effect on 1 July 2007, guides how Indigenous corporations are to be run. The Office of the Registrar of Indigenous Corporations (ORIC) supports and regulates the corporations that are incorporated under the CATSI Act. It does this in a variety of ways: by advising them on how to incorporate; by training directors, members and key staff in good corporate governance; by monitoring compliance; and by intervening when needed.

ORIC has a number of regulatory powers under the CATSI Act to intervene to solve problems within corporations. From 1 July 2014, organisations receiving grants of \$500 000 or more in a single financial year from funding administered by the Indigenous affairs portfolio within PM&C are required to incorporate under Commonwealth legislation and remain incorporated while they are in receipt of that funding.

An audit would examine the implementation and use of the Registrar of Indigenous Corporation's regulatory powers under the CATSI Act, with a particular focus on ORIC's compliance program. The audit would also consider the implementation of the Australian Government's requirement, in relation to organisations receiving significant levels of funding, for those organisations to be incorporated under Commonwealth legislation.

Indigenous Land Corporation—Economic Participation Activities

Indigenous people's access to land ownership and management is an important element of the Australian Government's approach to addressing Indigenous disadvantage, which includes increasing Indigenous economic participation.

Established in 1995, the Indigenous Land Corporation (ILC) is a corporate Commonwealth entity governed by the *Aboriginal and Torres Strait Islander Act 2005* (the ATSI Act). The ILC assists Aboriginal and Torres Strait Islander people to acquire and manage land so as to provide economic, environmental, social and cultural benefits. The ILC assists in the delivery of sustainable benefits from land acquisition and by providing land management assistance.

The ILC receives revenue from the Australian Government, predominantly from the Aboriginal and Torres Strait Islander Land Account, established under the ATSI Act. In 2015–16, the ILC was budgeted to receive \$51.1 million from the Land Account, which, together with other income, funds the ILC's legislated purpose of assisting Aboriginal and Torres Strait Islander people to acquire land and manage Indigenous-held land.

An audit would examine the administration of the ILC's programs in support of increasing economic participation among Indigenous Australians. The audit would complement the ANAO's Audit Report No.15 *The Indigenous Land Corporation's Administration of the Land Acquisition Program*, which was tabled in December 2013.

Targeted Assistance to Indigenous Tertiary Students

The Australian Government provides a range of support for Indigenous students to complete tertiary studies. PM&C manages:

- the away-from-base for mixed mode delivery (supporting university and VET students who study at home but are required to also spend periods of time at institutions)—under section 13 of the *Indigenous Education (Targeted Assistance) Act 2000*;
- the Commonwealth Scholarships Programme (supporting university students)—under part 2.4 of the *Higher Education Support Act 2003* (\$14.7 million in 2015–16); and
- the Indigenous Support Programme (supporting the engagement of Indigenous students in university)—under part 2.3 of the *Higher Education Support Act 2003* (\$39.94 million in 2015–16).

An audit would examine the administration of these programmes and also assess how the programmes work in conjunction to deliver outcomes for Indigenous tertiary students.

Social Services

Audit strategy overview

The Social Services portfolio plays a lead role in delivering services and programs to support the Australian Government's social policy and social security outcomes. The portfolio had an appropriation of more than \$144 billion in 2015–16.

The portfolio comprises the Department of Social Services (DSS) and a number of portfolio entities, including the Australian Aged Care Quality Entity, the Aged Care Commissioner, the Aged Care Pricing Commissioner, Australian Hearing, the Australian Institute of Family Studies, the National Disability Insurance Agency (NDIA) and the Social Security Appeals Tribunal. The Department of Human Services (Human Services) is also part of the broader Social Services portfolio. Audit topics for Human Services are in the next section.

DSS seeks to improve the lives of Australians by creating opportunities for economic and social participation in nine key areas: families and children; housing support; seniors; communities and vulnerable people; disability and carers; women's safety; mental health; settlement and multicultural affairs; and ageing and aged care. The department is responsible for advice on social policy and the administration of grants and other payments that support the capacity and wellbeing of individuals, families and communities.

Recent ANAO audits have examined DSS' administration of housing programs, community assistance programs, financial assistance programs for isolated communities, and services and programs supporting people with a disability.

Audits in progress at July 2015

Early Intervention Services for Children with Disability

Early Intervention Services for Children with Disability (EISCD) provides funding for early intervention services, therapies and resource items for children up to the age of seven diagnosed with an eligible disability. The EISCD consists of two components administered by DSS: the Helping Children with Autism package (HCWA), which targets children with a diagnosis of autism; and the Better Start for Children with Disability (Better Start) which targets children with one or more of 16 eligible disabilities. The EISCD provides funding of up to \$12 000 per child to purchase services with approved providers. Annual funding for EISCD is \$100 million for 2015–16. HCWA and Better Start are two of the Commonwealth initiatives identified to transition to the National Disability Insurance Scheme (NDIS).

The objective of the audit is to assess the effectiveness of DSS' administration of the EISCD.

The audit report is expected to be tabled in the Winter 2015 Parliamentary Sitzings.

Qualifying for the Disability Support Pension

The Disability Support Pension (DSP) provides financial support to Australians who are unable to work, or have limited capacity to work, due to a physical or mental disability. Over 800 000 Australians are in receipt of DSP (equal to around five per cent of the working age population). DSP expenditure is significant, with expenditure of \$16 billion in 2013–14.

To qualify for DSP, a person must be considered to have a permanent physical, intellectual or psychiatric impairment and a limited capacity to work as prescribed in the *Social Security Act 1991*, in addition to meeting age, residency and means test requirements.

The objective of the audit is to assess DSS' and the Department of Human Services' administration of DSP eligibility and review processes.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitings.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is a commitment by the Australian Government, in partnership with the states and territories, to invest in affordable rental housing. NRAS is a supply-side initiative aimed at encouraging investment in new rental dwellings to address the shortage of rental accommodation, particularly for low- and middle-income families. The Government established an initial target of 50 000 new affordable rental dwellings. The target has been revised on several occasions and is now capped at 38 000 dwellings expected to be delivered by 30 June 2016. Access to NRAS incentives was offered to the business sector and community organisations through six rounds called between July 2008 and May 2013. More than 38 000 incentives had been reserved or allocated.

The objective of the audit is to examine the effectiveness of DSS' administration of NRAS, with a focus on the assessment of NRAS applications for incentives, and management of allocations.

The audit report is scheduled to be tabled in the Spring 2015 Parliamentary Sitings.

Potential audits

Administration of the Aged Care Funding Instrument

The Aged Care Funding Instrument (ACFI) assesses the relative care needs of residents in aged care homes and is the mechanism for allocating the Australian Government subsidy to aged care providers for delivering care to residents. The instrument consists of 12 care need questions, some of which have specified assessment tools, and classifies residents according to their care needs against the following components:

- Activities of Daily Living (ratings on nutrition, mobility, personal hygiene, toileting and continence questions are used to determine the level of the basic subsidy);
- Behaviour Supplement (ratings on cognitive skills, wandering, verbal behaviour, physical behaviour and depression questions are used to determine the behaviour supplement); and
- Complex Health Care Supplement (ratings on medication and complex health-care procedure questions are used to determine the complex health care supplement).

The ACFI replaced the former Resident Classification Scale on 20 March 2008.

In 2013–14, the value of funds distributed using the ACFI was over \$8.1 billion. While DSS provides advice and instructions to guide the conduct of assessments, the assessments are conducted by approved providers. To ensure that the ACFI is applied consistently and accurately, DSS reviews a sample of assessments each year.

An audit would examine DSS's administration of the ACFI, including its approval, oversight and evaluation processes.

Indigenous Aged Care

Indigenous Australians are often in need of specialised aged care services much earlier in their lives than non-Indigenous Australians. As the ageing population grows, there is an increasing demand for flexible, good-quality and culturally appropriate aged care services to meet the needs of elderly Indigenous people, many of whom live in remote and rural communities.

DSS is currently responsible for aged care services in Australia. Under the *Aged Care Act 1997*, all aged care services are required to provide good-quality and culturally competent aged care to Indigenous people; however, through the National Aboriginal and Torres Strait Islander Flexible Aged Care Program the Australian Government also funds a number of aged care services specifically for Indigenous people.

The Government has committed over \$40 billion to residential and flexible aged care over the next four years. The National Aboriginal and Torres Strait Islander Flexible Aged Care Program is administered under a grant agreement, and the flexibility of the program means that a variety of residential and community aged care services in rural and remote areas are eligible to receive continuous funding, subject to their compliance with service provider guidelines.

An audit would examine the effectiveness of mainstream services, as well as services funded under the flexible National Aboriginal and Torres Strait Islander Flexible Aged Care Program, in providing culturally competent aged care to Indigenous Australians.

Regulation of Aged Care Providers

Spending on aged care is projected to grow from 0.8 per cent of Australian GDP in 2009–10 to 1.8 per cent in 2049–50. Australia's ageing population will be the primary driver of aged care spending over the next 40 years, and will continue to place pressures on the system while also creating opportunities for new service providers.

The Australian Government subsidises the provision of aged care services to more than one million older people each year. The services funded by the Government include services funded under a contract or agreement between the Government and a provider and services operated by providers that are approved under the *Aged Care Act 1997* (the Aged Care Act). There are currently three types of care under the Aged Care Act: home care, flexible care and residential care.

