

# **Implementation of ANAO and Parliamentary Committee Recommendations**

Across Entities

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Canberra ACT  
5 August 2019

Dear Mr President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit across entities titled *Implementation of ANAO and Parliamentary Committee Recommendations*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

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

Yours sincerely



Grant Hehir  
Auditor-General

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

## **AUDITING FOR AUSTRALIA**

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Summary and recommendations

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## Background

1. The operations and performance of Australian Government entities are subject to external scrutiny from the Australian National Audit Office (ANAO), the Joint Committee of Public Accounts and Audit (JCPAA), and other parliamentary committees.
2. The purpose of the ANAO is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance. The ANAO's performance audit activities involve the audit of all or part of an entity's operations to assess its economy, efficiency, effectiveness, ethicality or legislative and policy compliance. The ANAO identifies areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve their program management.<sup>1</sup>
3. The JCPAA reviews all Auditor-General reports tabled in Parliament, including the recommendations and audited entities' proposed actions, and reports the results of its deliberations to both Houses of the Parliament. A key aspect of JCPAA inquiries is to hold Commonwealth entities accountable for the implementation of audit recommendations.<sup>2</sup>
4. Other parliamentary committees investigate specific matters of policy, government administration or performance and may review part or all of an Auditor-General report or reports. Recommendations are then made to government.
5. Government responses are required to be tabled in Parliament. Responses to recommendations inform the Parliament of government activities and provide accountability by formalising the commitment to implement the recommendations.

## Rationale for undertaking the audit

6. Reports of the ANAO and parliamentary committees identify risks to the successful delivery of outcomes and areas where administrative or other improvements can be made. The appropriate and timely implementation of agreed recommendations is an important part of realising the full benefit of an audit or parliamentary inquiry.
7. This audit will highlight to the Parliament and the public where entities have implemented recommendations in line with intended commitments made to the Parliament.

## Audit objective, criteria and scope

8. The objective of the audit was to examine whether selected entities implemented agreed ANAO performance audit, JCPAA and other parliamentary committee recommendations.
9. The audit used a two-staged approach. The first stage involved a limited (negative) assurance engagement and the second stage, where required, involved a reasonable (positive)

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1 Australian National Audit Office, Corporate Plan 2018–19.

2 Joint Committee of Public Accounts and Audit, *Report 472: Commonwealth Procurement – Second Report*, October 2018, p. 15–16.

assurance engagement. This approach was undertaken separately for agreed ANAO performance audit and JCPAA and other parliamentary committee recommendations.

10. To form a conclusion against the audit objective, the ANAO adopted the following high level audit criterion, for the first stage of the audit:

- Does the entity have appropriate governance arrangements in place to respond to, monitor and implement recommendations?

11. Where the evidence obtained was insufficient to conclude on the appropriateness of the governance arrangements in place (stage one), an additional criterion was adopted (stage two):

- Were agreed recommendations implemented effectively in a timely manner?

12. The audit examined ANAO, JCPAA and other parliamentary committee recommendations from reports or inquiries with agreed recommendations related to 2016–17 for the following four entities:

- Department of Agriculture (Agriculture);
- Airservices Australia (Airservices);
- Australian Pesticides and Veterinary Medicines Authority (APVMA); and
- Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure).

## Conclusion

13. None of the selected entities demonstrated that they had effectively implemented all agreed recommendations within the scope of this audit.

### ANAO recommendations

14. Agriculture advised that 2016–17 ANAO performance audit recommendations had been implemented. Based on the procedures performed and the evidence obtained, nothing came to the ANAO's attention that Agriculture's governance arrangements are not effective for responding to, assigning responsibility for, monitoring and implementing agreed ANAO recommendations. As a result, the ANAO has not adopted criterion two, to include additional substantive examination of Agriculture's reporting of implementation of ANAO recommendations.

15. Infrastructure has a formal governance process for monitoring ANAO performance audit recommendations. However, this was not consistently applied to 2016–17 recommendations. Airservices and APVMA had not established formal governance arrangements to ensure a consistent approach over time with appropriate oversight and scrutiny. Accordingly, additional substantive testing of the implementation of ANAO recommendations was undertaken for Airservices, APVMA and Infrastructure.

16. The additional substantive procedures undertaken by the ANAO evidenced activities undertaken by Airservices, APVMA and Infrastructure in relation to addressing ANAO recommendations. However, none of the entities could demonstrate that all recommendations were fully implemented.

17. Entities that did not have formal governance arrangements in place, or did not consistently apply formal governance arrangements, did not fully implement 2016–17 ANAO performance audit recommendations.



## JCPAA and other parliamentary committee recommendations

18. Each of the four entities has processes in place to provide responses to recommendations from inquiries and requests. However, none of the four entities has formalised governance arrangements in place to monitor the implementation of agreed JCPAA and other parliamentary committee recommendations.

19. Only Agriculture and Infrastructure had JCPAA or other parliamentary committee recommendations directed to them relevant to 2016–17. Neither entity was able to demonstrate that all recommendations were fully implemented.

## Supporting findings

### Governance of ANAO recommendations — all entities

20. Agriculture has established processes and responsibilities for initially responding to recommendations. Airservices and Infrastructure did not have documented processes in place for responding to recommendations, while APVMA endorsed a formal process during the course of this audit. However, these entities were able to apply a process that included appropriate management consideration and endorsement of the entity's response to ANAO recommendations.

21. The selected entities had processes for assigning management responsibility for the progression of the implementation of individual ANAO recommendations. APVMA and Infrastructure did not clearly record the responsibility for all recommendations, which negatively impacted on implementation of 2016–17 ANAO performance audit recommendations.

22. Agriculture, Airservices and Infrastructure have IT systems in place to track the progress of ANAO performance audit recommendations. APVMA has an officer responsible for this function. Airservices and Infrastructure did not effectively use their respective IT systems to capture 2016–17 ANAO performance audit recommendations and ensure appropriate reporting and oversight. APVMA used existing governance arrangements that resulted in reporting and provided management oversight.

23. Agriculture has implemented controls for its recommendation tracking systems that are intended to maintain complete and accurate data, however there are opportunities to strengthen the controls and supporting processes. Airservices and Infrastructure documented roles and responsibilities and associated controls for their respective recommendation tracking systems. These controls were not fully effective in maintaining complete and accurate data for 2016–17.

24. The completeness and appropriateness of advice provided to audit committees varied between the selected entities. Agriculture provides regular and complete reports to its audit committee. Airservices and APVMA reported directly to the accountable authority for ANAO performance audit recommendations, while Infrastructure's reporting to the audit committee on 2016–17 recommendations was incomplete.

### Implementation of ANAO recommendations — Airservices, APVMA and Infrastructure

25. The selected entities did not develop clear implementation plans or maintain sufficient and appropriate evidence to clearly demonstrate all recommendations have been implemented.

26. None of the entities have fully implemented agreed ANAO performance audit recommendations.

27. Entities' testing of the implementation of recommendations was not exhaustive. Further, entities' approaches to addressing additional issues or acting on opportunities for improvement identified in testing also varied.

### **Governance of JCPAA and other parliamentary committee recommendations — all entities**

28. Entities have established processes for responding to inquiries and requests. However, none of the four entities have formalised governance arrangements in place to monitor and implement JCPAA and other parliamentary committee recommendations.

### **Implementation of JCPAA and other parliamentary committee recommendations — Agriculture and Infrastructure**

29. Agriculture and Infrastructure did not develop implementation plans or maintain sufficient and appropriate evidence to clearly demonstrate JCPAA and other parliamentary committee recommendations have been fully implemented.

30. Neither Agriculture nor Infrastructure have tested the implementation of recommendations or reported to the relevant committee following the tabling of responses to the inquiry and report.

## Recommendations

### Recommendation no.1

#### Paragraph 3.17

Airservices Australia, Australian Pesticides and Veterinary Medicines Authority, and the Department of Infrastructure, Transport, Cities and Regional Development finalise implementation of 2016–17 ANAO performance audit recommendations. Specifically:

- (a) Airservices Australia complete implementation of the recommendations from Auditor-General Report No.1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program*;
- (b) Australian Pesticides and Veterinary Medicines Authority complete implementation of recommendations one and two from Auditor-General Report No.56 2016–17 *Pesticides and Veterinary Medicine Regulatory Reform*; and
- (c) The Department of Infrastructure, Transport, Cities and Regional Development implement plans to complete the outstanding recommendation from Auditor-General Report No.38 2016–17 *The Approval and Administration of the Commonwealth Funding for the WestConnex Project*.

**Airservices Australia response:** *Disagreed.*

**Australian Pesticides and Veterinary Medicines Authority response:** *Agreed.*

**Department of Infrastructure, Transport, Cities and Regional Development response:** *Agreed.*

### Recommendation no.2

#### Paragraph 4.13

Entities implement formalised governance arrangements to provide greater executive oversight of the implementation of JCPAA and other parliamentary committee recommendations. This framework should include development of implementation plans, assignment of responsibility for progressing recommendations, and appropriate tracking and reporting against the implementation of JCPAA and other parliamentary committee recommendations.

**Department of Agriculture response:** *Agreed.*

**Airservices Australia response:** *Agreed.*

**Australian Pesticides and Veterinary Medicines Authority response:** *Agreed.*

**Department of Infrastructure, Transport, Cities and Regional Development response:** *Agreed.*

**Recommendation no.3**  
**Paragraph 4.18** The Department of the Prime Minister and Cabinet reinforce the responsibility of accountable authorities to monitor and implement agreed parliamentary committee recommendations.

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

**Recommendation no.4**  
**Paragraph 5.20** The Department of Agriculture, and the Department of Infrastructure, Transport, Cities and Regional Development each undertake an analysis of the actions taken to date in relation to the relevant JCPAA and other parliamentary committee recommendations examined in this audit and implement plans to complete the recommendations. The entities should also advise the relevant committees of the status of the recommendations.

**Department of Agriculture response:** *Agreed.*

**Department of Infrastructure, Transport, Cities and Regional Development response:** *Partially agreed.*

## Summary of entity response

31. Summary responses from the selected entities are provided below, while the full responses are provided at Appendix 1.

### Department of Agriculture

The Department of Agriculture (the department) is committed to appropriate and timely implementation of agreed recommendations to both ANAO and parliamentary committee reports and therefore welcomes the report's conclusions and findings.

There have been four recommendations made in this report, two of which are applicable to the department.

The department is pleased that the report recognises that governance processes are in place to ensure effective monitoring and implementation of ANAO recommendations. The department acknowledges that there is work to be done to strengthen the governance processes to support monitoring and implementation of Joint Committee of Public Accounts and Audit's and other parliamentary committees' recommendations. The department is in full support of strengthening these processes as identified by the ANAO.

### Airservices Australia

Airservices notes the report's findings and in response to the audit, has introduced formalised governance processes for the implementation of JCPAA and other parliamentary committee recommendations in accordance with Recommendation No. 2.

Airservices completed implementation of the action it identified to address the recommendations from the 2016 performance audit in September 2016 and therefore will not be accepting Recommendation No. 1. Airservices remains committed to continuous improvement of its procurement system, demonstrated by our ongoing actions since the 2016 audit, and will ensure that the learnings from this audit are reflected in our ongoing improvements.

## Australian Pesticides and Veterinary Medicines Authority

The APVMA acknowledges the findings of the report and agrees with the recommendations relating to the APVMA.

As the audit report notes, the APVMA has taken a number of actions to improve quality assurance processes and to strengthen risk management, governance and performance monitoring frameworks. The APVMA remains committed to continuous improvement in these areas and the audit recommendations will assist us to continue this work.

## Department of Infrastructure, Transport, Cities and Regional Development

The Department of Infrastructure, Transport, Cities and Regional Development (the Department) welcomes the ANAO report and agrees with the recommendations.

The Department has governance arrangements in place to monitor the implementation of recommendations from ANAO performance audits, including regular reporting to the Audit and Risk Committee and Performance and Assurance Committee.

The existing arrangements have recently been extended to monitoring the implementation of recommendations from the Joint Committee of Public Accounts and Audit and the recommendations examined in the audit have been added to the Audit Recommendations Database. Arrangements will be established for monitoring the implementation of agreed recommendations from parliamentary committees.

## Key messages from this audit for all Australian Government entities

32. Below is a summary of key messages, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Australian Government entities.

### Parliamentary and accountable authority oversight

- Tabling of responses to recommendations formalises government or entity commitments to Parliament to implement recommendations. Entities should develop implementation plans that clearly identify intended actions, timeframes and measures of success.
- To ensure entity objectives are delivered upon, effective governance arrangements should include clear responsibilities, reporting arrangements and systems that provide the accountable authority with a clear line of sight of implementation and assurance that underlying risks and issues that have been identified are addressed.

### Governance and risk management

- Accountable authorities should regularly review the functions of audit committees to ensure they are meeting the requirements of the PGPA Rule to review the appropriateness of systems of risk management and oversight and internal controls. The audit committee charters should then be updated to ensure they remain contemporary.

### Records management

- Records are a critical part of robust knowledge management practices, such as supporting transparency and accountability for past decisions and informing future decision making.