In return for government subsidies and payments, providers of aged care are expected to meet certain requirements covering the types of services and the quality of care that must be provided and the fees that may be charged to care recipients.

As a regulator, DSS has a responsibility to provide assurance to the Australian community that those providing care and services are suitable to do so and are meeting mandated requirements. Once providers are approved or contracted to deliver aged care services, DSS adopts a risk-based program of compliance monitoring and assessment.

An audit would examine the implementation and effectiveness of DSS' approach to compliance in aged care services.

Aged Care Workforce Supplement

The initial Aged Care Workforce Supplement provided \$1.2 billion to improve wage rates in the aged care sector in order to retain workers and also to encourage more workers into the industry. Under this arrangement, employers were provided with Workforce Supplement payments which were required to be passed on to their qualifying employees as wage increases. This supplement also required employers to engage their employees under enterprise agreements providing minimum wage levels.

The initial Aged Care Workforce Supplement was closed to new applicants in September 2013, with transitional arrangements made to maintain funding for approved applicants to 30 June 2014. The remaining \$1.1 billion was redirected to fund the new Aged Care Workforce Supplement from 2013–14 to 2016–17.

An audit would examine the design, conduct, and operation of the initial and new programs by DSS, the then Department of Health and Ageing, and other departments.

Parenting Payment

Parenting Payment is the primary income support payment for parents or guardians to help with the cost of raising children. It is paid to the principal carer of a child aged under six years if the carer is partnered or under eight years if the carer is single. Only one parent or guardian can receive the payment. The payment is paid subject to income, assets and residency requirements. Single parents with a child aged six and over are subject to an activity test and must enter into an Employment Pathway Plan.

DSS is responsible for the *Social Security Act 1991*, under which the program is administered, while Human Services conducts the assessments, processes claims and makes payments. In 2015–16, Parenting Payment Partnered and Parenting Payment Single is budgeted to cost \$5.7 billion; at June 2015 there were approximately 365 000 recipients. From 1 July 2015, the asset test limits for this payment will stay the same for two years.

An audit would examine the effectiveness of the administration of the Parenting Payment.

National Disability Insurance Scheme

The NDIS is a commitment by the Australian Government, in partnership with the state and territory governments, to support people with significant and permanent disability, as well as their families and carers. To be eligible for NDIS support, applicants must meet specific requirements including having a permanent disability or an impairment that substantially affects everyday life or meeting early intervention requirements.

The funding provided by the Australian Government and state and territory governments is managed by the NDIA, an independent statutory entity that is responsible for administering the NDIS and approving the payment of individualised support packages to eligible applicants. DSS has policy responsibility for the NDIS.

The NDIS commenced on 1 July 2013 in four trial sites in Tasmania, South Australia, Victoria and New South Wales. The scheme was expanded in July 2014 to include the Australian Capital Territory and specific locations in Western Australia and the Northern Territory. The scheme will continue to be rolled out across Australia in stages and is expected to be fully operational in 2018–19, when it

will be supporting 460 000 people. The Australian Government has committed \$19.3 billion to the seven-year rollout of the NDIS and a further \$11.7 billion in 2019–20, the first year after the full national implementation of the scheme.

A series of audits would examine the administration of the NDIS trial sites and the management of the preparations for the full rollout of the NDIS. Subject to further consultation, the audit may be coordinated with audit activities of Auditors-General in launch site jurisdictions. The Joint Standing Committee on the NDIS has been established to review the implementation, administration and expenditure of the NDIS and to report annually to each House of the Parliament. Additionally, a three-year evaluation of the NDIS trials has been commissioned by DSS to examine the experiences of participants, their families and carers, and service providers and their workforces. The scope and timing of an audit would take existing levels of review and oversight into consideration.

National Rental Affordability Scheme Payments

Through NRAS, the Australian Government has offered investors access to an annual indexed incentive of \$6000 per dwelling for up to 10 years. The incentive has been made available in the form of a refundable tax offset where the approved participant is an entity to which Division 380 of the *Income Tax Assessment Act 1997* applies or as a direct payment where the approved participant is an endorsed charitable institution. The state and territory governments also provide a contribution to eligible participants in the form of a payment or other in-kind support for up to 10 years.

This audit would follow on from and complement the ANAO audit of NRAS that commenced in February 2015 and focusses on the assessment of applications and the management of allocations. This second audit would examine DSS' processing of entitlements under the NRAS and its monitoring of approved applicants' compliance with the associated scheme regulations.

Targeted Assistance to Indigenous Tertiary Students

The Australian Government provides a range of support for Indigenous students to complete tertiary studies. PM&C manages:

- the away-from-base for mixed mode delivery (supporting university and VET students who study at home but are required to also spend periods of time at institutions)—under section 13 of the *Indigenous Education (Targeted Assistance) Act 2000*;
- the Commonwealth Scholarships Programme (supporting university students)—under part 2.4 of the *Higher Education Support Act 2003* (\$14.7 million in 2015–16); and
- the Indigenous Support Programme (supporting the engagement of Indigenous students in university)—under part 2.3 of the *Higher Education Support Act 2003* (\$39.94 million in 2015–16).

An audit would examine the administration of these programmes and also assess how the programmes work in conjunction to deliver outcomes for Indigenous tertiary students.

Department of Social Services Grants Administration

In May 2014, the Australian Government announced its intention to amalgamate 18 existing grant programs into seven streams, and implement new procedures for distribution of funding. The seven streams include Families and Communities; Housing and Homelessness; Disability, Mental Health and Carers; Home Support; Residential and Flexible Care; Workforce and Quality; and Ageing and Service Improvement. DSS conducted a tender process during the second half of 2014 to determine

the distribution of the grants. The Senate Community Affairs References Committee conducted an inquiry during 2015 and recommended in an interim report that the Auditor-General consider conducting a performance audit of DSS's tendering process.

An audit would examine the effectiveness of DSS's administration of the grant processes and assessments for selected streams, and could also include consideration of service delivery outcomes as a result of the revised arrangements. Timing of the audit would have regard to the completion of the inquiry by the Senate Community Affairs References Committee and the implementation of the revised grant arrangements.

Human Services

Audit strategy overview

Human Services is part of the wider Social Services portfolio. Human Services is responsible for delivering a range of payments and services to support individuals, families and communities. Human Services' priorities include delivering services that better meet the needs of individuals and the community, making access to services easier and more efficient, and working closely with key stakeholders to shape service delivery policy. Among the key challenges for Human Services is the need to continue to manage its day-to-day services while progressing the implementation of its service delivery reform program and the phased redevelopment of its key service delivery systems.

In 2015–16, Human Services has budgeted resources of approximately \$6.1 billion and responsibility for administering and delivering around \$170 billion in payments and programs, including for a range of policy departments such as Employment, Education, Social Services and Health. Human Services also delivers whole-of-government services such as myGov.

Recent performance audit coverage in the portfolio has included an examination of the effectiveness of Human Services' administration of the management of 'smart centres' telephone services. Further audits examined the administration of the Australian Childhood Immunisation Register and the Assistance for Isolated Children Scheme. Human Services has also been involved in cross-entity audits assessing the effectiveness of governance arrangements for monitoring and implementing ANAO performance audit recommendations and compliance with mandatory requirements in the *Australian Government Information Security Manual* that support the mitigation of cyber attacks.

The ongoing audit strategy focuses on the administration and risks associated with Human Services' service delivery programs and related initiatives, including customer communications.

Audits in progress at July 2015

Qualifying for the Disability Support Pension

The Disability Support Pension (DSP) provides financial support to Australians who are unable to work, or have limited capacity to work, due to a physical or mental disability. Over 800 000 Australians are in receipt of DSP (equal to around five per cent of the working age population). DSP expenditure is significant, with expenditure of \$16 billion in 2013–14.

To qualify for DSP, a person must be considered to have a permanent physical, intellectual or psychiatric impairment and a limited capacity to work as prescribed in the *Social Security Act 1991*, in addition to meeting age, residency and means test requirements.

The objective of the audit is to assess DSS' and the Department of Human Services' administration of DSP eligibility and review processes.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Dental Health Reform—Child Dental Benefits Schedule

In August 2012, the Government announced a \$4 billion Dental Health Reform package aimed at improving access to dental services, primarily through Medicare, for low-income Australians and disadvantaged communities. Included in this package was \$2.7 billion over six years for around 3.4 million eligible children under the Child Dental Benefits Schedule (CDBS). The CDBS provides \$1000 in benefits over two calendar years for basic dental services for each eligible child between 2 and 17 years of age.

The CDBS is administered by Health and Human Services: Health is responsible for the administration, delivery and management of specific claimable items under the CDBS, and Human Services is responsible for the promotion of the CDBS and the administration of payments.

The objective of the audit is to assess the effectiveness of Human Services' and Health's management and administration of the CDBS.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitings.

Radiation Oncology Health Program Grants Scheme

Oncology is the study and treatment of cancers and tumours. The Radiation Oncology Health Program Grants (ROHPG) scheme has operated since 1988 to assist radiation oncology providers with the cost of major radiation oncology equipment.

Funding under the ROHPG scheme is separate from and complementary to Medicare benefits. The ROHPG scheme gradually reimburses service providers for the cost of approved equipment used to provide treatment services, to help ensure that equipment is replaced regularly and patients are treated using up-to-date techniques and technologies. Payments are made on a monthly 'per service' basis by Medicare Australia. The approximate cost of the scheme is \$65 million per year. Both private and public sector radiation oncology facilities are eligible to apply for ROHPG funding.

The objective of the audit is to assess the effectiveness of Health's and the Department of Human Services' administration of the ROHPG scheme.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Potential audits

Redevelopment of Human Services' Key Service Delivery Systems

Human Services began a multi-year process in 2013 to consolidate its key service delivery information and communications technology systems into a single integrated platform. As part of its planned transition, Human Services is migrating three smaller legacy systems: the System for Payment of Residential Aged Care (SPARC); the Community Aged Care Packages (CACP) system; and the child support (CUBA) system.

The SPARC and CACP systems process around \$12.5 billion in payments annually, while the CUBA system processes more than \$3 billion in payments each year. The success of these initial system-migration projects and the lessons learned from them are likely to be significant indicators of Human Services' ability to manage the subsequent migration of larger and more complex systems, such as Centrelink's income security integrated system, as part of the department's Welfare Payments Infrastructure Transformation Program.

An audit would examine Human Services' administration of the redevelopment of one or more of the legacy systems, with a particular focus on planning, risk management, procurement, data migration and performance measurement and evaluation.

Management of the Telecommunications Contract

In 2012, Human Services entered into a five-year, \$474 million contract with Telstra for the supply of telecommunications services. The arrangement was the outcome of a procurement process begun in 2010.

The contract consolidated 22 existing telecommunications contracts; merged voice, mobile and data services across a single data network; and enabled automated call-back capability and improved self-service options for Human Services' millions of customers. In its 2013–14 annual report, the department stated that the new arrangement had led to greater efficiencies and productivity improvements for staff and significantly enhanced service delivery.

An audit would examine Human Services' management of the telecommunications contract, including the implementation of new capabilities and departmental monitoring of benefits from the new contract.

MyGov Digital Services

MyGov was relaunched in May 2013 as a whole-of-government initiative to deliver improved online services and provide customers with access to government services using a single portal and account. It is administered at the whole-of-government level by Human Services. By October 2014, more than five million myGov accounts linked digital services provided by Human Services, Health, the Australian Taxation Office, DVA and the NDIA. More Australian Government entities are expected to use this facility.

An audit would examine Human Services' administration of myGov, including implementation and the delivery of expected benefits, and security, privacy and information integrity arrangements.

Medicare Electronic Claiming

Human Services provides a number of channels through which health professionals and members of the public can electronically claim Medicare benefits, including:

- Medicare Online—a secure internet connection used to lodge claims directly from a medical practice;
- Medicare Easyclaim—a secure EFTPOS terminal used to lodge claims directly from a medical practice;
- ECLIPSE—a secure connection between hospitals, service providers, billing agents and private health insurers; and
- Claiming Medicare Benefits Online—which allows patients to lodge claims for 25 Medicare items, including five of the most common general practitioner consultation items.

Human Services has also released the Express Plus Medicare app, which enables patients to use Claiming Medicare Benefits Online through a mobile device.

In 2013–14, more than 281 million Medicare services were claimed using Medicare Online, 25 million using Medicare Easyclaim, 19 million using the ECLIPSE facility and more than 250 000 using Claiming Medicare Benefits Online.

An audit would examine Human Services' administration of one or more of the channels supporting the electronic claiming of Medicare benefits, including the processes in place to ensure the integrity and security of information transfers.

Pharmaceutical Benefits Scheme Safety Net

The PBS aims to improve the affordability of around 770 prescription medicines. Overall program responsibilities are shared between Health and Human Services, and expenditure in 2015–16 is estimated at \$9.2 billion. As part of the PBS, the PBS Safety Net provides additional assistance for those with high volumes of prescriptions each year.

Under the Safety Net arrangements, concession card holders who spend \$366 on PBS medications in a year can receive any additional PBS prescriptions at no extra cost, while others may receive subsidised PBS prescriptions after spending \$1453.90 (in 2015 rates) in a year. However, enrolment in the Safety Net relies on customers recording their annual PBS expenditure, or asking their pharmacists to do so on their behalf. In ANAO Audit Report No.39 2009–10 *Medicare Australia's Administration of the Pharmaceutical Benefits Scheme*, the ANAO recommended that the former Medicare Australia and the then Department of Health and Ageing examine options for patients to be automatically informed when they reach the Safety Net threshold.

An audit would examine Health's and Human Services' administration of the PBS Safety Net, including the implementation of the previous ANAO recommendation.

Administration of the Financial Information Service (Centrelink)

The Financial Information Service is an education and information service provided by specialist officers within Human Services to assist Australians in making informed decisions about investment and financial issues. Services are delivered by phone, face to face or through seminars (including online seminars).

In 2013–14, around 115 Financial Information Service officers answered 79 204 phone calls, conducted 54 967 interviews, provided 3168 hours of outreach services, and ran 2366 seminars for a total of 72 812 participants.

An audit would examine Human Services' administration of the Financial Information Service.

Early Release of Superannuation Benefits Programme

The Early Release of Superannuation Benefits Programme allows eligible individuals to draw on their superannuation benefits before their preservation age, under specified compassionate grounds in a time of need. Any release is limited to meeting the costs for the applicant or their dependent for:

- medical treatment or transport;
- modifications to a home or vehicle to accommodate a severe disability;
- funeral expenses;
- palliative care; or
- costs related to a mortgage where there is imminent threat of sale of the applicant's principal place of residence.

Early release of superannuation on the basis of severe financial hardship may also be considered to assist with the costs of general living or debt.

In 2013–14, the department approved 11 728 of the 19 286 applications received, totalling around \$151 million.

An audit would examine Human Services' administration of the Early Release of Superannuation Benefits Programme.

General Practice Rural Incentives Program

The General Practice Rural Incentives Program, part of the 2009–10 Rural Health Workforce Strategy, encourages general practitioners (GPs), GP registrars and some specialists to work and live in rural and remote areas of Australia. It also aims to promote careers in rural medicine.

Since 1 July 2014, the program has had two components:

- The GP component aims to increase the number of GPs working in rural and remote areas through the provision of financial incentives.
- Rural Relocation Incentive Grants aim to increase the number of medical practitioners in rural and remote areas through the provision of relocation grants.

In 2013–14, Human Services approved grants of \$137.6 million to support 11 529 medical practitioners under the program. As part of the 2015–16 Budget, the General Practice Rural Incentives Program received an additional \$2.4 million over the forward estimates, redirected from the More Doctors for Outer Metropolitan Areas Relocation Incentive Grant and the Higher Education Contribution Scheme Reimbursement Scheme.

An audit would examine Human Services' administration of the General Practice Rural Incentives Program.

Human Services' Mechanisms for Learning from Customer Feedback, Complaints and Reviews

Through its delivery of health and welfare payments and services, Human Services has contact with around 99 per cent of Australians. Customers can provide feedback and make complaints in person, by phone to a central 1800 number, by email or by post. If a customer is not satisfied with a decision made by the department, they may also ask for an internal review. If a customer is not satisfied with the outcome of the internal review, they may take their claim to the Social Security Appeals Tribunal (SSAT) or the Administrative Appeals Tribunal (AAT). In 2013–14, the department completed 123 032 internal reviews of customers receiving payments; the SSAT received 9912 applications and the AAT received 1924 applications.

In a changing business environment—which has included the 2011 merger of Centrelink and Medicare within the department, the 2013 launch of myGov and the department's continuing focus on service delivery transformation—analysis of customer feedback and complaints can assist the department to identify areas of excellence as well as areas for improvement and systemic trends and issues. Previous ANAO audits have highlighted the importance of learning from complaints, reviews of decisions and independent tribunal outcomes in order to improve customer service and reduce administration costs.

An audit would examine Human Services' management of customer feedback and internal, SSAT and AAT reviews as mechanisms for learning and developing better practices.

Compensation Recovery Program

The Compensation Recovery Program aims to return to the Australian Government any related Medicare benefits, nursing home benefits or residual care benefits from people who have received a compensation payment greater than \$5000. The program is intended to prevent 'double dipping' by successful claimants of compensation, and is administered by Human Services on behalf of Health. In 2013–14, 52 678 cases were finalised and some \$51.4 million was received.

An audit would examine Human Services' administration of the Compensation Recovery Program.

Fraud Prevention and Compliance Initiatives in Human Services

Millions of dollars are lost each year due to fraud against health and welfare services and payments. In 2012–13, Human Services received \$84.5 million for fraud prevention and compliance measures; in 2013–14, the department was allocated a further \$10 million for additional fraud prevention and compliance activities, with relevant policy entities also receiving some funding. Together, these measures were estimated to generate net savings of \$426.8 million over five years from 2012–13.

The related fraud prevention and compliance measures include an increased focus on compliance review activity; billing assurance for the Medicare Benefits Schedule; the recovery of high-value non-current customer debt; and billing practices in public hospitals.

In the 2015–16 Budget, Human Services was allocated a further \$204.8 million as part of the Strengthening the Integrity of Welfare Payments measure. Under this measure, the Government expects to achieve savings of \$1.7 billion over five years by enhancing Human Services' fraud prevention and debt recovery capability.