## **Audit findings**

# 1. Background

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## Introduction

1.1 Performance audits and parliamentary committee inquiries identify risks to the successful delivery of outcomes and provide recommendations to address them. Successful implementation of agreed recommendations requires strong senior management oversight and monitoring, along with timely implementation approaches, which set clear responsibilities and timelines for addressing the required actions.

1.2 The primary role of the Auditor-General for Australia is to assist the Parliament in its role of scrutinising the exercise of authority and the expenditure of public funds by the Executive arm of the Commonwealth.<sup>3</sup> Australian National Audit Office (ANAO) performance audit activities involve the audit of all or part of an entity's operations to assess its economy, efficiency, effectiveness, ethicality or legislative and policy compliance. The ANAO identifies areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve their program management.<sup>4</sup>

1.3 The Joint Committee of Public Accounts and Audit (JCPAA) reviews all Auditor-General reports tabled in Parliament, including the agreed recommendations and proposed actions, and reports the results of its deliberations to both Houses of the Parliament. Parliamentary committees investigate specific matters of policy, government administration or performance and make recommendations for government.<sup>5</sup> Parliamentary committees consist of groups of members or senators (or in the case of joint committees, both). Committees have both government and non-government members and have considerable powers to undertake work on behalf of the Parliament.

1.4 The JCPAA is the ANAO's parliamentary oversight committee. Among its responsibilities, the JCPAA approves the proposed appointment of the Auditor-General<sup>6</sup>, advises the Auditor-General on the Parliament's audit priorities, and considers the operations and resources of the ANAO, including consideration of the ANAO draft budget estimates and making recommendations on it to both Houses of Parliament.

1.5 The JCPAA is required to review all reports of the Auditor-General tabled in Parliament and to report the results of its deliberations to both Houses of Parliament. A key aspect of JCPAA inquiries into reports of the Auditor-General is to hold Commonwealth entities accountable for the implementation of audit recommendations.<sup>7</sup> The JCPAA also initiates its own inquiries into public

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3 Joint Committee of Public Accounts, *Report 346 — Guarding the Independence of the Auditor-General*, October 1996, p.56. The Committee further commented that the Auditor-General 'works first and foremost for the Parliament' p. 35.

4 Australian National Audit Office, Corporate Plan 2018–19.

5 Parliament of Australia, *Committees* [Internet], available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees](https://www.aph.gov.au/Parliamentary_Business/Committees) [accessed April 2019].

6 Section 8A of the *Public Accounts and Audit Committee Act 1951*.

7 Joint Committee of Public Accounts and Audit, *Report 472: Commonwealth Procurement – Second Report*, October 2018, p. 15–16.



administration matters and can conduct inquiries into matters referred to it by either House of Parliament.<sup>8</sup>

## Responsibilities of accountable authorities

1.6 The objects of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), require the Commonwealth and Commonwealth entities:

- to meet high standards of governance, performance and accountability;
- to provide meaningful information to the Parliament and the public;
- to use and manage public resources properly; and
- to work cooperatively with others to achieve common objectives<sup>9</sup> ...

1.7 In addition, the accountable authority of a Commonwealth entity must govern the entity in a way that:

- promotes the proper use and management of public resources for which the authority is responsible<sup>10</sup>; and
- promotes the achievement of the purposes of the entity<sup>11</sup> ...

1.8 The accountable authority of a non-corporate Commonwealth entity must govern the entity in accordance with paragraph 15(1)(a) of the PGPA Act, promoting the proper use and management of public resources, in a way that is not inconsistent with the policies of the Australian Government.<sup>12</sup> For secretaries of departments, similar obligations are imposed by section 57 of the *Public Service Act 1999*, including the obligation for secretaries of departments and heads of executive agencies to provide factual information to the parliament, in relation to the operation and administration of the department or agency (sections 57 and 66).

1.9 In addition, non-corporate Commonwealth entities are required to include in annual reporting the particulars of the most significant developments in external scrutiny of the entity and the entity's response to that scrutiny. This includes reports of the Auditor-General or a committee of either or both Houses of Parliament.<sup>13</sup>

1.10 Corporate Commonwealth entities are required to include in their annual reporting the particulars of any report on the entity given during the period, by the Auditor-General or a committee of either House or of both Houses of Parliament.<sup>14</sup>

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8 Parliament of Australia, *Role of the Joint Committee of Public Accounts and Audit* [Internet], available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/Role\\_of\\_the\\_Committee](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Role_of_the_Committee) [accessed April 2019].

9 *Public Governance, Performance and Accountability Act 2013*, section 5.

10 *ibid.*, paragraph 15(1)(a)

11 *ibid.*, paragraph 15(1)(b).

12 *ibid.*, section 21.

13 *Public Governance, Performance and Accountability Rule 2014*, subparagraphs 17AG(3)(b)(i) and 17AG(3)(b)(ii).

14 *ibid.*, paragraph 17BE(r).

## ANAO, JCPAA and other parliamentary committee recommendations

### ANAO recommendations

1.11 The ANAO issues draft reports to entities prior to final reports being tabled in the Parliament. The *Auditor-General Act 1997* provides that if the recipient (accountable authority) of the proposed report gives written comments to the Auditor-General within 28 days of receiving the proposed report, the Auditor-General must consider those comments before preparing the final report.<sup>15</sup>

1.12 The response to each of the report's recommendations is reproduced under the recommendation in the body of the report. It is expected that the response should indicate whether the entity agrees or disagrees with each recommendation and the actions that they intend to take in response to each of the recommendations. The JCPAA notes that, although Commonwealth entities are not required to indicate agreement or disagreement with [ANAO] recommendations, transparency and clarity are critical aspects in public sector accountability to the Parliament and the Australian people. Entities should clearly state their position on audit recommendations.<sup>16</sup>

1.13 The JCPAA reviews all Auditor-General reports tabled in Parliament, including the agreed recommendations and proposed actions, and reports the results of its deliberations to both Houses of the Parliament. As noted above, accountable authorities are required to provide meaningful information to the Parliament and the public. In relation to the responses to ANAO recommendations, it would be expected that agreed recommendations are implemented as intended and within a reasonable timeframe.<sup>17</sup> Unless otherwise stated, a reasonable timeframe for the implementation of an agreed ANAO recommendation is taken as within two calendar years of a tabled report, which forms the basis of the audit procedures undertaken in this report.

1.14 Notwithstanding the above, accountable authorities may determine shorter timeframes for the implementation of ANAO recommendations within their respective entities. Accountable authorities may also advise of other impediments to implementation, for example, the requirement to achieve legislative change in relation to a particular program.

### JCPAA and other parliamentary committee recommendations

1.15 After a committee report is tabled in Parliament, the tabling officer from the Department of the Prime Minister and Cabinet (PM&C) approaches the department responsible for the subject matter covered by the report, to advise them that a government response is required. The approval and tabling process for government responses is outlined in the *PM&C Guidelines for the Presentation of Documents to the Parliament (including government documents, government*

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15 Subsection 19(7) of the *Auditor-General Act 1997*.

16 Joint Committee of Public Accounts and Audit, *Report 472: Commonwealth Procurement – Second Report*, October 2018, p. 15.

17 Auditor General Report No.37 2016–17 *Australian Taxation Office's Implementation of Recommendations*, p. 22 'Before agreeing to recommendations, an accountable authority should consider the likelihood of being able to implement the recommendation before responding. This would include a consideration of the cost to implement, the intended impact/outcome and possible timeframe for completion. This consideration would help in determining whether to agree or not, and can support the proposed actions to be put forward in the response.'

*responses to committee reports, ministerial statements, annual reports and other instruments*) (the Guidelines).<sup>18</sup>

1.16 The Guidelines include that government responses to committee reports may contain a preamble outlining the government's policy position, but must address all of the recommendations and provide reasons for not accepting any of them. In addition, unless approved by the Prime Minister, government responses are required to be approved by Cabinet or the Prime Minister.

1.17 Once approved, departments need to have the government response tabled within the relevant required timeframes and must provide a covering minute to the PM&C tabling officer indicating that the response has been approved for tabling.<sup>19</sup> The Guidelines state that responses to committee reports should be presented to the relevant committee within the following timeframes:

- three months — for Senate Committee reports and Joint Parliamentary Committee reports; and
- six months — for House of Representatives Committee reports.<sup>20</sup>

1.18 Tabling documents keeps the Parliament informed of government activities. It demonstrates the accountability of the Government to the Parliament and the public, and provides an important primary source of information to senators and members, as well as placing information on the public record.<sup>21</sup> It also formalises the commitment made to implement the recommendations, including the intended actions that will be performed by the relevant government entity.

### *Types of parliamentary recommendations*

1.19 Recommendations made by the JCPAA may be either policy recommendations or administrative recommendations.<sup>22</sup> The PM&C Guidelines also apply when responding to policy recommendations from a JCPAA report, however, the responsibility for informing an entity of the requirement for a response sits with the Department of Finance. A response to a policy recommendation must be in the form of a government response that is tabled in the Parliament by the government minister.

1.20 Where the committee has made administrative recommendations, an 'Executive Minute' is prepared and delivered directly to the committee secretary by the responsible accountable authority. The receipt and tabling of executive minutes gives the committee an opportunity to comment on departmental responses, and if the committee is dissatisfied with the contents of a particular executive minute, it may decide to re-open its inquiry.

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18 Department of the Prime Minister and Cabinet (PM&C), *Guidelines for the Presentation of Documents to the Parliament (including government documents, government responses to committee reports, ministerial statements, annual reports and other instruments)*, Canberra, 2017.

19 *ibid.*, p. 10.

20 *ibid.*, p. 8.

21 *ibid.*, p. 2.

22 Commonwealth, Joint Committee of Public Accounts and Audit (JCPAA), *A guide for responding to Committee recommendations* [Internet], Parliament of Australia, [Internet], available from [www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit) [accessed March 2019].

1.21 Both policy and administrative recommendations must be responded to within six months of the tabling of the relevant JCPAA report.<sup>23</sup>

1.22 As noted above, accountable authorities are required to meet high standards of governance, performance and accountability, and provide meaningful information to the Parliament. In relation to the responses to parliamentary committees, it would be expected that agreed recommendations are implemented as intended and within a reasonable timeframe. Unless otherwise stated, a reasonable timeframe for the implementation of an agreed parliamentary recommendation is taken as within two calendar years from the report being tabled, which forms the basis of the audit procedures undertaken in this report.

1.23 Notwithstanding the above, government or the accountable authorities may require the implementation of parliamentary recommendations in a lesser timeframe. Government or accountable authorities may also advise of other impediments to implementation, for example, the requirement to achieve legislative change in relation to a particular program.

### *Timeliness of responses to parliamentary committees*

1.24 The JCPAA and other parliamentary committees publish information on their websites relating to the government responses that are received. In addition, twice a year, the President of the Senate provides a report to the Senate on the status of government responses to Senate and joint committee reports.<sup>24</sup>

1.25 The Speaker of the House of Representatives also presents a report to the House approximately every six months. The report lists tabled reports and government responses to House and joint committee reports, as well as reports for which the House has not received a government response.<sup>25</sup> Reports are to remain on this schedule until a response is received, the relevant committee agrees that a response is no longer expected, or a request to remove is received. The listing can then be removed following a consideration of the reasons put forward for removal and a formal resolution is made by the relevant committee.<sup>26</sup>

1.26 The President of the Senate and the Speaker of the House of Representatives reports provide detail of the volume of committee reports and the timeliness of government responses.<sup>27</sup> The ANAO's review of the most recently published reports highlights that the majority of committee

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23 Commonwealth, Joint Committee of Public Accounts and Audit (JCPAA), *Role of the Committee* [Internet], Parliament of Australia, available from [www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/Role\\_of\\_the\\_Committee#works](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Role_of_the_Committee#works) [accessed April 2019].

24 Parliament of Australia, *President's report to the Senate on the status of Government responses to Parliamentary Committee reports as at 31 December 2018* [Internet], Parliament of Australia, 2018, available from [www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Government\\_responses](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Government_responses) [accessed February 2019].

25 Parliament of Australia, *Speakers schedule of outstanding Government Responses to Committee reports* [Internet], Parliament of Australia, available from [www.aph.gov.au/SpeakersSchedule](http://www.aph.gov.au/SpeakersSchedule) [accessed February 2019].

26 Entities may request through a committee that a report requiring a government response be removed from the schedule, with the most common reasons for removal being that the response has been on the schedule for an extended period and during the intervening time, recommendations have already been addressed, implemented or superseded.

27 Reports of the JCPAA are presented in both the President of the Senate report and the Speaker for the House of Representatives report.

reports have not been responded to and when a response is received, very few are received within the required timeframe.

1.27 Table 1.1 outlines the key results from the President of the Senate report as at 31 December 2018. Responses to these reports are required within three months from the presentation of the report in the Senate and lateness is measured as the months that have passed from the date of report tabling to the reference date (31 December 2018), minus three months (the period allowed for responding to Senate committee reports). Only two per cent of the reports had received a response within the required time frame.