An audit would examine Human Services' implementation of fraud-related measures, including undertaking an assessment of whether the estimated savings associated with the measures are being realised.

Centrepay

Centrepay is a direct bill-paying service offered to people receiving Centrelink payments, and is intended to make it easier for them to budget. People can choose to pay bills to organisations by having a regular manageable amount deducted from their income support payments instead of receiving large bills monthly or quarterly. Centrepay is free for customers, while organisations are charged a nominal fee.

In response to a June 2013 independent review of Centrepay, Human Services has implemented program enhancements aimed at improving Centrepay services and strengthening its role in assisting customers to meet their financial commitments. In 2013–14, the department focused on improving Centrepay customer services and ensuring that organisations participating in Centrepay understood their contractual obligations and were compliant with them. On 22 May 2015, the Minister for Human Services announced new criteria for consumer leases—only leases regulated under the *National Consumer Credit Protection Act 2009* will be allowed—and an expansion of Centrepay services to allow for deductions for low interest loans, savings plans and layby.

An audit would examine Human Services' administration of Centrepay, including the management of contracts with third-party organisations (businesses providing Centrepay services to Centrelink customers).

Indemnity Insurance Fund

The Indemnity Insurance Fund (the II Fund) is a set of Australian Government schemes that provide support for medical indemnity for doctors and professional indemnity for privately practising midwives. The schemes are intended to ensure that the medical indemnity insurance industry is stable, and that the insurance products are affordable for doctors and accessible and affordable for midwives.

Specific schemes supported under the II Fund include the Premium Support Scheme, the High Cost Claims Scheme, the Run-off Cover Scheme, the Incurred-but-not-reported Scheme, the Exceptional Claims Scheme, the Midwife Professional Indemnity (Commonwealth Contribution) Scheme and the Midwife Professional Indemnity Run-off Cover Scheme.

Depending on the scheme, payments may be made to doctors or midwives (including to subsidise their insurance premiums or pay for claims above the amount they are insured for) or to insurers (to assist with paying out certain claims brought against doctors or midwives). The Run-off Cover Scheme is funded through a levy on insurers.

Between 2013–14 and 2016–17, total expenditure (including liabilities and departmental expenses) under the fund is expected to total \$458 million. This estimate is based on actuarial advice, but actual expenditure will vary according to future claims.

Medical indemnity is administered by Health under the *Medical Indemnity Act 2002* and the *Midwife Professional Indemnity (Commonwealth Contribution) Scheme Act 2010*. Payments are managed by Human Services.

An audit would examine the effectiveness of Health's administration of the schemes under the II Fund, including Health's management of its relationship with Human Services to assure the integrity of the II Fund.

Parenting Payment

Parenting Payment is the primary income support payment for parents or guardians to help with the cost of raising children. It is paid to the principal carer of a child aged under six years if the carer is partnered or under eight years if the carer is single. Only one parent or guardian can receive the payment. The payment is paid subject to income, assets and residency requirements. Single parents with a child aged six and over are subject to an activity test and must enter into an Employment Pathway Plan.

DSS is responsible for the *Social Security Act 1991*, under which the program is administered, while Human Services conducts the assessments, processes claims and makes payments. In 2015–16, Parenting Payment Partnered and Parenting Payment Single is budgeted to cost \$5.7 billion; at June 2015 there were approximately 365 000 recipients. From 1 July 2015, the asset test limits for this payment will stay the same for two years.

An audit would examine the effectiveness of the administration of the Parenting Payment.

Community Pharmacy Agreement: Follow-on Audit

Since 1990 the Australian Government has entered into and funded successive five-year community pharmacy agreements to help maintain a national network of retail pharmacies as the primary means of dispensing Pharmaceutical Benefits Scheme medicines to the public. The Government has also used the agreements to fund professional programs and to establish a funding pool to be drawn on by pharmaceutical wholesalers to retail pharmacies.

In March 2015 the ANAO tabled the results of an audit of the administration of the Fifth Community Pharmacy Agreement. The audit made eight recommendations aimed at improving the overall administration of the agreement and informing the development of the next community pharmacy agreement. As relevant, recommendations were agreed by the Departments of Health, Human Services and Veterans' Affairs.

A follow-on audit would primarily examine Health's implementation of the ANAO's recommendations in the context of negotiating and entering into the Sixth Community Pharmacy Agreement.

The Treasury

Audit strategy overview

The Treasury portfolio undertakes a range of activities aimed at achieving strong, sustainable economic growth and the improved wellbeing of Australians. Those activities include providing policy advice to portfolio ministers and implementing and administering policies that fall within the portfolio ministers' responsibilities and regulatory functions. The portfolio has total departmental resources of around \$5 billion. In addition, the portfolio has \$602 billion in administered funding, mostly for the Australian Office of Financial Management for the management of Commonwealth debt, and amounts paid by the Treasury as assistance to the states and territories.

The portfolio comprises 17 entities, including the Department of the Treasury, the Australian Bureau of Statistics (ABS), the Australian Competition and Consumer Commission (ACCC), the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), and the Australian Taxation Office (ATO).

During 2015–16, Treasury plans to focus on policy options for boosting economic growth and productivity. This will include developing the Government's White Paper on Reform of Australia's Tax System and responding to recommendations arising from the Financial System Inquiry, the Competition Policy Review and the National Commission of Audit. On the international front, Treasury continues to engage with other countries through global and regional economic forums and bilateral cooperation with strategic partners. Managing the transition of the economy away from high levels of investment in the resources sector to broader-based economic growth will continue to be a focus for the Treasury.

Previous audit coverage has considered ASIC's administration of enforceable undertakings. ANAO performance audit activity in 2015–16 will focus on core responsibilities of the Treasury portfolio, including the performance of the portfolio entities in carrying out their legislative responsibilities. A key area of attention for the ANAO will be the regulatory functions of APRA, ASIC and the ACCC.

Audits in progress at July 2015

Managing Compliance with Fair Trading Obligations

The ACCC is one of several regulators responsible for ensuring compliance with fair trading obligations under the Australian Consumer Law. The law provides for consumer guarantees and restrictions on misleading or deceptive conduct, unfair contract terms and unconscionable conduct. The ACCC seeks to ensure compliance with the fair trading obligations using a multi-pronged strategy that focuses on educating consumers and traders about their rights and obligations, identifying and investigating possible breaches, and taking legal action or seeking enforceable undertakings against non-compliant traders.

In 2013–14, the ACCC received more than 160 000 contacts through its Infocentre, many from consumers seeking information or making complaints about breaches of fair trading obligations under the Australian Consumer Law. It also received more than 91 927 contacts about scams, which involved losses of more than \$89 million reported by consumers in 2013. A concern sometimes raised by consumers and consumer groups is that the ACCC does not take enough action on the complaints that it receives.

The objective of the audit is to assess the effectiveness of the ACCC in managing compliance with fair trading obligations.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

Australian Prudential Regulation Authority's Prudential Supervision

Australia's financial system includes banking, superannuation and insurance. The system is a major driver of Australia's economic growth and is responsible for providing national savings, capital for financial markets and retirement benefits for millions of Australians. The financial services sector has assets of nearly \$6 trillion. Prudential regulation of Australia's financial system is necessary to ensure its safety and stability. Regulation is intended to promote prudent behaviour by the regulated entities to ensure that they can meet their obligations to depositors, policyholders and members.

APRA is responsible for the prudential regulation of the Australian financial services industry. It oversees banks, credit unions, building societies, life and general insurance companies and reinsurance companies, friendly societies and much of the superannuation industry. At 30 June 2014, it supervised a total of 3655 entities holding \$4.9 trillion in assets.

APRA has the power to make prudential standards for authorised deposit-taking institutions, life insurers, general insurers and, most recently, regulated superannuation entities. It also has responsibility for supervising those sectors, assessing the financial soundness of supervised institutions and, where necessary, carrying out remediation, crisis response and enforcement.

An audit would examine the effectiveness of APRA's prudential supervision, including its approach to risk assessment, and compliance and enforcement strategies. An audit would likely focus on a particular industry—either authorised deposit-taking institutions or superannuation entities.

Australian Competition and Consumer Commission's Regulation of Anti-Competitive Conduct

The ACCC is Australia's competition regulator and is responsible for administering and enforcing the *Competition and Consumer Act 2010*. Under the legislation, the ACCC has the power to take action in relation to a number of forms of anti-competitive conduct, including misuse of market power, cartels and anti-competitive arrangements. The ACCC also has powers in relation to acquisitions that would substantially lessen competition.

In Australia's market-based economy, competition is critical to providing businesses with the incentive to operate efficiently, price competitively and offer better products to consumers. Anti-competitive conduct has the potential to undermine those benefits and to be highly detrimental to consumers and the broader economy. Several high-profile cases have recently drawn attention to the role of the ACCC in preventing such behaviour, including the misuse of market power by major supermarkets in relation to supplier contracts and fuel pricing (through the use of fuel vouchers). In 2013–14, the ACCC conducted 200 initial investigations into competition matters, of which 56 proceeded to in-depth investigations.

An audit would examine the effectiveness of the ACCC's regulation of anti-competitive conduct.