**Table 1.1: President of the Senate report — Outstanding responses as at 31 December 2018**

Description	Number	Per cent
Reports with a response	47	20%
Reports with a response that were received within the specified timeframe	6	2%
Reports with no response	192	80%
Reports with a response but received late	41	17%
Total number of reports included in the schedule	239	100%
Shortest timeframe taken to respond	1 day	N/A
Longest response time where a response was provided	77 months	N/A
Latest pending response (not yet received)	191 months	N/A

Note a: There are eight responses in this report schedule referring to eight reports of the JCPAA. One of the eight reports was recorded as having been responded to but was late; two were late and incomplete; and two reports had no response (however, one was not due).

Source: ANAO analysis.

1.28 Table 1.2 outlines the key results from the Speaker of the House of Representatives report as at 5 December 2018. Responses to these reports are required within six months from the presentation of the report in the House and lateness is measured as the 'months' that have passed from the date of report tabling to the reference date (05 December 2018), minus six months (the period allowed for responding to House of Representatives Committee reports). Over 80 per cent of the reports from this House had not yet received a response.

**Table 1.2: Speaker of the House of Representatives report — Outstanding responses as at 5 December 2018**

Description	Number	Per cent
Reports with a response	17 <sup>a</sup>	17%
Reports with a response that were received within the specified timeframe	4	4%
Reports with no response	82 <sup>b</sup>	83%
Reports with a response but received late	13 <sup>a</sup>	13%

Description	Number	Per cent
Total number of reports included in the schedule <sup>c</sup>	99	100%
Shortest timeframe taken to respond	1 month	N/A
Longest response time where a response was provided	65 months	N/A
Latest pending response (not yet received)	102 months	N/A

Note a: Total numbers include two partial responses. Partial responses occur where responses have been received for some but not all recommendations. This typically occurs where recommendations are directed at multiple entities.

Note b: The time allowed for responding had not yet expired for 30 of the 82 reports with no response.

Note c: Seven of the responses in this report schedule referred to eight reports of the JCPAA. One report had been responded to but was late; one had a partial response but was late; four reports have had no response and another two were not due.

Source: ANAO analysis.

## Previous scrutiny

1.29 This audit examined entities within the Agriculture and Water Resources portfolio and the Infrastructure, Regional Development and Cities portfolio. The specific entities examined were:

- Department of Agriculture (Agriculture);
- Airservices Australia (Airservices);
- Australian Pesticides and Veterinary Medicines Authority (APVMA); and
- Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure).

1.30 Of the four entities covered by this audit, the ANAO has completed two audits in recent years, which assessed the effectiveness of Agriculture and Infrastructure's arrangements for monitoring and implementing ANAO performance audit recommendations.

1.31 Agriculture's implementation of ANAO performance audit recommendations was examined in Auditor-General Report No.34 2013–14 *Implementation of ANAO Performance Audit Recommendations*.<sup>28</sup> The ANAO made one recommendation, to which Agriculture agreed, for the department to provide a higher level of support to its audit committee, by:

- developing appropriate internal requirements for the implementation of ANAO recommendations and sign-off on completion; and
- enhancing its internal reporting to give greater focus to the status of implementation, including timeliness.

1.32 The Department of Infrastructure, Transport, Cities and Regional Development's (the then Department of Infrastructure and Transport, (Infrastructure)) implementation of ANAO performance audit recommendations was examined in Auditor-General Report No.53 2012–13

<sup>28</sup> Auditor-General Report No.34 2013–14 *Implementation of ANAO Performance Audit Recommendations*, p. 19.

*Agencies Implementation of Performance Audit Recommendations.*<sup>29</sup> The ANAO made two recommendations at that time, to which Infrastructure agreed:

- to better support the application of relevant recommendations, the ANAO recommends that agencies establish, or review existing procedures for assessing the relevance of recommendations from ANAO cross-agency audits, and subsequent monitoring; and
- in order to support timely and complete implementation of ANAO performance audit recommendations, the ANAO recommends that agencies establish, or strengthen implementation approaches, including documenting intended actions, timelines and setting out clear responsibilities for the outcome.

1.33 These performance audits highlighted that a considered and planned approach to the oversight and implementation of audit recommendations allows progress to be clearly targeted and monitored, and therefore assists entities to manage timeliness, completeness and adequacy of implementation.

1.34 This audit is the first in a series of planned audits that will cover entities' implementation of ANAO, JCPAA and other parliamentary committee recommendations.

## Rationale for undertaking the audit

1.35 The ANAO's performance audit activities involve the audit of all or part of an entity's operations to assess its economy, efficiency, effectiveness, ethicality and legislative and policy compliance.<sup>30</sup>

1.36 Reports of the ANAO, the JCPAA and other parliamentary committees identify risks to the successful delivery of outcomes and areas where administrative or other improvements can be made. Entities indicate their agreement to implement ANAO recommendations in the audit report, which is tabled in Parliament. In this way, entities inform Parliament of improvements they intend to make as a result of ANAO audits.<sup>31</sup>

1.37 JCPAA and other parliamentary committee recommendations are directed to government or entities to improve their delivery of programs and services. Once entities have agreed to implement performance audit and administrative recommendations or in the case of government responses, when the government has committed to the implementation of recommendations, timely implementation in line with the intended outcome of those recommendations is important in achieving the full benefit of the audit or parliamentary inquiry.

1.38 This audit will highlight to the Parliament and the public where entities have implemented recommendations in line with intended commitments made to the Parliament. This will support a key function of parliamentary committees, which is to undertake inquiries and provide the Parliament with reports on the outcomes of their considerations, including recommendations to improve program delivery and effective management of the use of Commonwealth resources.

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29 Auditor-General Report No.53 2012–13 *Agencies' Implementation of Performance Audit Recommendations*, p. 19.

30 Australian National Audit Office, Corporate Plan 2018–19.

31 *ibid.*



## Audit approach

### Audit objective, criteria and scope

1.39 The objective of the audit was to examine whether selected entities implemented agreed ANAO performance audit, JCPAA and other parliamentary committee recommendations.

1.40 The audit used a two-staged approach. The first stage involved a limited (negative) assurance engagement and the second stage, where required, a reasonable (positive) assurance engagement.

1.41 The procedures performed in a limited (negative) assurance engagement may vary in nature and timing from, and are less in extent than, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. A limited assurance approach was initiated to provide for greater efficiency in the use of resources and allowed for greater audit coverage at a reduced level of assurance.

1.42 To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Does the entity have appropriate governance arrangements in place to respond to, monitor and implement recommendations?

1.43 Where this criterion was met, the audit could conclude that, based on the procedures performed and the evidence obtained, nothing came to the ANAO's attention that the governance arrangements in place were not effective for responding to, monitoring and implementing agreed recommendations.

1.44 Where the evidence obtained was insufficient to conclude on the appropriateness of the governance arrangements in place (stage one), an additional criterion was adopted (stage two):

- Were agreed recommendations implemented effectively in a timely manner?

1.45 Audit procedures were performed to determine whether agreed recommendations were implemented effectively and in a timely manner, focussing on the substantive evidence available within the entity.

1.46 As noted above, and unless stated to the contrary, the recommendations selected for review in this audit are those within reports tabled in 2016–17. This allows for an appropriate period from the time of the recommendation to formal implementation and ensures relevance of entity activities.

### Audit methodology

1.47 The major audit tasks in stage one included:

- examination of entity documentation, such as guidelines, procedures, management reports, briefing materials, information relating to implementation progress and reporting against agreed recommendations;
- review of involvement by the audit committees and other internal governance bodies based on the documented procedural and meeting conduct evidence;



- examination and assessment of IT system controls and supporting documentation for those systems used by the entity to manage recommendations; and
- undertaking interviews with relevant entity staff, including internal audit and representatives from the business areas responsible for the implementation of recommendations.

1.48 Where required, the major audit tasks in stage two included additional controls and substantive testing to gain reasonable assurance against the implementation of agreed recommendations. This included:

- examination of entity documentation such as implementation plans and supporting evidence; and
- undertaking further interviews with relevant entity staff, including internal audit and representatives from the business areas responsible for the implementation of recommendations.

1.49 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$406,000.

1.50 The team members for this audit were Jacqueline Hedditch, Jillian Blow, Kate Wilson, Hayley Ferreira and Michael White.

## 2. Governance of ANAO recommendations

### Areas examined

This chapter examines the extent to which the selected entities have formalised governance arrangements in place to respond to, assign responsibility for, monitor and implement 2016–17 ANAO performance audit recommendations.

### Conclusion

Agriculture advised that 2016–17 ANAO performance audit recommendations had been implemented. Based on the procedures performed and the evidence obtained, nothing came to the ANAO's attention that Agriculture's governance arrangements are not effective for responding to, assigning responsibility for, monitoring and implementing agreed ANAO recommendations. As a result, the ANAO has not adopted criterion two, to include additional substantive examination of Agriculture's reporting of implementation of ANAO recommendations.

The Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) has a formal governance process for monitoring ANAO performance audit recommendations. However, this was not consistently applied to 2016–17 recommendations. Airservices Australia (Airservices) and the Australian Pesticides and Veterinary Medicines Authority (APVMA) had not established formal governance arrangements to ensure a consistent approach over time with appropriate oversight and scrutiny. Accordingly, additional substantive testing of the implementation of ANAO recommendations was also undertaken for Airservices, APVMA and Infrastructure. The results are further detailed in chapter three.

### Areas for improvement

The ANAO highlighted opportunities for Agriculture, Airservices and Infrastructure to more explicitly articulate the roles and responsibilities (including levels) for each stage of a performance audit, including for responding to recommendations.

## Are there established processes and responsibilities for responding to recommendations?

Agriculture has established processes and responsibilities for responding to recommendations.

Airservices and Infrastructure did not have documented processes in place for responding to recommendations, while APVMA endorsed a formal process during the course of this audit. However, these entities were able to apply a process that included appropriate management consideration and endorsement of the entity's response to ANAO recommendations.

2.1 All entities should respond in a considered manner to ANAO performance audit recommendations to ensure agreed actions of the entity are consistent with and meet the objects of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). The PGPA Act requires the Commonwealth and Commonwealth entities to use and manage public resources properly.<sup>32</sup> This approach was reflected in Auditor-General Report No.37 2016–17 *Australian*

32 Division 2 of the *Public Governance, Performance and Accountability Act 2013*.

*Taxation Office's Implementation of Recommendations*, which included the suggestion that the ATO:

consider, on a case-by-case basis, the likely impact of recommendations being implemented – for specific business areas and ATO wide – before providing a management response to any performance audit or parliamentary committee recommendation.<sup>33</sup>

2.2 The ANAO expects that this approach would vary between entities, depending on entity size and frequency of audit activity. The ANAO takes into account these factors and considers whether the arrangements in place are fit for purpose.

2.3 The ANAO previously examined Agriculture's arrangements for implementing and monitoring ANAO performance audit recommendations in Auditor-General Report No.34 2013–14 *Implementation of ANAO Performance Audit Recommendations*. The ANAO recommended that Agriculture develop appropriate internal requirements for the implementation of ANAO recommendations and enhance internal reporting to give greater focus to the status of implementation.

2.4 Agriculture has since established processes and responsibilities for responding to ANAO recommendations. Agriculture has developed an internal protocol relating to ANAO performance audits, which outlines the roles and responsibilities of various departmental staff through the stages of a performance audit. This includes defining responsibility for responding to recommendations. Agriculture's internal audit team supports business areas throughout the audit process.

2.5 Airservices does not have a documented process in place for responding to ANAO performance audit recommendations.<sup>34</sup> In 2016–17, recommendations were agreed to and actions and timeframes to implement each of the recommendations were developed and presented to the Chief Executive Officer (CEO) and the Board prior to the time of tabling of the audit report on 31 August 2016. There is scope for Airservices to more clearly articulate roles and responsibilities throughout the process of responding to and implementing ANAO recommendations noting that Airservices continues to be included in ANAO performance audits.

2.6 Until April 2019, APVMA did not have established processes in place for responding to ANAO recommendations. The draft report and recommendations were discussed by the Executive Leadership Team, and the CEO responded to the recommendations. However, during the course of this audit, the APVMA drafted and endorsed a governance process to guide the response to, and implementation of, ANAO recommendations.

2.7 Infrastructure does not have a specific protocol or documented process that defines roles and responsibilities for receiving and responding to ANAO recommendations. Infrastructure advised the ANAO that the relevant business areas consider draft reports and recommendations during the audit and the Secretary formally responds to reports and recommendations.

33 Auditor-General Report No.37 2016–17 *Australian Taxation Office's Implementation of Recommendations*, p. 22

34 Auditor-General Report No.1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program* was the first ANAO audit of Airservices in seven years. Airservices has since been the subject of two performance audits.

## Did entities clearly assign management responsibility for the progression of individual recommendations?

The selected entities had processes for assigning management responsibility for the progression of the implementation of individual ANAO recommendations. APVMA and Infrastructure did not clearly record the responsibility for all recommendations, which negatively impacted on implementation of 2016–17 ANAO performance audit recommendations.

2.8 Successful implementation of audit recommendations requires strong senior management oversight and implementation planning to set clear responsibilities and timeframes for addressing the required action.

2.9 Agriculture clearly assigned management responsibility for progress against each of the individual recommendations. Evidence provided by Agriculture demonstrated that management responsibility for implementing the recommendations from the 2016–17 period was consistent with internal requirements.