Addressing Phoenix Activity

Phoenix activity refers to the 'evasion of tax and other liabilities, such as employee entitlements, through the deliberate, systematic and sometimes cyclic liquidation of related corporate trading entities'. This generally occurs through an indebted company transferring its assets into a new company to avoid paying creditors, tax or employee entitlements. Those assets are then used by the new company to continue the business activities of the indebted company.

In 2012, the Fair Work Ombudsman (FWO) commissioned a report in which the cost to employees (in unpaid entitlements) was estimated at between \$191 million and \$655 million, the cost to business (in unpaid creditors' accounts) was estimated at between \$992 million and \$1.9 billion and the cost to government revenue (in unpaid tax) was estimated at between \$600 million and \$610 million.

The main Australian Government entities responsible for taking action in relation to phoenix activity are ASIC and the Australian Taxation Office. ASIC administers the Assetless Administration Fund, through which it finances preliminary investigations and reports by liquidators into the failure of companies with few or no assets. Where there is misconduct, ASIC may take enforcement action, including to prevent directors who are involved in two or more failed companies from acting as directors of any company. The ATO is responsible for collecting tax and superannuation guarantee contributions from companies, and in certain circumstances is able to hold company directors personally liable for unpaid taxation or superannuation guarantee obligations.

ASIC and the Australian Taxation Office collaborate with other agencies (including the AFP, the ACC and the FWO) through the Inter-Agency Phoenix Forum to share intelligence and identify, design and implement cross-agency strategies to reduce and deter phoenix activity.

An audit would examine the effectiveness of ASIC and the Australian Taxation Office in addressing phoenix activity.

Australian Taxation Office

Audit strategy overview

The Australian Taxation Office (ATO) is the Australian Government's principal revenue collection entity. Its role is to manage and shape tax, excise and superannuation systems that fund services for Australians. The ATO aims to achieve confidence in the administration of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law. The ATO also provides operational support to the Tax Practitioners Board and the Registrar of the Australian Business Register. Funding available to the ATO in 2015–16 totalled \$3.9 billion, and the ATO collected \$322 billion in total net tax in 2013–14.

Particular issues for ATO administration in 2015–16 include:

- implementing the organisational reform program Reinventing the ATO to build a more responsive and sustainable public service organisation;
- connecting better with communities and other agencies to tailor services and communication to meet contemporary needs and expectations;
- advancing strategies to achieve smarter use of data, to improve decisions, services and compliance;
- improving productivity and capability through rebalancing the ATO's workforce, structure and focus;
- reducing red tape internally and externally; and
- implementing an action plan to respond to the Australian Public Service Commission's capability review of the ATO.

Previous audit coverage has focused on key aspects of the ATO's administration, including the Superannuation Guarantee Scheme, capital gains tax, ATO contact centres, annual compliance arrangements with large corporate taxpayers and cybersecurity.

The future audit program will continue to examine the effectiveness of the ATO's administration of particular taxpayer and superannuation segments. Potential audits will also cover major corporate functions, including the ATO's long-term organisational reform program.

Audits in progress at July 2015

Administration of Tobacco Excise and Excise Equivalent Goods

Under the *Excise Act 1901* and the *Excise Tariff Act 1921*, the ATO administers excise (a tax or duty) on domestically produced goods, which include tobacco products. In 2010, the administration of excise equivalent goods (EEGs), including tobacco, was delegated to the ATO by Customs. Management of tobacco EEGs is established through a memorandum of understanding between the ATO and DIBP.

In 2013–14, the excise and customs equivalent duty collected for tobacco products for home consumption amounted to around \$8.5 billion in government revenue. Declining domestic tobacco production and increasing offshore production and importation of tobacco products have led to a substantial shift from excise revenue to customs EEG revenue, with resulting changes to risks for both licit and illicit tobacco supplies.

The objective of the audit is to assess the effectiveness of the administration of tobacco excise and excise equivalent goods.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitings.

Administration of Higher Education Loan Program Debts and Repayments

The Higher Education Loan Program (HELP) is an Australian Government loan program to assist eligible higher education and VET students to pay their student contribution amounts. A HELP loan covers all or part of the student contribution amount. If a student receives a HELP loan, the Australian Government pays the loan amount directly to the higher education provider on the student's behalf. The student will subsequently repay the HELP debt when their income is above a certain threshold (\$53 344 in 2014–15). The repayment threshold is adjusted each year to reflect any changes in average weekly earnings to maintain the debt's value. Compulsory repayments are made through income tax assessments. The ATO calculates the compulsory repayment by applying the appropriate percentage rate to an individual's repayment income and includes this on the individual's notice of assessment.

HELP is regulated by provisions in the Higher Education Support Act 2013 and administered by Education and Training. HELP debt repayments are managed by the ATO. The total amount of HELP debt at 30 June 2014 was \$25.2 billion. Education and Training estimated that around \$7 billion of this debt is unlikely to be recovered.

The objective of the audit is to assess the effectiveness of the administration of HELP debt and repayments.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Strategies and Activities to Address the Cash and Hidden Economy

The cash and hidden economy presents risks that people in business will operate in the informal economy to hide income and evade tax obligations. The cash and hidden economy can reduce the amount of revenue collected by the Australian Government that is available to fund community services.

Since 2009, the ATO has received additional Budget funding to address non-compliance in the cash economy and implement additional strategies to improve voluntary compliance on three separate occasions. The ATO identified the cash economy as an area that warrants continued compliance efforts. In 2013–14, the ATO issued more than 136 000 letters and conducted more than 24 000 compliance activities, including reviews and audits that raised \$197.1 million in liabilities from businesses.

The objective of the audit is to assess the effectiveness of the ATO's strategies and activities to address the cash and hidden economy.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitings.

Potential audits

Collection of Goods and Services Tax from Small to Medium-sized Businesses

The goods and services tax (GST) is a broad-based tax of 10 per cent on most goods, services and other items sold or consumed in Australia. Generally, GST-registered businesses include GST in the price of sales and the tax is borne by the final consumer. Small businesses with annual turnover of \$75 000 or more and not-for-profits with annual turnover of \$150 000 or more are required to report GST by lodging an activity statement or an annual GST return. Businesses can also claim GST credits for GST included in the price of most business purchases. Even if businesses have no GST amounts to report or claim for a particular reporting period, an activity statement must be lodged.

In 2013–14, the ATO collected \$51.1 billion in GST. To promote voluntary compliance with GST obligations, the ATO has an ongoing focus on GST refund integrity and will continue to monitor and investigate taxpayers who incorrectly report GST when they acquire, use, develop, sell or transfer property. In 2013–14, the ATO focused on taxpayers that were experiencing change or had undergone complex structural change to their business systems. In its GST compliance activities, the ATO conducts registration, refund and integrity checks together with audits and reviews of taxpayers, including small to medium-sized enterprises.

An audit would examine the effectiveness of the ATO's administration of GST for small to medium-sized enterprises.

Meeting Compliance Commitments

The ATO applies differentiated strategies to address risks to the fair operation of Australia's tax and superannuation systems, focusing compliance activities (such as audits) on those who engage in risky tax behaviour. In addition to ongoing funding for compliance, the ATO is frequently provided with additional budget funding for specific compliance initiatives.

For example, in the 2010–11 Budget the Government provided \$107.9 million to the ATO to collect \$492 million over four years by targeting the cash economy and \$337.5 million over four years to fund additional activities that promote voluntary GST compliance, with the aim of raising an additional \$2.7 billion in revenue over four years. In 2013–14, the ATO received additional funding totalling \$738 million over four years for specific compliance activities.

An audit would examine the effectiveness of the ATO in implementing budget funded compliance measures and whether additional revenue targets were achieved.

Administration of Fringe Benefits Tax

A fringe benefit is a benefit gained in respect of employment, outside of salary and wages. It can be provided directly to the employee or to an associate, including a spouse or child. Examples of fringe benefits include allowing an employee to use a work car for private purposes and reimbursing employees' non-business expenses, such as school fees or private health insurance premiums.

In 2013–14, the ATO collected \$4.1 billion in fringe benefits tax (FBT) after allowing for \$568 million in refunds. The FBT presents the risk that employers will fail to recognise and report their FBT obligations. In 2013–14, the ATO undertook 1774 compliance activities and identified and raised \$40.1 million in

amended assessments on FBT liabilities. Ongoing work to identify employers that should be in the FBT system and lodgement enforcement action contributed to an almost four per cent increase in FBT collections and an additional 3000 FBT returns lodged on time.

An audit would examine the effectiveness of the ATO's administration of the FBT.

Addressing Phoenix Activity

Phoenix activity refers to the 'evasion of tax and other liabilities, such as employee entitlements, through the deliberate, systematic and sometimes cyclic liquidation of related corporate trading entities'. This generally occurs through an indebted company transferring its assets into a new company to avoid paying creditors, tax or employee entitlements. Those assets are then used by the new company to continue the business activities of the indebted company.

In 2012, the Fair Work Ombudsman (FWO) commissioned a report in which the cost to employees (in unpaid entitlements) was estimated at between \$191 million and \$655 million, the cost to business (in unpaid creditors' accounts) was estimated at between \$992 million and \$1.9 billion and the cost to government revenue (in unpaid tax) was estimated at between \$600 million and \$610 million.