2.10 Airservices assigned responsibility for the individual recommendations from Auditor-General Report No.1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program* (the ICCPM audit) to the Procurement and Supplier Relationships Manager (as the responsible manager), and oversight of implementation was assigned to the Chief Financial Officer (CFO). The responsible manager gave an update on progress against the actions to the CEO on 6 September 2016. In October 2016, the Chair of Airservices' Board advised the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.

2.11 APVMA assigned overall management accountability for implementation to the Deputy CEO. Responsibility for implementation of individual ANAO recommendations was not clearly documented.

2.12 Infrastructure assigned and recorded management responsibility to progress the recommendation from Auditor-General Report No.30 2016–17 *Design and Implementation of Round Two of the National Stronger Regions Fund*. It was not evident that management responsibility was assigned and recorded for the recommendation from Auditor-General Report No.38 2016–17 *The Approval and Administration of the Commonwealth Funding for the WestConnex Project* (the WestConnex audit).

2.13 During the course of this audit, the Infrastructure Investment Division advised that it accepted responsibility for implementation of the recommendation. In March 2019, Infrastructure acknowledged this inconsistency and has since added the recommendation from the WestConnex audit to its audit tracking database. Infrastructure's internal audit team advised the ANAO it will commence monitoring implementation of the relevant recommendation.

## Do entities have a system in place to track the progress of recommendations?

Agriculture, Airservices and Infrastructure have IT systems in place to track the progress of ANAO performance audit recommendations. APVMA has an officer responsible for this function. Airservices and Infrastructure did not effectively use their respective IT systems to capture 2016–17 ANAO performance audit recommendations and ensure appropriate reporting and oversight. APVMA used existing governance arrangements that resulted in reporting and provided management oversight.

2.14 Effective monitoring requires a system that accurately tracks progress and records the actions of the business area responsible for progressing action against timeframes.<sup>35</sup>

2.15 Agriculture used an IT system (eTrac) to track the progress of ANAO recommendations. Agriculture utilised eTrac for the period that 2016–17 ANAO performance audit recommendations were being tracked. Agriculture advised the ANAO that eTrac was developed on behalf of the Executive Management Committee to ensure that high level actions and decisions were transparent and accountable.<sup>36</sup> Agriculture has since transitioned to a new system, Planning Hub, for tracking recommendations, including ANAO performance audit recommendations. Agriculture had a complete and accurate list of ANAO recommendations from 2016–17.

2.16 Airservices uses an IT system, the Corporate Integrated Reporting and Risk Information System (CIRRIS), to track the progress of recommendations.<sup>37</sup> The ANAO performance audit recommendations, responsible officers and due dates for the ICCPM audit were recorded in CIRRIS on 10 October 2016 and recorded as complete by internal audit officers on 20 October 2016. This was after the recommendations had been endorsed as completed by the executive and reported by the Chair to the Minister for Infrastructure and Transport on 30 September 2016 as completed.

2.17 As such, the recommendations were not tracked through CIRRIS during their implementation phase. Following the ICCPM audit, Airservices developed a revised process to track recommendations and agreed actions from future ANAO performance audits in CIRRIS and provide progress status reports as part of standard internal audit reporting to its Board Audit and Risk Committee (BARC).

2.18 Within AVPMA, an officer performs the coordination role for ANAO recommendations as well as other audit committee reporting.<sup>38</sup> APVMA's existing governance arrangements were used to provide oversight of the implementation of recommendations by the Executive Leadership Team.<sup>39</sup> Some reporting to the audit committee occurred.

2.19 Infrastructure uses an IT system — the Audit Recommendations Database (ARD) — to track progress of ANAO performance audit recommendations. The ARD is intended to track progress,

35 Auditor-General Report No.5 2015–16 *Implementation of Audit Recommendations*, p. 25.

36 The Executive Management Committee is Agriculture's key internal management committee and is chaired by the Secretary.

37 CIRRIS is used across Airservices for managing actions arising from assurance activities undertaken by Airservices as well as external consultancy and regulatory reviews (such as reviews by the Civil Aviation Safety Authority).

38 APVMA does not have an IT system for capturing and tracking performance audit recommendations.

39 The Executive Leadership Team is APVMA's key internal management committee and is chaired by the CEO.

record action taken and produce reports on the implementation of both internal audit and ANAO performance audit recommendations. ARD reports are intended to assist Infrastructure's audit committee to fulfil its obligations to provide oversight of audit activities undertaken in the department.

2.20 Infrastructure utilised ARD for the period that the 2016–17 recommendations were being tracked. As recommendations are intended to be entered and tracked in one central system, Infrastructure should have a complete and accurate list of ANAO recommendations. However, it was found that although the WestConnex audit was noted at the March 2017 audit committee meeting, following tabling of the report in February 2017, it was not added to the ARD. As such, Infrastructure did not have a complete and accurate list of ANAO recommendations.

### **Are there sufficient controls over the system to maintain complete and accurate data?**

Agriculture has implemented controls for its recommendation tracking systems that are intended to maintain complete and accurate data, however there are opportunities to strengthen the controls and supporting processes.

Airservices and Infrastructure documented roles and responsibilities and associated controls for their respective recommendation tracking systems. These controls were not fully effective in maintaining complete and accurate data for 2016–17.

2.21 Appropriate IT controls uphold the integrity of the data and processes that a system supports. Entities should ensure that adequate controls are in place over recommendation tracking systems to maintain complete and accurate data for reporting and oversight.

2.22 The ANAO examined the user access and controls for Agriculture's recommendation tracking systems, which encompassed both the eTrac system — utilised until March 2019 and Planning Hub, which has replaced eTrac for tracking recommendations.

2.23 Access levels for both systems are defined based on user type, however administrative access to eTrac was more tightly restricted than current arrangements for Planning Hub. Access arrangements for Planning Hub remain under development following the introduction of the system.<sup>40</sup>

2.24 eTrac was designed as a management tool for Agriculture's governance committee meetings and had a small number of administrative users. General user access enabled users to perform only certain tasks as per their level and view only those recommendations assigned to them. Records could not be deleted from eTrac.

2.25 Planning Hub however, is used more widely in the department and has multiple modules for risk management, project management and governance (including recommendations tracking) with a larger number of administrative users who can access multiple modules within the system, simultaneously if required. These users can access the governance module (recommendations) and delete records as they would in others modules if they are assigned to them. General users however cannot delete records.

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40 Administrative access is a level of access above that of a normal user.

2.26 Planning Hub also does not currently have the ability to produce a user access report to track access to the system and relies on manual processes such as secondary checking of inputs by the internal audit team to ensure completeness. As such, Planning Hub's access management has some weaknesses. Agriculture has indicated its intention to address these weaknesses.

2.27 Airservices has defined access controls to support the input of complete and accurate data within its recommendation and action tracking system. However, this system was not used for monitoring the implementation of the ICCPM recommendations.<sup>41</sup> As such, further testing of IT controls was not conducted.

2.28 Infrastructure has established access controls on the ARD. Administrator access to the ARD is restricted to the internal audit team to facilitate its role as secretariat to the audit committee. General access to the ARD is restricted to users who require access. Infrastructure advised the ANAO that the system can track who has made edits and users can only make edits to those items that are assigned to them. However, the controls framework failed to ensure that the system information was complete. As the process failed to capture all recommendations, the ANAO did not further test Infrastructure's ARD IT controls.

### Is the audit committee provided with appropriate advice to support the monitoring and scrutiny of recommendation implementation?

The completeness and appropriateness of advice provided to audit committees varied between the selected entities. Agriculture provides regular and complete reports to its audit committee. Airservices and APVMA reported directly to the accountable authority for ANAO performance audit recommendations, while Infrastructure's reporting to the audit committee on 2016–17 recommendations was incomplete.

2.29 Audit committees provide independent advice and assurance to an entity's accountable authority on financial and performance reporting, risk oversight management and internal controls.<sup>42</sup> The PGPA Rule requires that entity's audit committees review the appropriateness of the accountable authority's system of internal control.<sup>43</sup>

2.30 The Department of Finance model charter for audit committees suggests that accountable authorities may wish to consider including other functions in their audit committee charter, such as consideration of parliamentary committee reports, external reviews and evaluations. This would include the audit committee satisfying itself 'that the entity has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations'.<sup>44</sup>

2.31 Agriculture's audit committee charter states that the committee is responsible for monitoring the implementation of ANAO performance audit recommendations. The audit

41 The recommendations from the ICCPM audit were recorded in CIRRIIS after the recommendations had been endorsed as completed.

42 Section 17 of the *Public Governance, Performance and Accountability Rule 2014*

43 *ibid.*

44 Department of Finance, Model charter for Commonwealth entities' audit committees [Internet], available from <https://www.finance.gov.au/sites/default/files/Model-charter-for-audit-committees.pdf> [accessed April 2019]

committee receives quarterly updates on the progress of audit and assurance activities and the requirement to provide regular reporting has been documented in internal documentation.

2.32 The audit committee also provides a quarterly report to the Executive Management Committee (EMC) which is Agriculture's primary governance and decision making body. As part of these reports, the EMC is provided with an update on the status of internal audit and ANAO recommendations.

2.33 Airservices' Board Audit and Risk Committee (BARC) is responsible for advising Airservices' Board on action taken on significant issues raised in relevant external audit reports. The BARC must also report to the Board a summary of Airservices' progress in addressing the findings and recommendations made in internal and external audit and parliamentary committee reports. However, this process was not followed. Airservices reported directly to the Board on the progress of implementation of ANAO recommendations from the ICCPM audit, rather than through the BARC.

2.34 Airservices should consider clarifying the BARC charter for the different approaches that are actually taken on significant issues raised in external audit reports as the current charter is not reflective of business practices.

2.35 While a process was not clearly documented, APVMA provided several updates on activities related to the implementation of ANAO recommendations to its audit committee. However, these were not always explicitly linked back to the original ANAO recommendations. For example, February 2018 reporting against an external review of operational performance was not clearly linked back to the ANAO recommendations and findings. While the audit committee charter defines functions relating to ANAO financial statements audits and APVMA internal audits, it does not specifically refer to ANAO performance audits. APVMA also regularly discussed the implementation of recommendations at its Executive Leadership Team meetings.

2.36 Infrastructure's audit committee charter does not specifically refer to responsibility for monitoring the implementation of ANAO performance audit recommendations, however regular reporting on the implementation of recommendations from ANAO performance audits is included in the audit work plan. Further, as discussed in paragraph 2.20, Infrastructure's processes failed to capture the WestConnex audit in its central database. As such, the recommendation from the WestConnex audit was not subject to regular tracking or reporting to the audit committee. A revised internal audit charter, which explicitly includes the monitoring of agreed recommendations, was presented to the audit committee for consideration in March 2019. Infrastructure advised that the charter was endorsed by the Secretary in June 2019.



### 3. Implementation of ANAO recommendations

#### Areas examined

This chapter examined the extent to which, where governance arrangements were not found to be appropriate, the selected entities implemented 2016–17 ANAO recommendations in an effective and timely manner. Based on the outcomes of chapter two, this chapter applies only to Airservices Australia (Airservices), Australian Pesticides and Veterinary Medicines Authority (APVMA) and the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure). The ANAO has not adopted criterion two to include additional substantive examination of Agriculture’s implementation of ANAO recommendations in chapter three.

#### Conclusion

The additional substantive procedures undertaken by the ANAO evidenced activities undertaken by Airservices, APVMA and Infrastructure in relation to addressing ANAO recommendations. However, none of the entities could demonstrate that all recommendations were fully implemented.

Entities that did not have formal governance arrangements in place, or did not consistently apply formal governance arrangements, did not fully implement 2016–17 ANAO performance audit recommendations.

#### Areas for improvement

The ANAO made one recommendation aimed at entities finalising the implementation of recommendations.

#### Did the entities develop an implementation plan?

The selected entities did not develop clear implementation plans for all recommendations.

3.1 Successful implementation of audit recommendations requires implementation planning to set clear responsibilities and timeframes for addressing the required action. Implementation planning should involve key stakeholders, including the internal audit function.

3.2 Airservices Australia (Airservices) agreed to the six recommendations arising from Auditor-General Report No.1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program* (the ICCPM audit). Airservices advised the ANAO that, as the entity was working to quickly address the recommendations, implementation plans were not developed to monitor the progress of agreed actions. Rather, Airservices relied on a table of initiatives to assess progress, provide status updates, and describe planned actions to address the recommendations. Airservices has acknowledged that affecting cultural change within the organisation will take time. The evidence reviewed by the ANAO indicates that, as at May 2019, actions against the ICCPM audit recommendations, particularly against recommendation one, remain ongoing.

3.3 The Australian Pesticides and Veterinary Medicines Authority (APVMA) agreed to all four recommendations arising from Auditor-General Report No.56 2016–17 *Pesticide and Veterinary Medicine Regulatory Reform*. The APVMA did not provide the ANAO with evidence of documented implementation plans for the four recommendations. However, actions have been completed

against two of the recommendations, and commenced against the remaining two recommendations.

3.4 While the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) has a formal governance process for monitoring ANAO recommendations, the process did not require the development of implementation plans, as recommended, and agreed by Infrastructure, in Auditor-General Report No.53 2012–13 *Agencies Implementation of Performance Audit Recommendations*.<sup>45</sup>

3.5 Infrastructure agreed to the recommendation arising from Auditor-General Report No.38 2016-17 *The Approval and Administration of the Commonwealth Funding for the WestConnex Project* (the WestConnex audit). The ANAO was advised that responsibility for the implementation of that recommendation sat with the relevant business area—Infrastructure Investment Division. Implementation plans were not developed for this recommendation, however some actions have been taken to address the recommendation.

3.6 Infrastructure also agreed to the recommendation arising from Auditor-General Report No.30 2016–17 *Design and Implementation of Round Two of the National Stronger Regions Fund* (the National Stronger Regions Fund audit). The department did not provide evidence of an implementation plan in response to this recommendation, however action did occur in response to the recommendation.

## Did entities maintain evidence to confirm the implementation of ANAO recommendations?

Entities did not maintain sufficient and appropriate evidence to clearly demonstrate that all recommendations have been implemented.

3.7 Airservices agreed to the six recommendations arising from the ICCPM audit. In October 2016, the Chair of Airservices' Board advised the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016. Further, Airservices' 2016–17 Annual Report stated that implementation of all six recommendations was completed by 30 September 2016.<sup>46</sup>

3.8 Airservices provided evidence of a range of actions taken in response to the recommendations, many of which remain ongoing at May 2019. Further, Airservices has undertaken a number of internal audits and reviews which highlight that weaknesses remain in Airservices' procurement policies and procedures which has impacted on the achievement of the agreed culture shift.

3.9 As Airservices did not develop implementation plans to respond to the recommendations, there is no evidence of intended outcomes, including benchmarks and targets or robust measures to assess progress achieved. As such, Airservices has not been able to evaluate its performance against the implementation of the recommendations or identify when the intended result has been achieved.

45 Auditor-General Report No.53 2012–13 *Agencies Implementation of Performance Audit Recommendations*, p. 19.

46 Airservices Australia, 2016–17 Annual Report, p. 119.

3.10 APVMA provided evidence of actions against each of the recommendations demonstrating the completion of two of the four recommendations.

3.11 Infrastructure was unable to provide appropriate evidence of complete implementation of the recommendation from the WestConnex audit. The ANAO assessed Infrastructure's implementation of recommendations from the National Stronger Regions Fund audit as implemented and partially implemented for the WestConnex audit.

## Did entities effectively implement agreed recommendations?

None of the entities have fully implemented all agreed ANAO performance audit recommendations.

3.12 In examining the evidence entities maintained to support the implementation of recommendations, the ANAO assessed whether recommendations had been implemented. The ANAO has not undertaken additional substantive examination of Agriculture's implementation of ANAO recommendations as nothing came to our attention in auditing their governance processes which would lead us to believe that Agriculture's reported status of implementation was not correct. Agriculture's view of the status of implementation is presented at Table 3.2 and Table 3.3.

3.13 The definitions used by the ANAO to assess the extent to which recommendations had been implemented are provided in Table 3.1. The audit recommendations, including the ANAO's assessment of each entity's implementation, are provided in Table 3.2 to Table 3.7.

**Table 3.1: ANAO's categorisation of implementation status**

Assessment	Explanation
Not implemented	There is no supporting evidence that the agreed action has been undertaken, or the action taken does not address the intent of the recommendation.
Partially implemented	The action taken was less extensive than recommended, as it: <ul style="list-style-type: none"> <li>• fell short of the intent of the recommendation; and</li> <li>• only addressed some of the identified risks.</li> </ul>
Not fully implemented	The action taken was less extensive than agreed, as it fell short of the intent of the recommendation, although has addressed many but not all identified risks.
Implemented	The action taken met the intent of the recommendation, and sufficient evidence was provided to demonstrate action taken.

Source: ANAO.

3.14 Overall, Airservices' reporting of the recommendations as completed by 30 September 2016 more accurately reflected the commencement of actions to address the recommendations, rather than the intended outcomes being achieved and therefore the completion of implementation. While action has occurred against each of the recommendations, Airservices has only partially or not fully implemented the recommendations from the ICCPM audit. Refer to Table 3.4 for further detail.

3.15 APVMA has implemented recommendations three and four. The actions undertaken against recommendation one have not yet been completed and as such this recommendation is not fully implemented. The actions taken against recommendation two have not yet fully addressed the intent of the original recommendation. As such this recommendation is also not fully implemented.

3.16 Infrastructure's internal audit team and audit committee considered and endorsed a recommendation closure report as well as program guidelines and an assessment report template developed in response to the recommendation from the National Stronger Regions Fund audit. However, the closure of the recommendation at this time was based on evidence related to one program only and did not provide an indication of how the recommendation and findings would be considered in future programs as agreed by the department. Infrastructure has subsequently given consideration to broader ANAO findings in the development of other grants programs.

## Department of Agriculture

**Table 3.2: Auditor-General Report No. 17 2016–17 *Design and Monitoring of the Rural Research and Development for Profit Programme***

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<b>Recommendation no.1:</b> The Department of Agriculture and Water Resources should ensure that the design of new programmes is informed by an appropriate assessment of costs, risks and benefits of alternative delivery models.	<b>Agreed</b> The department will ensure that assessments of delivery options are appropriately documented and reflected in briefings to ministers on new programmes, including consideration of the costs, risks and benefits of alternative delivery models whenever possible.	Reporting to the audit committee indicates completion of the recommendation by January 2018.	Based on the procedures performed and the evidence obtained, nothing came to the ANAO's attention that Agriculture's governance arrangements were not effective in accurately reporting implementation status.
<b>Recommendation no.2:</b> The Department of Agriculture and Water Resources should expand the existing performance measures for the Rural R&D for Profit Programme, and/or develop additional measurement tools, to better inform an assessment of the achievement of (or progress towards) programme objectives.	<b>Agreed</b> The department will consider, and implement where appropriate, the ANAO's suggestions for improving the programme's evaluation plan and performance measurement activities.	Reporting to the audit committee indicates completion of the recommendation by January 2018.	Based on the procedures performed and the evidence obtained, nothing came to the ANAO's attention that Agriculture's governance arrangements were not effective in accurately reporting implementation status.

Source: Auditor-General Report No.17 2016–17 *Design and Monitoring of the Rural Research and Development for Profit Programme* and ANAO analysis.

**Table 3.3: Auditor-General Report No. 34 2016–17 *Implementation of the Biosecurity Legislative Framework***

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.1:</b> The Department of Agriculture and Water Resources should:</p> <ul style="list-style-type: none"> <li>• finalise and implement the Benefits Realisation Framework as a priority; and</li> <li>• ensure that the Benefits Realisation Framework is effective in assessing the impact of the introduction of the new biosecurity legislative framework and the value of the reduction in costs and regulatory burden for external stakeholders.</li> </ul>	<p><b>Agreed</b></p> <p>The department agrees with the ANAO recommendation regarding the Benefits Realisation Framework (Framework). The implementation of the Framework is a priority for the department. The Framework was endorsed by the Programme Board and the measures are being implemented using baseline data that has been collected since commencement of the new legislation. The department is measuring the benefits that have been identified as flowing to clients, stakeholders and staff as a result of implementing the new legislation. As originally planned, the department is also reviewing the costings in the Regulatory Impact Statement for the biosecurity legislation looking for any variation in either the costs or savings with implementation.</p>	<p>Reporting to the audit committee indicates completion by 31 August 2017.</p>	<p>Based on the procedures performed and the evidence obtained, nothing came to the ANAO's attention that Agriculture's governance arrangements were not effective in accurately reporting implementation status.</p>

Source: Auditor-General Report No.34 2016–17 *Implementation of the Biosecurity Legislative Framework* and ANAO analysis.

## Airservices Australia

**Table 3.4: Auditor-General Report No. 1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program Report***

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.1:</b> The ANAO recommends that Airservices Australia address systemic failures in the adherence to the organisation's procurement policies and procedures and the cultural underpinnings of those failures.</p>	Agreed	Airservices reported to the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.	<p><b>Partially implemented</b></p> <p>The outcomes of internal reviews, combined with the status of recommendations 2 to 6, indicate that Airservices has not yet fully shifted the entity's procurement culture. Further, Airservices has not identified a target state to measure performance against this shift.</p>
<p><b>Recommendation no.2:</b> The ANAO recommends that Airservices Australia improve the value for money it obtains from major and strategic procurement activities by:</p> <ul style="list-style-type: none"> <li>a) requiring that, except in genuinely rare circumstances, competitive procurement processes are to be employed; and</li> <li>b) on those rare occasions when competitive procurement processes have not been able to be employed: <ul style="list-style-type: none"> <li>– documenting the reasons why a competitive approach was not employed;</li> <li>– benchmarking the quoted rates/fee and making records of the basis on which it was decided that the contracted rate/fee represented value for money; and</li> <li>– reporting any such instances to the Airservices Australia Board.</li> </ul> </li> </ul>	Agreed	Airservices reported to the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.	<p><b>Partially implemented</b></p> <p>Airservices has updated internal procurement guidance to outline key procurement principles including value for money and competitive market approaches.</p> <p>11 types of goods and services and 29 suppliers have been classified as exempt from normal procurement processes. Examples include occupancy cost (rent), licence or subscription fees, superannuation or private health payments, vehicle registration and utilities. It is unclear whether any external advice was sought in exemption of these activities, or how frequently exemptions are reviewed.</p> <p>Further, reporting on compliant and non-compliant procurement activities is at too high a level and does not provide sufficient detail to support detailed analysis and decision making.</p>

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.3:</b> The ANAO recommends that Airservices Australia improve its procurement framework by including enhanced guidance in relation to:</p> <ul style="list-style-type: none"> <li>a) the different roles performed by probity advisors and probity auditors;</li> <li>b) determining the circumstances in which the engagement of an independent probity auditor would be appropriate; and</li> <li>c) the manner in which such decisions are to be documented.</li> </ul>	<p><b>Agreed</b></p>	<p>Airservices reported to the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.</p>	<p><b>Partially implemented</b></p> <p>Overall, the information provided within the finance manual provides limited guidance to staff in determining when to engage the services of a probity advisor or auditor.</p> <p>The procurement workflow includes several references to probity, however these are not supported by clear guidance within the workflow or finance manual. The workflow includes a reference to a probity plan template, which includes greater detail as to when probity advice should be sought. However, the probity plan is not required for all procurement activities and so this information is not clearly and readily available to all staff for consideration when commencing a procurement.</p>



Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.4:</b> The ANAO recommends that Airservices Australia proactively manage probity in procurement activities by:</p> <ul style="list-style-type: none"> <li>a) ensuring conflict of interest declarations are updated regularly or their ongoing currency confirmed;</li> <li>b) reviewing existing declarations when the role being performed by an individual changes; and</li> <li>c) regular review of program participants' reporting of contact with industry respondents in order to monitor compliance with reporting obligations.</li> </ul>	<b>Agreed</b>	<p>Airservices reported to the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.</p>	<p><b>Partially implemented</b></p> <p>There is no evidence within the finance manual of a requirement to record contact with industry, respondents or monitoring of any instances of contact.</p> <p>An internal audit activity conducted in January 2019 indicated that although Airservices has defined assurance processes within its finance manual to confirm the compliance of procurement documentation, this process does not incorporate non-competitive or direct source procurements.</p> <p>Further, there is no requirement for formal review of conflict of interest declarations either by management, staff or Airservices' procurement support team.</p> <p>The absence of advice on contact with industry respondents combined with the control weaknesses identified in the internal audit demonstrates that actions to address this recommendation have not been fully effective.</p>
<p><b>Recommendation no.5:</b> The ANAO recommends that Airservices Australia's governance arrangements address:</p> <ul style="list-style-type: none"> <li>a) whether individuals proposed to be employed in key probity management roles possess the understanding and capabilities required to undertake the role effectively; and</li> <li>b) the appropriate separation of duties between key probity management roles associated with a procurement activity.</li> </ul>	<b>Agreed</b>	<p>Airservices reported to the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.</p>	<p><b>Not fully implemented</b></p> <p>The circumstances in which a probity advisor or auditor should be engaged are not clearly articulated in the finance manual. This level of detail is only discussed in a template which is not required for all activities.</p> <p>Airservices has documented the required capabilities of probity auditors but not probity advisors.</p>

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.6:</b> The ANAO recommends that Airservices Australia enhance its procedures for managing probity in procurement processes to require documented consideration of the potential for actual or perceived conflicts of interest to arise when engaging external contractors to participate in tender evaluations and contract negotiations and, where relevant, the management strategies that are to be applied.</p>	<p><b>Agreed</b></p>	<p>Airservices reported to the Minister for Infrastructure and Transport that all ANAO recommendations had been addressed by 30 September 2016.</p>	<p><b>Partially implemented</b></p> <p>Airservices advised the ANAO that it undertook activities to clarify the procurement framework and guidance relating to conflict of interest declarations, and applying ongoing management and mitigation strategies for identified conflicts.</p> <p>Airservices' finance manual specifies that all members of the evaluation panel are required to declare conflicts of interest. This includes any specialist advisors and contractors. There is no requirement for formal review of conflict of interest declarations either by management, staff or Airservices' procurement support team.</p> <p>In June 2018, Airservices initiated monthly compliance checks of completed procurements. Airservices' guide to compliance checks states that they must verify, amongst other requirements, that conflict of interest forms have been completed and, for longer term procurement, regularly updated as required.</p>

Source: Auditor-General Report No.1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program* Report and ANAO analysis.