The main Australian Government entities responsible for taking action in relation to phoenix activity are ASIC and the ATO. ASIC administers the Assetless Administration Fund, through which it finances preliminary investigations and reports by liquidators into the failure of companies with few or no assets. Where there is misconduct, ASIC may take enforcement action, including to prevent directors who are involved in two or more failed companies from acting as directors of any company. The ATO is responsible for collecting tax and superannuation guarantee contributions from companies, and in certain circumstances is able to hold company directors personally liable for unpaid taxation or superannuation guarantee obligations.

ASIC and the ATO collaborate with other agencies (including the AFP, the ACC and the FWO) through the Inter-Agency Phoenix Forum to share intelligence and identify, design and implement cross-agency strategies to reduce and deter phoenix activity.

An audit would examine the effectiveness of ATO and the ASIC in addressing phoenix activity.

Director Penalty Regime

The director penalty regime seeks to protect workers' entitlements to compulsory employer superannuation contributions and to address phoenix activity involving companies.

Since 1993, directors of companies that fail to comply with their obligation to pay amounts withheld under the pay as you go (PAYG) taxation withholding regime (or fail to pay an estimate of their PAYG withholding liability) have been personally liable for the amounts that the company should have paid, through the imposition of a penalty. In 2012, legislative change strengthened directors' obligations by making directors and their associates liable to PAYG withholding non-compliance tax in certain circumstances; making directors personally responsible for their company's unpaid superannuation guarantee amounts; and ensuring that directors cannot discharge their director penalties by placing their company into administration or liquidation when PAYG withholding or superannuation guarantee amounts remain unpaid and unreported three months after the due date. The legislation provides for director penalty notices to be disputed in limited circumstances. While the ATO does not publicly report

on director penalty notices issued for PAYG withholding matters, in 2013–14, the ATO issued director penalty notices to around 1400 companies, or 2.8 per cent of the companies with superannuation guarantee charge liabilities.

An audit would examine the effectiveness of the ATO's administration of the director penalty regime.

Meeting Service Commitments

When the general public deals with the ATO, there are community expectations that the ATO will treat them fairly and consistently while providing a high level of customer service. The ATO has developed service frameworks to assure itself and the community that the services that it delivers are of a consistently high standard. From 1 July 2013, after completing a review of the previous service standards framework, the ATO began transitioning to a new service commitments framework.

Under the former service standards framework, the ATO had 21 service standards. Under the new framework, the ATO has 30 individual commitments to service under five broad commitments: helpful and accurate; easy to deal with; timely; keep me informed; and professional. The ATO reported that in 2013–14 it met or exceeded targets (where applicable) for all its service commitments. Each service commitment is supported by assessment indicators and performance measures. Assessment indicators specify taxpayers' expectations when interacting with the ATO, and performance measures detail how the ATO measures its performance against the commitments.

An audit would examine the ATO's transition from service standards to service commitments. Particular attention would be given to the development, administration and appropriateness of the performance measures and to how they align with delivery against the broader ATO Business Plan and Strategic Statement. There would also be a focus on how the ATO respects and provides service to diverse populations within the Australian community and on whether the ATO measures its service performance in relation to those taxpayers.

Managing Procurement

The Commonwealth Procurement Rules (updated in July 2014) provide agencies with a framework under which to govern and undertake their procurement. Central to the rules is the requirement for agencies to achieve value for money in procurement.

The ATO is a major purchaser in the APS, spending some 31.4 per cent of its \$3.6 billion operating expenses budget in 2013–14 on the procurement of goods and services. Major expenses include leased accommodation and outsourced property services; IT and communications hardware and services; and ongoing procurement of consumable goods and services. In 2012–13, the ATO reported that the deployment of an enterprise-wide approach to the procurement of goods and services reduced paperwork, increased transparency and provided greater assurance of spending approvals. The ATO also widened the scope of its enterprise-wide quality assurance framework to review procurement quality management processes, procedures and decisions and to identify, prioritise and plan improvement opportunities. In 2013–14, procurement processes were further simplified, reducing policy duplication and removing unnecessary processes. Selfservice options were also introduced for purchasers. Further improvements were planned for 2014–15.

An audit would examine the effectiveness of the ATO's approach to the procurement of goods and services, including whether the ATO is achieving value for money and effectively managing ongoing contracts.

Managing Travel Expenses

Increasing financial pressure faced by government is constraining resource levels in the APS and accentuating the need to drive greater efficiencies throughout the service. Consequently, many government entities have managed reduced resources by curtailing domestic and international travel.

The ATO is a large and geographically dispersed organisation that requires extensive levels of communication, both internally and with taxpayers and other stakeholders, in order to conduct its business. In 2013–14, the ATO spent \$33.7 million on travel (down from \$37.7 million in 2012–13 and \$39.6 million in 2011–12). ATO officials flew over 41 million kilometres for business purposes (a reduction of 4.5 million kilometres from 2012–13). By 2017, the ATO aims to reduce flight kilometres by 25 per cent, based on the 2011–12 base year of approximately 50 million kilometres. To aid communication, and as an alternative to travel, the ATO uses telephone and video conferencing facilities.

An audit would examine the effectiveness of the ATO in managing its travel budget, including by making better use of phone and video conferencing.

Reinventing the ATO

In response to a number of recent events, including the Australian Public Service Commission's capability review of the ATO in 2013, the ATO has commenced a long-term organisational reform program—Reinventing the ATO. The ATO has organised this program into three main streams: transforming the client experience; transforming the staff experience; and changing the ATO's culture.

In 2013–14, the ATO had an operating budget of \$3.6 billion and 23 631 employees. The ATO collected \$321.7 billion in net tax and provided services to 534 000 self-managed superannuation fund clients. To support the implementation of the enterprise-wide reform program, the ATO established an internal program office. The ATO developed a program blueprint for the future tax and super systems through consultation and co-design with the community, stakeholders and ATO staff. The ATO's final design decisions for the blueprint and its implementation will be influenced by a number of factors, including legislative direction and finance.

An audit or series of audits would examine the implementation of the Reinventing the ATO program with a focus on the effectiveness of the ATO's planning, including scheduling and budgeting, and program outcomes, such as more efficient ATO processes, improved taxpayer experiences, and higher levels of voluntary compliance.

Administration of the Thin Capitalisation Rules

A thinly capitalised entity is one whose assets are funded by a high level of debt and relatively little equity. The way an entity is capitalised can have a significant impact on the amount of profit it reports for tax purposes, with debt often a more tax efficient method of finance than equity. Multinational groups are able to structure their financing arrangements to maximise taxation benefits. For this reason, tax administrations have introduced rules that limit the amount of interest that can be deducted in calculating an entity's profit for tax purposes. Such rules are designed to counter cross-border shifting of profit through excessive debt, and thus aim to protect a country's tax base.

Under Australian thin capitalisation rules, the amount of debt used to fund the Australian operations of foreign entities investing into Australia and Australian entities investing overseas is subject to maximum capitalisation ratios. Generally, if debt exceeds 75 per cent of the net value of these entities' Australian investments, they will not be able to claim a portion of their debt deductions.

An audit would examine the effectiveness of the ATO's administration of the thin capitalisation rules.

Cross-entity Audits

Audits in progress at July 2015

Procurement Initiatives to Support Outcomes for Indigenous Australians

There is a long history of Indigenous organisations receiving grant funding from government, and there is a relatively high level of participation by Indigenous organisations in the delivery of services on behalf of the Australian Government. By contrast, there is a much lower level of participation by Indigenous entities in procurement opportunities on a commercial basis.

Various initiatives have been put in place over time to increase the opportunities available to Indigenous Australians through Government procurement. The audit examines:

- the Indigenous Business Exemption (IBE) from Division Two of the Commonwealth Procurement Rules that allows entities to undertake streamlined tender processes with Indigenous-owned small and medium enterprises (SMEs) over the procurement threshold; and
- the related Indigenous Opportunity Policy (IOP) that requires organisations responding to certain approaches to market by Government entities to develop plans to maximise Indigenous participation through training, employment and the use of Indigenous SMEs. The IOP was replaced by the Indigenous Procurement Policy, effective from 1 July 2015.

The objective of the audit is to assess the effectiveness of the administration of the IBE and the IOP in support of outcomes for Indigenous Australians.

The audit report is expected to be tabled in the Winter 2015 Parliamentary Sitzings.

Senate Order for Departmental and Agency Contracts (Calendar Year 2014 Compliance)

The Senate Order for Departmental and Agency Contracts requires entities that operated under the former *Financial Management and Accountability Act 1997*, which are now non-corporate entities under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act), to place lists of contracts valued at \$100 000 or more on the internet. The lists must indicate, among other things, whether each contract requires the parties to maintain the confidentiality of any of the contract's provisions. The order also requests the Auditor-General to review contract lists annually and to report any incorrect use of confidentiality provisions.

The objective of the audit is to examine the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2014 calendar year listings and the processes used by selected entities for compiling contract listings.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Delivery and Evaluation of Grant Programs

As part of the Commonwealth Financial Accountability Review, the Department of Finance (Finance) observed that sustaining high-quality public sector performance and accountability requires targeted and relevant evaluation. Similarly, the ANAO's recently updated *Implementing Better Practice Grants Administration* better practice guide encourages entities to give greater emphasis to the evaluation of granting activities, consistent with the outcomes orientation principle included in the Commonwealth Grants Rules and Guidelines, given the important role this work can play in achieving the objectives of granting activities.