## Australian Pesticides and Veterinary Medicines Authority

**Table 3.5: Auditor-General Report No. 56 2016–17 *Pesticide and Veterinary Medicine Regulatory Reform***

Recommendation	Entity response	Entity view of current status of assessment	ANAO assessment of implementation
<p><b>Recommendation no.1:</b> The Australian Pesticides and Veterinary Medicines Authority should implement an internal quality framework to provide an appropriate level of assurance that its assessments are undertaken in a consistent manner and made in accordance with agvet chemical legislation.</p>	<p><b>Agreed</b></p> <p>The APVMA agrees the quality assurance framework for agvet chemical assessments can be improved. The APVMA believes the current processes for assessment of agvet chemicals are robust, with appropriate documentation and based on sound evidence, as acknowledged in the ANAO report. This provides for high quality scientific decision making for registration of agvet chemicals in line with the legislative framework.</p> <p>Internal governance committees for registration management and science quality are operational within the agency to provide assurance that regulatory decision making is in line with legislative requirements, fit-for-purpose and consistent. The terms of reference for these committees will be reviewed to ensure they reflect action to implement the recommendation.</p> <p>The APVMA will support the work of the committees through a program of better documentation of assessment frameworks, targeted training for assessment staff, and business process and IT improvements to standardise application processes as much as possible and improve consistency.</p> <p>The APVMA notes the ANAO's suggestion regarding analysis of pre-</p>	<p>Internal reporting in 2018 stated that work was progressing to implement a quality management framework.</p> <p>APVMA has a plan to develop and implement a quality management framework in 2019.</p>	<p><b>Not fully implemented</b></p> <p>The recommendation has been considered within APVMA and several initiatives to address the recommendations have commenced including introduction of a position responsible for developing a quality management framework. However, the actions undertaken to date by the APVMA have not yet fully addressed the intent of the recommendation.</p> <p>Current quality arrangements do not include independent assessment, which is a key component of a robust quality framework.<sup>a</sup></p>

Recommendation	Entity response	Entity view of current status of assessment	ANAO assessment of implementation
	<p>application assistance outcomes with a view to developing appropriate industry guidance. The agency agrees improved guidance for industry continues to be an area for improvement and has commenced a process in consultation with industry to develop better guidance material for high volume applications.</p> <p>The APVMA notes the ANAO's suggestion to develop intelligence collection and analysis arrangements to strengthen its compliance and enforcement strategy and will include this suggestion in future strategies.</p>		
<p><b>Recommendation no.2:</b> The Australian Pesticides and Veterinary Medicines Authority should establish and monitor an appropriate set of measures and targets to assess the extent to which it is improving the effectiveness and efficiency of its regulatory activities through its ongoing reform agenda.</p>	<p><b>Agreed</b></p> <p>The APVMA has a range of performance measures in its corporate and regulator performance plans and has reported against these indicators in the 2015–16 Annual Report. The APVMA also publishes quarterly a detailed report of timeframe performance and regulatory activity.</p> <p>The APVMA agrees that a review of the performance measures is required to ensure they best reflect the regulatory framework within which it operates and to account for expectations under the government's Agricultural Competitiveness White Paper initiatives and the relocation of the APVMA to Armidale.</p> <p>The APVMA notes that the Department of Agriculture and Water Resources has responsibility for the legislative framework for agvet chemicals and for</p>	<p>APVMA advised the ANAO at the commencement of the audit that it considered implementation of this recommendation as ongoing.</p>	<p><b>Not fully implemented</b></p> <p>APVMA contracted an external provider to conduct the <i>Independent Review of Assessment Performance</i>, completed on 22 December 2017. APVMA has a broad range of performance measures both internally and externally. These measures are intended to meet the requirements of the Commonwealth Performance Framework. However, APVMA's current suite of performance information in its Annual Performance Statements is not appropriate as it does not present a clear and succinct performance story and does not clearly link to the entity's purpose.</p>

Recommendation	Entity response	Entity view of current status of assessment	ANAO assessment of implementation
	<p>designing regulatory reform measures and will work with the department on future reforms to ensure performance measures are clearly defined.</p> <p>The APVMA notes the methods for calculating timeframe performance changed with the implementation of the legislation, making direct comparison of efficiency before and after the legislation difficult. Nevertheless, the APVMA showed significantly improved performance over 2016 with over 80 per cent of product applications being completed within legislated timeframes in the September quarter, despite a challenging operating environment relating to the announcement of the relocation of the APVMA to Armidale.</p>		<p>Overall, the actions taken to date have not addressed the intent of this recommendation, which was to develop an appropriate set of measures and targets.</p>
<p><b>Recommendation no.3:</b> The Australian Pesticides and Veterinary Medicines Authority should improve its governance of the implementation of major reforms, including the maintenance of an oversight body with clearly defined responsibilities and robust project monitoring arrangements.</p>	<p><b>Agreed</b></p> <p>The APVMA notes the governance arrangements for the implementation of the legislation in 2014 were inadequate and recognises that ongoing effort is required to ensure appropriate governance arrangements are in place for major initiatives.</p> <p>Following the experiences in 2014, the APMVA established a Project Board, along with a dedicated team, to provide oversight of the key reform projects being progressed under the Agricultural Competitiveness White Paper. This provides for a coordinated approach to implementation planning preparation of project documentation, identification and management of risks, anticipated</p>	<p>APVMA provided an update to its audit committee in November 2017 which listed the recommendation as complete. APVMA advised the ANAO that while the recommendation was viewed as complete following establishment of the initial governance arrangements, APVMA continues to review and update governance arrangements.</p>	<p><b>Implemented</b></p> <p>APVMA has implemented oversight arrangements to govern the implementation of major reforms, including the Authority's relocation, and has clearly defined the responsibilities for the governance bodies. APVMA has reviewed these governance arrangements and made adjustments to ensure they remain appropriate.</p>

Recommendation	Entity response	Entity view of current status of assessment	ANAO assessment of implementation
	<p>benefits and budget management. The Project Board reports to the executive leadership team on a monthly basis.</p> <p>Governance arrangements for the relocation of the APVMA to Armidale are in place with a dedicated executive leadership team and a steering committee established. There is also the APVMA Relocation Advisory Committee which meets monthly to provide advice on various aspects of the relocation with members drawn from industry, the Armidale Council, the University of New England and also the Department of Agriculture and Water Resources.</p>		
<p><b>Recommendation no.4:</b> The Australian Pesticides and Veterinary Medicines Authority should implement a structured and systematic approach to identifying and responding to emerging business risks.</p>	<p><b>Agreed</b></p> <p>The APVMA has undertaken a review of its approach to managing business risk, resulting in a revised risk management framework and an updated strategic enterprise risk profile, which is reviewed at monthly executive leadership meetings.</p> <p>Risks relating to reform activities being progressed under the Agricultural Competitiveness White Paper risks are addressed in each project plan and monitored by the Project Board.</p>	<p>APVMA provided an update to its audit committee in November 2017 which listed the recommendation as complete.</p>	<p><b>Implemented</b></p> <p>APVMA undertook a review of its approach to managing business risk. The review resulted in a revised risk management framework and an updated strategic enterprise risk profile, which is reviewed at monthly executive leadership meetings. A revised risk management approach was presented to the audit committee for review and comment at its June 2018 meeting.</p> <p>Since September 2018, a number of discussions have occurred at Executive Leadership Team meetings, which examined specific operational risks in greater detail including the appropriateness of controls and treatments and updates to the relevant risk register information.</p>

Recommendation	Entity response	Entity view of current status of assessment	ANAO assessment of implementation
	Risk management relating to the relocation of the APVMA has been identified as a high priority with specific resources being engaged to identify, monitor and mitigate relocation-related risks. The APVMA Relocation Advisory Committee has a standing agenda item relating to risk and the Relocation Steering Committee has direct oversight of risk management, reporting monthly to the APVMA executive leadership team.		

Note a: Australian National Audit Office, *Insights from reports tabled October to December 2018* [Internet], ANAO, available from <https://www.anao.gov.au/work/audit-insights/insights-reports-tabled-october-to-december-2018> [accessed April 2019].

Source: Auditor-General Report No. 56 2016–17 *Pesticide and Veterinary Medicine Regulatory Reform*; and ANAO analysis.

## Department of Infrastructure, Transport, Cities and Regional Development

**Table 3.6: Auditor-General Report No. 38 2016–17 *The Approval and Administration of Commonwealth Funding for the WestConnex Project***

Recommendation	Entity response	Entity view of current status of implementation	Assessment of implementation
<p><b>Recommendation no.1:</b> The Department of Infrastructure and Regional Development improve the advice on any future loans for major infrastructure projects by:</p> <ul style="list-style-type: none"> <li>a) developing a more robust and tailored administrative framework to govern the possible provision of loans;</li> <li>b) clearly identifying, and quantifying the impact of, all key aspects of the proposed commercial arrangements; and</li> <li>c) providing Ministers with a range of options on the key terms for agreement on the parameters within which the Department is authorised to negotiate.</li> </ul>	<p><b>Agreed</b></p> <p>The Department agrees with the recommendation and notes that, as acknowledged by the ANAO in this audit report (refer 3.25), the Department conducted its own 'lessons learned' workshop in relation to the concessional loan in early 2016 in order to continually improve its due diligence processes.</p>	<p>Infrastructure has not reported against the progress of this recommendation to its audit committee.</p>	<p><b>Partially implemented</b></p> <p>A tailored administrative framework to govern possible provision of loans was not developed, but the department has held a lessons learned workshop on the WestConnex Stage 2 concessional loan.</p> <p>Infrastructure advised that updated administrative internal guidance and guidance note have been developed to address the recommendation.</p> <p>The ANAO's review of the concessional loan facility agreements and Ministerial briefs found that options on the key terms of the agreement were provided.</p>

Source: Auditor-General Report No. 38 2016–17 *The Approval and Administration of Commonwealth Funding for the WestConnex Project*; and ANAO analysis.



**Table 3.7: Auditor-General Report No. 30 2016–17 *Design and Implementation of Round Two of the National Stronger Regions Fund***

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.1:</b> That the Department of Infrastructure and Regional Development ensures its program designs contain explicit mechanisms for targeting funding in accordance with the stated policy objectives of the program.</p>	<p><b>Agreed</b></p>	<p>Infrastructure reported to the audit committee in March 2017 recommending closure of the recommendation.</p>	<p><b>Implemented</b></p> <p>The closure pack provided to the audit committee stated that ‘the recommendation has been actioned in design and development of the Building Better Regions Fund (BBRF)’. The department developed several program guidelines and an assessment report template in the design and development of the BBRF. These guidelines were considered by the internal audit team in reviewing and endorsing the recommendation closure pack, prior to providing the update to the audit committee. The audit committee agreed to close the recommendation based on the evidence provided, which was specific to the BBRF program and no further program designs or overarching guidance was considered in the closure.</p> <p>Infrastructure provided further evidence to the ANAO which demonstrates that mechanisms to align program design to policy objectives were subsequently developed for programs following the BBRF. Infrastructure also has an Accountable Authority Instruction in place which states that Infrastructure officials must comply with the Commonwealth Grants Rules and Guidelines.</p>

Source: Auditor-General Report No. 30 2016–17 *Design and Implementation of Round Two of the National Stronger Regions Fund*; and ANAO analysis.

## Recommendation no.1

3.17 Entities finalise implementation of 2016–17 ANAO performance audit recommendations. Specifically:

- (a) Airservices complete implementation of the recommendations from Auditor-General Report No.1 2016–17 *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program*;
- (b) APVMA complete implementation of recommendations one and two from Auditor-General Report No.56 2016–17 *Pesticides and Veterinary Medicine Regulatory Reform*; and
- (c) Infrastructure implement plans to complete the outstanding recommendation from Auditor-General Report No.38 2016–17 *The Approval and Administration of the Commonwealth Funding for the WestConnex Project*.

**Airservices Australia response:** *Disagreed.*

**Australian Pesticides and Veterinary Medicines Authority response:** *Agreed.*

3.18 *The APVMA is renewing its approach to internal quality assurance and is developing a revised quality management framework.*

3.19 *The APVMA is also updating its performance reporting framework, with a greater focus on performance measures that address the effectiveness and efficiency of the APVMA's regulatory operations.*

**Department of Infrastructure, Transport, Cities and Regional Development response:** *Agreed.*

3.20 *The department has reviewed the action taken to address the recommendation from the Auditor-General Report No.38 2016–17 The Approval and Administration of the Commonwealth Funding for the WestConnex Project, and has implemented plans to complete the outstanding action. The recommendation has been added to the Audit Recommendation Database and will be included in the governance arrangements for monitoring the implementation of performance audit recommendations.*

## Was the implementation of the recommendations tested?

Entities' testing of the implementation of recommendations was not exhaustive. Furthermore, entities' approaches to addressing additional issues or acting on opportunities for improvement identified in testing also varied.