The objective of the audit is to assess selected entities':

- management of the delivery of projects awarded funding under four programs for which ANAO has previously audited the application assessment and selection processes; and
- development and implementation of evaluation strategies for each of those programs.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Cyber Attacks: Securing Entities' Systems

ANAO Audit Report No.50 2013–14 *Cyber Attacks: Securing Agencies' ICT Systems* examined entity-level implementation of the mandatory *Australian Government Information Security Manual* (ISM) strategies and related controls across the enterprise ICT systems—with a focus on the entities' ICT governance to support compliance against these controls and IT general controls.

The objective of the audit is to assess selected entities' compliance with the four mandatory ICT security strategies and related controls in the ISM. The audit will also consider the overall ICT security posture of the selected entities, based on their implementation of the four mandated mitigation strategies and IT general controls. The audit is the second in a planned series.

The audit report is expected to be tabled in the Spring 2015 Parliamentary Sitzings.

Implementing the Deregulation Program: Cutting Red Tape

The Australian Government has made a commitment to regulatory reform with the aims of reducing the burden of regulation, boosting productivity, increasing competitiveness, reducing unnecessary regulation and lifting regulatory performance. In support of this approach, the Government has established a regulatory cost saving target of \$1 billion a year. By March 2015, three whole-of-government 'Repeal Days' claimed to deliver total deregulatory savings of some \$2.4 billion in benefits to business, the community and individuals. Deregulation units have been established in government departments to identify and quantify deregulation opportunities and to coordinate their implementation once announced by the Government.

The objective of the audit is to assess the effectiveness of selected entities' implementation of deregulation initiatives.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Management of Machinery of Government Changes

A machinery of government (MoG) change is an organisational or functional change affecting the Australian Government, such as the moving of functions and responsibilities between entities. MoG changes generally occur in the period immediately after a federal election. A number of significant MoG changes were made in the period following the 2013 federal election, with further MoG changes directed by government in December 2014.

MoG changes often involve planning and implementing the transfer of functions and programs and may include reassigning employees and transferring records, contract registers, intellectual property and finances. While implementing such changes, it is critical that the Australian Government continues to deliver programs and services to the Australian public. The Australian Public Service Commission jointly developed the *Implementing Machinery of Government Changes: A good practice guide* with the Department of Finance, the Department of the Prime Minister and Cabinet, the National Archives of Australia and the Office of the Australian Information Commissioner. The guide aims to support entities in effectively managing MoG changes.

The objective of the audit is to assess the effectiveness of the management of MoG changes.

The audit report is expected to be tabled in the Autumn 2016 Parliamentary Sitzings.

Potential audits

Administration of Government Advertising Arrangements

Advertising is an important and legitimate element of government communication and information strategies. Governments use advertising to inform the public about government policies, programs and services that affect people's entitlements, rights and obligations. They also use advertising to promote specific and general job vacancies in government entities.

Australian Government entities are required to comply with guidelines for information and advertising campaigns undertaken in Australia and for non-campaign recruitment advertising. Offshore communications activities are not subject to the guidelines.

In February 2015, Finance released the *Guidelines on Information and Advertising Campaigns by Non-corporate Commonwealth Entities*, replacing the previous interim guidelines. The Auditor-General was requested to consider undertaking periodic performance audits of the administration of government advertising.

An audit would examine the effectiveness of:

- the selected entities' administration in developing advertising campaigns and implementing key processes against the requirements of the campaign advertising framework applying at the time, and relevant legal and government policy requirements; and
- the ongoing administration of the Australian Government campaign advertising framework.

Entity Administration of the Grant Briefing Requirements

The Australian Government's grants administration framework has a particular focus on the establishment of transparent and accountable decision-making processes for the awarding of grants. Key underpinnings of that framework include requirements that ministers receive advice on the merits

of a proposed grant, based on the relevant program's guidelines, before any funding decision is taken, and that decisions to approve funding for grants that the entity recommended be rejected are reported to the Finance Minister.

In January 2012, the ANAO tabled an audit report that examined advice provided to ministerial decision-makers by entities between 1 January 2009 and 30 June 2010 in which the minister was asked to make a decision about whether or not to approve a grant. The ANAO concluded that the quality and nature of entities' briefing practices were variable, and that a significant proportion of the briefs examined during the audit did not clearly identify those grants that the entity recommended be approved and those that it recommended be rejected. It was also identified that some decisions by ministers to approve grants that the relevant entities had recommended be rejected had not been reported to the Finance Minister.

Following on from the 2010 audit report, the proposed audit would examine how the briefing requirements set out in the Commonwealth Grants Rules and Guidelines and associated guidance material are being applied in practice, and would highlight any examples of better practice. It would also assess the support provided by entities to enable ministers to fulfil the related obligation to report to the Finance Minister any decision to approve a grant that the relevant entity recommended be rejected.

Entity Performance in Meeting Obligations under the Australian Government Access and Equity Policy

In June 2012, the Access and Equity Inquiry Panel presented the *Access and Equity for a Multicultural Australia* report to the Australian Government. The inquiry had two terms of reference: to inquire into the Government's current approach to access and equity and its implementation; and to provide prioritised recommendations to the Government for improving the responsiveness of Australian Government services to a culturally and linguistically diverse population.

Among a range of recommendations aimed at rejuvenating access and equity policy, implementation and practices, the inquiry report recommended that, to ensure completely independent and thorough scrutiny of performance, the Australian Government should request the Auditor-General to undertake periodic performance audits of selected entities' performance in meeting their access and equity obligations. In March 2013, the Government indicated that it supported or supported in principle all 20 recommendations made in the report. The Auditor-General was requested to consider undertaking periodic performance audits of entities' implementation of obligations under the access and equity policy.

An audit would examine how selected entities are meeting their obligations under the Australian Government's access and equity policy.

Audit Committees

Audit committees play an important role in the governance framework of organisations in both the public and the private sectors. A distinguishing feature of an audit committee in an organisation's governance framework is its independence from management. In the public sector, audit committees provide an independent source of assurance and advice to entities' accountable authorities on key aspects of the entity's operations and are well placed to identify opportunities for performance improvement.

The PGPA Act and PGPA Rule section 17—Audit committees for Commonwealth entities set out the requirements for audit committees.

An audit would examine whether selected Commonwealth Government entities have used better practice principles when establishing and operating their audit committees. The audit would focus on the implementation of the requirements under the PGPA Act and Rule. This may include the 1 July 2015 requirements that the majority of the members of the audit committee of non-corporate Commonwealth entities must not be officials of the entity, and that the majority of members of the audit committee of a corporate Commonwealth entity must not be employees of the entity.

AusTender

AusTender is the Australian Government's web-based procurement information facility and is managed by Finance. AusTender provides centralised publication of Australian Government business opportunities, annual procurement plans, multi-use lists and contracts awarded. It supports entities to meet their publishing obligations under the Commonwealth Procurement Rules. AusTender can also be used by entities to monitor and review their procurements. Previous ANAO audits have identified the need for entities to improve data capture and reporting on AusTender.

The Senate Finance and Public Administration References Committee has recommended a trial of AusTender to fulfil entity reporting obligations pursuant to the Senate Order. The Government has supported the recommendation and the AusTender trial is currently underway.

An audit would examine selected entities' AusTender reporting processes (including those for the reporting of confidentiality provisions), and the accuracy and timeliness of their reported information. It would also examine Finance's management of, and changes to, AusTender to accommodate the Senate Order.

Control of Credit Card Use

Australian Government credit cards are widely used by Australian Government entities as a convenient and flexible way to purchase goods and services to meet business needs. Credit card expenditure can be considerable, as some large entities spend tens of millions of dollars.

The widespread use of credit cards can expose entities to the risk of inappropriate or unauthorised expenditure. Entities should therefore establish control frameworks to ensure that credit cards are used appropriately for official purposes. It is important that those frameworks are effective, as the misuse of credit cards can attract substantial public interest and reflect poorly on the Australian Public Service.

The audit would assess whether a selection of Australian Government entities are effectively controlling the use of credit cards for official purposes.

Entities' Implementation of Audit Recommendations

ANAO performance audits are designed to inform the Parliament and provide a stimulus for improved public sector accountability and performance. In its performance audits, the ANAO identifies areas in which administrative improvements can be made and, in most cases, makes specific recommendations to assist entities to improve their performance and address risks to the delivery of planned outcomes. Once an entity has agreed to implement a recommendation, timely implementation in line with the intended outcome of the recommendation is important in achieving the full benefit of the recommendation.

An audit would examine the effectiveness of governance arrangements in selected entities for monitoring and implementing agreed ANAO performance audit recommendations, and potentially include recommendations from reports of the JCPAA.

Evaluation

Evaluation involves the systematic and objective assessment of policies and programs to assess their efficiency and effectiveness. Within the Australian Government, responsibility for evaluation is usually devolved to the entities responsible for program oversight and implementation. The evaluation experience and capabilities of those entities are variable.

In March 2014, the National Commission of Audit's report *Towards Responsible Government* noted that the absence of proper program evaluation was a major contributor to Government inefficiency and that there must be strong evaluation processes, including appropriate cost-benefit analyses. The National Commission of Audit proposed introducing an evaluation plan each year, covering existing and scheduled evaluation activity over a four-year period at the portfolio level.

An audit would examine selected Australian Government entities' management of evaluation activities, including strategic planning and activities to promote organisational understanding of evaluation results and the use of the results to inform program effectiveness and design.

Management of Australian Government Travel Arrangements

Whole-of-Australian-Government (WoAG) travel arrangements are coordinated procurements established by Finance. Participation in the arrangements is mandatory for Australian Government departments, while other Australian Government entities can elect to participate in them with the agreement of Finance. The mandatory elements of the arrangements relate to certain airline, accommodation and car rental bookings.

The WoAG travel arrangements enable the aggregation of government purchasing power in an effort to obtain better pricing and value for money and to reduce the administrative cost of procurement activities for entities and suppliers. The arrangements are also designed to promote simplicity and efficiency for official travel.

An audit would examine how selected entities are managing their responsibilities under the WoAG travel arrangements, including Finance's measurement of any savings or efficiencies achieved to date under the arrangements. The audit may also examine how entities are complying with the requirements of the Use of the Lowest Practical Fare for Official Domestic Air Travel policy and the Official International Travel—Approval and Use of the Best Fare of the Day policy.

Management of Commonwealth Property and Leases

Since 1996, the Australian Government has considerably reduced its property ownership through large-scale divestments and outsourcing of services to the private sector. Excluding Defence, the Government owns about six per cent of its total office space.

The Commonwealth Property Management Framework (the Property Management Framework) establishes the principles for the efficient, effective, economical and ethical use of property resources and applies to property leased and owned by non-corporate Commonwealth entities. Under the Property Management Framework, the decision to lease property should be based on a cost-benefit analysis using whole-of-life costs and is to be made in consultation with Finance.

An audit would examine the management of Government property leasing and/or disposal processes, in selected entities, including tender and evaluation processes and the analysis of costs and benefits.

Parliamentary Review of Public Works Projects

All major capital works projects delivered by the Australian Government require parliamentary approval. The focal point of parliamentary approval is the Parliamentary Standing Committee on Public Works (the PWC) established under the *Public Works Committee Act 1969* (the PWC Act). Under the PWC Act, the PWC is required to consider the need, scope, cost, purpose and value for money of proposed works and report to the Parliament on whether or not it is advisable that the works proceed.

The PWC receives notification of all works with a proposed cost of over \$2 million. Those works estimated to cost over \$15 million are referred by Parliament in order for the PWC to undertake a full public inquiry. During 2013, the PWC reported on 14 capital works projects with estimated costs of over \$15 million each. The combined estimated cost of those works was \$1.6 billion. Of these, seven with a combined estimated value of \$575 million were referred by the Department of Defence.

An audit would examine selected Australian Government entities' management of PWC requirements, including the implementation of the PWC's recommendations and post-implementation reporting requirements.

Procurement

In 2013–14, the Australian Government purchased over \$48 billion in goods and services through procurement processes. When undertaking procurement, government entities are required to follow the principles and requirements set out in the Commonwealth Procurement Rules and associated legislation. In recent years, the ANAO has completed cross-entity audits on procurement panels, multi-use lists and credit cards.

An audit would examine selected entities' management of the procurement cycle for specific procurements, including approaches to obtaining value for money when procuring goods and services, ongoing contract management, and the evaluation of contract performance.

Senate Order for Departmental and Agency Contracts (Calendar Year 2015 Compliance)

The Senate Order for Departmental and Agency Contracts requires non-corporate Commonwealth entities operating under the PGPA Act to place lists of contracts valued at \$100 000 or more on the internet. The lists must indicate, among other things, whether each contract requires the parties to maintain the confidentiality of any of the contract's provisions. The order also requests the Auditor-General to review contract lists annually and to report any incorrect use of confidentiality provisions.

An audit would examine the appropriateness of the use of confidentiality provisions in selected contracts reported in the 2015 calendar year listings, and the processes used by selected entities for compiling contract listings.

Managing the Risks Associated with the Use of Legacy ICT Systems

When describing ICT environments and systems, the term 'legacy' is commonly used to distinguish older applications or systems from new and contemporary systems. Use of the term 'legacy' usually implies that the ICT system is in the end-phase of its life cycle, and may no longer fully support the business and service delivery of the entity.

Due to increasing financial constraints and limited availability of IT resources to support ICT environments, Australian Government entities are finding it increasingly difficult to implement new or replacement applications and ICT systems to better support their business needs. Consequently, entities are forced to extend the lifecycle of their legacy systems to deliver their business, despite the significant risks associated in continuing to use such systems.

Managing the risks associated with continuing to use legacy systems should be an ongoing focus for accountable authorities and officers. As a minimum, they should manage the risks of not fully supporting the business and the level of service delivery expected by the entity; higher costs, associated with supporting and maintaining legacy systems; and inability to effectively integrate other systems, resulting in reduced services or workarounds to business processes.

An audit would examine selected entities' management of risks associated with the continued use of legacy systems to support key business processes, including the development of risk management strategies and policies; process guidance for effective risk management; and governance arrangements.

Effective Collection, Use and Sharing of Personal Information between Australian Government Entities

Several Australian Government entities have inter-entity arrangements in place to collect, store and process private information on Australian citizens and residents. In general, data collected and information processed about individuals to support the entity's business activities are to be used for the intended purposes, such as compliance and fraud control. Such arrangements are generally at least partially exempt from privacy laws and provisions.

On 12 March 2014, the new Australian Privacy Principles (APPs) came into effect to regulate the handling of personal information by Government entities. They replace the previous National Privacy Principle and Information Privacy Principles. The APPs require entities to be more transparent about how they collect, use and store individual personal data. They place an obligation on entities to take reasonable steps to implement practices, procedures and systems to comply with the APPs, and to deal with privacy queries and complaints as they arise.

A cross-entity audit would examine entities' compliance with the APPs and examine the systems in place to protect personal data privacy, with a focus on the adequacy of policies, procedures and the administrative framework and systems that are used to store and disseminate data. The audit would also review existing data-sharing arrangements between entities, and assess whether the arrangements are effectively deriving benefits from the use of the personal information.

Better Practice Guides

Guides scheduled for updating in 2015–16

The ANAO will undertake work to refresh and update the following better practice guides and expects to publish a minimum of three during 2015–16.

Business Continuity Management

Business continuity management is an essential component of good public sector governance. It is part of an entity's overall approach to effective risk management and should be closely aligned to the entity's incident management, emergency response management and information technology disaster recovery. Successful business continuity management requires a commitment from the entity's executive to raising awareness and implementing sound approaches to build resilience. In June 2009, the ANAO released the *Business Continuity Management: Building Resilience in Public Sector Entities* better practice guide. An updated guide will reflect national and international developments in standards and practices for business continuity management since 2009.

Fraud Control

Sound and effective fraud control is an important element in the governance of Australian Government entities. In 2011, the ANAO released the *Fraud Control in Australian Government Entities* better practice guide to complement the then Commonwealth Fraud Control Guidelines. In July 2014, the Australian Government issued the Commonwealth Fraud Control Framework, to align with the introduction of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). To reflect changes in governance stemming from the PGPA Act as well as changes in the policy, risk and administrative environment in relation to the management of fraud, the ANAO will update and refresh the 2011 guide, in consultation with the Attorney-General's Department and other key stakeholders.

Potential guides

SAP Security and Control

The use of technology and information technology systems is increasingly embedded into Australian Government entities' business processes to initiate, authorise, process and manage financial transactions. Weaknesses in the design or operation of technology have the potential to not only compromise the integrity and accuracy of financial information but also impede the efficiency of an entity in achieving its objectives. SAP is a prominent financial system used by an increasing number of Australian Government entities. About 70 per cent of large government entities currently use SAP as their financial management system. Those entities account for around 80 per cent of government revenues and over 70 per cent of total expenses.

Establishing, evaluating and monitoring the effectiveness of internal controls over financial information is an important responsibility of public sector entities. In 2009, the ANAO released the *SAP ECC 6.0 Security and Control* better practice guide, which updated and consolidated two previous better practice guides covering SAP use. An updated guide will reflect upgrades to SAP since 2009 and the growing use of SAP by Australian Government entities.

Developing and Managing Internal Budgets

Effective internal budgeting is a fundamental element of an organisation's financial management framework. In June 2008, the ANAO released an update to the 2003 *Developing and Managing Internal Budgets* better practice guide. The guide assists organisations to manage internal budgeting activities through a range of principles and techniques that are designed to embed internal budgeting in the organisation's planning, control and accountability systems. An updated guide will reflect the PGPA Act, changes to the budget process operating rules, and shared services arrangements.

Administration of Grants

Grants administration is an important activity for many Australian Government entities, involving the payment of billions of dollars of public funds each year. In the light of the significant outlay of public funds and issues arising from the ANAO's performance audits, since 1994 the ANAO has published a better practice guide on the administration of grants.

The most recent update to the *Grants Administration* better practice guide was published in December 2013. It was published shortly after a revised legislative and policy framework for grants administration came into effect on 1 June 2013. It recognised that further changes to the legislative and policy framework would occur as result of the progressive implementation of the PGPA Act. Accordingly, ANAO foreshadowed that the better practice guide would be further updated once the detail of the PGPA Act framework was known. A further update to the guide will also draw together the key messages from ANAO performance audits conducted since 2013.

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