3.21 Airservices has undertaken several reviews and evaluation activities, which, while not directly aligned to the individual recommendations from the ICCPM audit, have addressed some key aspects of the recommendations. These reviews made a number of key findings:

- For high value procurement activities undertaken within Airservices, the majority of activities reviewed had failed to demonstrate that procurement strategy, documentation, evaluation, risk management and record keeping requirements were met.

- Control weaknesses exist relating to conflict of interest declarations. Specifically, the procurement framework process does not require confirmation of the completion of conflict of interest declarations for sole source procurements.
- Poor alignment of fourteen significant long term contracts and to the newly established Contract Management Risk and Control Map. A review identified several issues, including relating to the management of records, risks and issues, financial control and variations and extensions.

3.22 Combined, the outcomes of these internal reviews highlight that Airservices' has partially implemented recommendation one, which was to 'address systemic failures in the adherence to the organisation's procurement policies and procedures and the cultural underpinnings of those failures.' Further, Airservices has partially or not fully implemented each of the recommendations, as key elements remain unaddressed against each recommendation, notwithstanding the advice to the Minister, the Board and the BARC.

3.23 APVMA provided evidence of review of the implementation of recommendations three and four. Relating to recommendation three a minute was presented to the Executive Leadership Team in December 2018 noting that although the 2018–19 corporate plan retained the Relocation Program Board while APVMA had also established a Change Management Board, there was an opportunity to streamline governance arrangements by consolidating the two boards. The APVMA has since consolidated these two boards.

3.24 Relating to recommendation four, the Executive Leadership Team approved a review of APVMA's risk register in September 2017. APVMA provided evidence of updates to the Executive Leadership Team on the progress of this review. The APVMA has not reviewed the implementation of recommendations one and two as implementation of these recommendations remains in progress.

3.25 Infrastructure has considered the recommendation from the National Stronger Regions Fund in pre-implementation audits for the Regional Growth Fund and Regional Jobs and Investment Package. As implementation of the recommendation from the WestConnex audit remains underway, the department has not undertaken or been able to provide evidence of testing of the recommendation.

## 4. Governance of JCPAA and other parliamentary committee recommendations

### Areas examined

This chapter examines the extent to which the selected entities have established formalised governance arrangements to support the implementation of the Joint Committee of Public Accounts and Audit (JCPAA) and other parliamentary recommendations related to 2016–17.

### Conclusion

Each of the four entities has processes in place to respond to recommendations from inquiries and requests, including responding to recommendations. However, none of the four entities has formalised governance arrangements in place to monitor the implementation of agreed JCPAA and other parliamentary committee recommendations.

### Areas for improvement

The ANAO made one recommendation aimed at entities implementing formalised governance arrangements for JCPAA and other parliamentary committee recommendations.

In addition, the ANAO made a further recommendation directed to the Department of the Prime Minister and Cabinet in relation to reinforcing the responsibilities of accountable authorities to monitor and implement agreed parliamentary committee recommendations.

### Do the selected entities have formalised governance arrangements in place to respond to, monitor and implement JCPAA and other parliamentary committee recommendations?

Entities have established processes for responding to inquiries and requests. However, none of the four entities have formalised governance arrangements in place to monitor and implement JCPAA and other parliamentary committee recommendations.

4.1 The approval and tabling process for government responses to committee reports is outlined in the Department of the Prime Minister and Cabinet *Guidelines for the Presentation of Documents to the Parliament (including government documents, government responses to committee reports, ministerial statements, annual reports and other instruments)* (the Guidelines).<sup>47</sup> Once approved, departments need to have the government response tabled within the required timeframes and must provide a covering minute to the Department of the Prime Minister and Cabinet (PM&C) tabling officer indicating that the response has been approved for tabling.<sup>48</sup> The Guidelines state that responses to committee reports should be presented to the relevant committee within:

- three months — for Senate Committee reports and Joint Parliamentary Committee reports; and

47 Department of the Prime Minister and Cabinet (PM&C), *Guidelines for the Presentation of Documents to the Parliament*, PM&C, Canberra, 2017.

48 *ibid.*, p. 10.

- six months — for House of Representatives Committee reports.<sup>49</sup>

4.2 The current guidance available to Commonwealth entities relating to Joint Committee of Public Accounts and Audit (JCPAA) and other parliamentary recommendations is limited to responding to reports and recommendations. The guidance does not extend to monitoring and implementing recommendations. As such, the guidance does not provide a strong signal to entities and accountable authorities of the expectation and importance of implementing agreed JCPAA and other parliamentary recommendations.

4.3 The Department of Agriculture's (Agriculture) written responses to parliamentary committee reports are coordinated through the parliamentary liaison services team. The parliamentary liaison services team's responsibility ceases once the response to the committee report has been tabled.

4.4 A process for formal allocation of responsibility for monitoring and implementing recommendations has not been documented. In March 2019, Agriculture acknowledged that there is a gap in its governance arrangements. Agriculture is considering the need to develop a process to manage the implementation of JCPAA and other parliamentary committee recommendations.

4.5 Documented processes are not in place to support Airservices Australia's (Airservices) response to JCPAA and other parliamentary committee recommendations. A framework for monitoring implementation of JCPAA and other parliamentary committee recommendations is also not in place. Standard procedures for recording agreed actions from other audits and reviews into Airservices' recommendation tracking system including assigning responsibility, monitoring and implementing were not followed for the JCPAA recommendations. Despite the lack of a documented process, Airservices responded to *JCPAA Report 465: Commonwealth Procurement - Inquiry based on Auditor-General's Reports 1, 13 and 16 (2016–17)* within the required timeframes.<sup>50</sup>

4.6 As the JCPAA inquiry was undertaken after the 2016–17 period examined in this audit, further analysis of Airservices' implementation of the JCPAA recommendations was not undertaken. Airservices was not subject to any parliamentary committee inquiries in the 2016–17 period.

4.7 On 11 December 2017 the JCPAA wrote to the Chief Executive Officer (CEO) of the Australian Pesticides and Veterinary Medicines Authority (APVMA). The JCPAA advised that while it was not conducting a formal inquiry into the ANAO report, it was requesting updated information from the APVMA on the activities undertaken to address the 'areas for improvement' identified; and progress and fully implement the ANAO recommendations.

4.8 Processes are in place to support APVMA's written responses to inquiries by the JCPAA and other parliamentary committees. However, these governance arrangements were not documented at the time of the JCPAA's request. During the course of this audit, APVMA drafted and endorsed a governance procedure that outlines the steps to respond to recommendations and the corresponding APVMA roles involved.

4.9 The advice provided by APVMA to the JCPAA in relation to the four ANAO recommendations was consistent with evidence provided by APVMA. As the APVMA was responding to a review by

49 *ibid.*, p. 8.

50 JCPAA, Report 465: *Commonwealth Procurement — Inquiry based on Auditor-General's reports 1, 13 and 16 (2016–17)*, [Internet], 2017, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/CommProcurement](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CommProcurement) [accessed April 2019].

correspondence rather than new recommendations from the JCPAA, this audit has not conducted any further testing against the monitoring and implementation processes.

4.10 The Department of Infrastructure, Transport, Cities and Regional Development's (Infrastructure) written responses to JCPAA and other parliamentary committee reports are not coordinated through consistent and centralised processes. Varying processes are applied depending on how a request to respond to a report is received by the department.

4.11 Infrastructure was unable to confirm what, if any, coordination arrangements were applied to the recommendations from JCPAA *Report 462: Commonwealth Infrastructure Spending – Inquiry based on Auditor-General's reports 14 (2015–16) and 38 (2016–17)* following the provision of the response. Formal allocation of responsibilities for monitoring and implementing recommendations has not been documented.

4.12 During this audit, Infrastructure acknowledged the gap in its governance arrangements for managing the implementation of JCPAA and other parliamentary committee recommendations. Infrastructure advised the ANAO that the existing governance arrangements for the monitoring of implementation of ANAO performance audit recommendations have recently been extended to monitoring the implementation of recommendations from the JCPAA and the recommendations examined in the audit have been added to the Audit Recommendation Database.

## Recommendation no.2

4.13 Entities implement formalised governance arrangements to provide greater executive oversight of the implementation of JCPAA and other parliamentary committee recommendations. This framework should include development of implementation plans, assignment of responsibility for progressing recommendations, and appropriate tracking and reporting against the implementation of JCPAA and other parliamentary recommendations.

**Department of Agriculture response:** *Agreed.*

4.14 *The department will implement governance processes to provide monitoring and reporting to relevant executives regarding the implementation of Joint Committee of Public Accounts and Audit and other parliamentary committee recommendations.*

**Airservices Australia response:** *Agreed.*

**Australian Pesticides and Veterinary Medicines Authority:** *Agreed.*

4.15 *The APVMA is implementing improved internal governance arrangements to ensure there is greater executive oversight of planning and reporting against JCPAA and other parliamentary recommendations.*

**Department of Infrastructure, Transport, Cities and Regional Development response:** *Agreed.*

4.16 *The Department has extended existing governance arrangements for the monitoring of implementation of recommendations from ANAO performance audits to JCPAA recommendations. The Department's Internal Audit Charter and Internal Audit Protocol have been reviewed and updated to include the responsibilities for implementing, monitoring and reporting on the implementation of recommendations from JCPAA and other parliamentary committees. The Department has commenced the monitoring of parliamentary committee recommendations and will establish further arrangements for the oversight of these recommendations.*

## Recommendation no.3

4.17 The Department of the Prime Minister and Cabinet reinforce the responsibility of accountable authorities to monitor and implement agreed parliamentary committee recommendations.

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

## 5. Implementation of JCPAA and other parliamentary committee recommendations

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### Areas examined

This chapter examines the extent to which the selected entities have implemented Joint Committee of Public Accounts and Audit (JCPAA) and other parliamentary recommendations, related to 2016–17, in an effective and timely manner. Only the Department of Agriculture (Agriculture) and the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) had JCPAA or other parliamentary committee recommendations directed to them relevant to 2016–17.

### Conclusion

Neither Agriculture nor Infrastructure was able to demonstrate that all recommendations were fully implemented.

### Areas for improvement

The ANAO made one recommendation aimed at Agriculture and Infrastructure undertaking a comprehensive analysis of the actions taken to date in relation to each of the committee recommendations and implement plans to complete the recommendations as supported by government. The entities should also advise the relevant committees of the status of the recommendations.

### Did the entities develop an implementation plan?

Agriculture and Infrastructure did not develop implementation plans for JCPAA and other parliamentary committee recommendations.

5.1 In 2017, the House of Representatives Standing Committee on Agriculture and Water Resources conducted an inquiry *Safe Keeping: Inquiry into the biosecurity of Australian Honey Bees* and made six recommendations.<sup>51</sup> The government response to the report from this inquiry ‘supported’ five of the recommendations and supported one recommendation in principle.<sup>52 53</sup> There were no JCPAA recommendations directed at Agriculture for 2016–17.

5.2 The Australian Chief Plant Protection Office (ACPP Office) within Agriculture confirmed that it was responsible for responding to the report and recommendations, as well as providing oversight of the implementation of recommendations arising from the report. However, during this audit, the ACPP Office was initially unable to confirm whether it or other business areas held responsibility for implementation of the recommendations. The ACPP Office also noted that implementation of

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51 House of Representatives Standing Committee on Agriculture and Water Resources, *Safe Keeping: Inquiry into the biosecurity of Australian honey bees*, 27 March 2017.

52 The ANAO has interpreted ‘supported’ as agreed for the purposes of this report.

53 Australian Government, *Australian Government Response to the House of Representatives Standing Committee on Agriculture and Water Resources report: Safe Keeping: Inquiry into the biosecurity of Australian honey bees*, Australian Government, August 2017.



recommendations one and three was likely to fall under the National Bee Pest Surveillance Program, managed by Plant Health Australia.<sup>54</sup>

5.3 Agriculture subsequently advised the ANAO that implementation plans were not developed in response to the recommendations. Agriculture further advised that it believed that actions against some recommendations were underway prior to the report being finalised and the government providing its response.

5.4 Infrastructure responded to five recommendations from JCPAA Report No. 462 *Commonwealth Infrastructure Spending*. Infrastructure agreed to four of the five recommendations. Recommendation three was agreed with qualification. Infrastructure did not develop implementation plans in response to these recommendations.

5.5 The government responded to nine recommendations arising from the Senate Standing Committee on Rural and Regional Affairs and Transport Report: *Airport and Aviation Security*. The government agreed to three of the nine recommendations and recommendation four was agreed in principle.<sup>55</sup> Infrastructure advised that responsibility for implementation of these recommendations was directed to the Office of Transport Security (OTS), which was within the department at the time of the response. However, following the machinery of government change that occurred creating the Department of Home Affairs (Home Affairs), transport security functions and the responsibility for implementing the recommendations were transferred to Home Affairs. Infrastructure further advised that records were transferred with the OTS and so Infrastructure was not able to provide any evidence of actions that occurred between responding and transferring of the recommendations. This audit has not considered actions against these recommendations as responsibility was transferred to the Department of Home Affairs which is outside the scope of this audit.

## Did entities maintain evidence to confirm the implementation of JCPAA and other parliamentary committee recommendations?

Agriculture and Infrastructure did not maintain appropriate evidence to confirm whether recommendations have been implemented.

5.6 Agriculture advised the ANAO that its monitoring of the recommendations was 'on the periphery' and that the ACPP Office maintained, to varying degrees depending on the recommendation, oversight of the implementation of the recommendations.

5.7 Infrastructure did not have a coordinated process for monitoring implementation of JCPAA and other parliamentary committee recommendations. The ANAO was advised that parliamentary recommendations remain with the responsible business areas to manage following the presentation of the response. Infrastructure had not provided evidence that the accountable authority has any oversight over the progress of implementation.

54 Plant Health Australia coordinates government and industry plant biosecurity activities. It is a not-for-profit company funded by member subscriptions from all Australian governments and all major plant industry peak bodies.

55 The remaining recommendations were directed to other entities and as such were not considered in the scope of this audit.

5.8 As outlined in paragraph 4.12, Infrastructure advised the ANAO that the existing governance arrangements for the monitoring of implementation of ANAO performance audit recommendations have recently been extended to monitoring the implementation of recommendations from the JCPAA.

5.9 As there was no coordinated process, Infrastructure was also unable to provide advice on the status of the recommendations. Infrastructure was able to provide evidence that some action has occurred, however this action has only partially implemented the five recommendations. Infrastructure commenced reporting to its audit and risk committee against JCPAA recommendations in June 2019.

### Did entities effectively implement agreed recommendations?

Neither Agriculture nor Infrastructure has fully implemented all agreed JCPAA or other parliamentary committee recommendations.

5.10 In examining the evidence entities maintained to support the implementation of recommendations, the ANAO assessed whether recommendations had been implemented. The definitions used to assess the extent to which recommendations had been implemented are provided in Table 3.1.

5.11 Of the six recommendations from the Safe Keeping: Inquiry into the biosecurity of Australian Honey Bees inquiry report, one has been implemented, one has been partially implemented and four have not been implemented. The ANAO's assessment of the implementation of recommendations is provided in Table 5.1.

5.12 Of the five recommendations from JCPAA Report No. 462 *Commonwealth Infrastructure Spending*, Infrastructure has implemented two recommendations and partially implemented the other three recommendations. The ANAO's assessment of the implementation of recommendations is provided in Table 5.2.

## Department of Agriculture

**Table 5.1: House of Representatives Standing Committee on Agriculture and Water Resources, Safe Keeping: Inquiry into the biosecurity of Australian honey bees (March 2017)**

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.1:</b> The Committee recommends that the National Bee Pest Surveillance Program implement, by 30 June 2017, the proposed enhanced Model 3 program, as outlined in the recent review and redesign. The appropriate proportion of funds should be provided by the relevant Commonwealth agencies involved in the program partnership.</p>	<p><b>Supported in principle</b></p> <p>The National Bee Pest Surveillance Program delivers a range of surveillance activities at likely entry points of bee pests and pest bees, like Asian honey bees, throughout Australia. Its primary objective is to be an early warning system for new threats before they establish, to limit the scale and cost eradication, and to support trade by proving pest absence.</p> <p>While Model 3 would reduce the number of standard catchboxes, it will provide an enhancement over Model 2 by further increasing port coverage, virus surveillance as well as increasing the number of remote and Asian honey bee catchboxes. It will also increase the amount of floral sweep netting. To ensure that Model 3 presents the best return on investment, it will be important to consider implementation of these improvements once the sensitivity of methodologies developed in Model 2 are tested and evaluated, which will be after 30 June 2017.</p>	<p>Agriculture advised the ANAO that it continues to implement enhancements to the National Bee Pest Surveillance Program including monitoring and reviewing the methodologies.</p>	<p><b>Not implemented</b></p> <p>Agriculture's response to the report indicated that it supported the full implementation of Model 2 prior to moving to implementation of Model 3.<sup>a</sup> Plant Health Australia informed the department that the implementation of Model 2 commenced in December 2016. The implementation of Model 2 is ongoing in accordance with the National Bee Pest Surveillance Program Enhancements project, which is expected to be completed by 31 August 2019.</p> <p>The National Bee Pest Surveillance Program Enhancements project advised the department in March 2019 that there were currently no results for testing to date. Agriculture has advised that Model 3 may be implemented once Model 2 is analysed and there is a demonstrated need to implement Model 3.</p>

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
	<p>The Government contributed to the recent review and redesign of the National Bee Pest Surveillance Program and supports improvements to the program. Horticulture Innovation Australia and Plant Health Australia support the full implementation of Model 2 before moving to implementation of Model 3. The Australian Honey Bee Industry Council participated in the original review process through the steering committee and have been advised of the redesigned surveillance program through their participation on the National Bee Biosecurity Program Steering Committee.</p> <p>The Government has also invested more than \$587,000 for Plant Health Australia to make additional enhancements to the National Bee Pest Surveillance Program through the Agricultural Competitiveness White Paper to ensure it builds on its successes and continues to meet its core work.</p> <p>This includes virus diagnostics and surveillance around a range of bee viruses that are exotic to Australia, increased Asian honey bee surveillance, improved and updated operational protocols, deploying improved remote catchboxes in remote locations or areas of high risk and the trial of Asian hornet traps at key ports.</p>		

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.2:</b> The Committee recommends that the Australian Government investigate the development of an easy to use smart phone application which may help members of the public to more easily contribute to eradication programs.</p>	<p><b>Supported</b></p> <p>Several smart phone applications exist or are under development that could assist members of the public identify or report pest sightings and potentially facilitate public engagement in general surveillance as well as eradication programs. For example, the Western Australia Department of Agriculture and Food has developed a suite of applications called MyPestGuide which were promoted to members of the public for reporting pest detections during the recent tomato-potato psyllid response. Similarly, Plant Health Australia has been funded through a Rural Industries Research and Development Corporation (RIRDC) funded project to develop a bee pest identification application over the next two years.</p> <p>The Australian Department of Agriculture and Water Resources will raise this matter with Plant Health Australia as the custodian of the Emergency Plant Pest Response Deed and managers of the National Bee Pest Surveillance Program.</p>	<p>Agriculture has investigated the use of smart phone applications. The department has not reported the outcomes of this investigation.</p>	<p><b>Implemented</b></p> <p>Plant Health Australia, on behalf of Agriculture, has undertaken an investigation into development opportunities for a smart phone application. The department provided evidence of a paper presented to the Plant Health Committee<sup>b</sup> at the December 2018 meeting. The paper was titled <i>Scoping proposal for a national surveillance and reporting app</i>.</p>

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.3:</b> The Committee recommends that the Australian Government immediately initiate the necessary research and development that will allow the efficiency of the National Bee Pest Surveillance Program to be assessed, with a view to the development of any program refinements, adjustments or modifications. The rigorous statistical analysis of all methodologies should be the highest priority, with particular focus on the effectiveness or optimisation of standard and remote catch boxes. The research and analysis should aim to be completed by June 2018.</p>	<p><b>Supported</b></p> <p>There are surveillance data capture and management methods already in place that will enable efficiency of the National Bee Pest Surveillance Program to be assessed. The redesigned Model 2 program will need to be operational for a period of time before any statistical analysis of methodologies can be conducted. The timeframe must, therefore, take into account an initial period of data capture and will not be able to be completed by June 2018.</p>	<p>Agriculture advised the ANAO that it continues to implement enhancements to the National Bee Pest Surveillance Program including monitoring and reviewing the methodologies.</p>	<p><b>Not implemented</b></p> <p>Agriculture advised the ANAO that it continues to implement enhancements to the National Bee Pest Surveillance program and monitor and review the methodologies. However, the recommended assessment of the National Bee Pest Surveillance program has not yet been conducted. Agriculture has advised that the timeframe for the assessment is not clear as sufficient data to allow for robust and meaningful results from the assessment may take several years to collect.</p>
<p><b>Recommendation no.4:</b> The Committee recommends that the Australian Government complete the analysis of pest bee risk ratings for the Australian ports that do not have such ratings. The assessment should include airports, and it should also include pre-embarkation inspections and processes at various ports. The assessment should be completed by the end of 2017 and a copy of the completed assessment provided to the Committee.</p>	<p><b>Supported.</b></p> <p>Plant Health Australia is undertaking preliminary scoping of the activities required to complete an analysis of pest bee risk ratings for the Australian ports that do not have such ratings.</p> <p>A timeframe for the completion of the analysis of these ratings will be known once the preliminary scoping work is completed.</p>	<p>Agriculture has not reported against the implementation of this recommendation.</p>	<p><b>Not implemented</b></p> <p>A proposal to reassess and update the risk of Australian seaports for entry and establishment of bee pests was put forward in June 2017. Agriculture advised that there was no funding for the proposal and national preparedness exercises were conducted instead. As at April 2019, the port assessment project proposal remains under consideration by Agriculture.</p>

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
<p><b>Recommendation no.5:</b> The Committee recommends that the Australian Government undertake a detailed analysis of the smuggling of bees into Australia. The analysis should include, but not be limited to, the total number of incidents, the percentage of incidents where pests were discovered, the potential for further incursions, and how to prevent, detect or combat such incidents. A copy of the analysis should be provided to the Committee upon completion.</p>	<p><b>Supported</b></p> <p>The Government has systems in place to allow the importation of queen bees and bee semen from specific overseas countries. This helps mitigate the risk of bee smuggling by providing a legal pathway for the importation of new genetic material from overseas. Australia also has systems in place to increase our protection from introduced bee pests and diseases such as Varroa mites including:</p> <ul style="list-style-type: none"> <li>incursion prevention systems, which include the requirement for all vessels arriving into Australia from overseas to provide the department with a pre-arrival report so that a biosecurity risk assessment of the vessel can be undertaken prior to its arrival;</li> <li>cargo can only be imported to Australia under approved, strict biosecurity conditions that effectively manage pest and disease risks;</li> <li>inspections at the border to intercept smuggling and reduce the risk of entry of foreign bees and any pests and diseases they carry;</li> <li>early detection systems, such as general surveillance activities at airports, seaports, and premises under approved arrangements;</li> <li>the National Bee Pest Surveillance Program, which uses sentinel hives, catchboxes and other methods to detect exotic bees and bee pests; and</li> </ul>	<p>Agriculture advised the ANAO that it is unable to provide any analysis of cases of bee smuggling as there have been no detections or prosecutions of alleged illegal importation of bees since 2000. The department has not reported further against the implementation of this recommendation.</p>	<p><b>Not implemented</b></p> <p>While the House of Representatives Standing Committee on Agriculture and Water Resources was advised that bee smuggling was a major issue and that two cases had been prosecuted in Australia, the ACPP Office advised the ANAO that no analysis was conducted in response to the recommendation as no instances of illegal bee smuggling were detected and as such there was no data or information available to analyse.</p> <p>The government response to the inquiry stated that the department responds to all reports of bee smuggling and has taken enforcement action where this has been proven to occur. The department has not provided evidence of reports of bee smuggling and resulting actions.</p>

Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
	<ul style="list-style-type: none"> <li>established emergency response procedures to address any detections of exotic bees or associated pests onshore.</li> </ul> <p>The department responds to all reports of bee smuggling and has taken enforcement action where this has been proven to occur, such as the successful prosecution of a New South Wales beekeeper in 2000 after being detected trying to smuggle queen bees into Australia that were concealed in pens. The department has undertaken an investigation into a number of potential importation pathways to determine their vulnerability to abuse. A number of pathways have been examined and no instances of illegal bee smuggling have been detected as part of the investigation.</p>		
<p><b>Recommendation no.6:</b> The Committee recommends that the Australian Government, in conjunction with domestic and possibly international industry partners, initiate research and development into selective breeding of honey bees that are resistant to pests and diseases that may have a detrimental effect on the Australian honey bee industry.</p>	<p><b>Supported</b></p> <p>The Australian Government and industry jointly invest in honey bee research through the rural research and development system. Research and development levies on honey and pollination-dependent industries are supported by matching Commonwealth funding.</p> <p>Horticulture Innovation Australia Limited and RIRDC in consultation with industry stakeholders determine research priorities and project funding in the interests of the honey bee and pollination-dependent industries respectively.</p> <p>A pilot project by RIRDC on genetic evaluation of Australian honey bees has</p>	<p>Agriculture has not reported against the implementation of this recommendation.</p>	<p><b>Partially implemented</b></p> <p>Agriculture advised the ANAO that it has worked with the bee industry to provide access to new genetic material (live queen bees or bee semen) for the selective breeding of honey bees.</p> <p>However, in a stakeholder meeting in May 2018 involving Agriculture and other stakeholders, bee industry representatives indicated that they believe current import conditions are inconsistent with policy, are overly restrictive and do not support access. As such, while importation of live queen bees or bee semen is technically possible, the bee industry considers it impractical and no importation has occurred to date.</p>



Recommendation	Entity response	Entity view of current status of implementation	ANAO assessment of implementation
	<p>shown there is real potential for genetic improvement of production and health traits in Australian honey bees. Selective breeding is being done in Australia to improve bee and hive hygiene which may aid in defence against pests and diseases. It is important to note though that selective breeding of bees resistant to exotic pests and diseases would be more appropriate to be undertaken outside Australia due to the inherent biosecurity risks involved.</p> <p>An efficient and cost-effective approach to improve Australia's honey bee stock would be to utilise the resistant lines of bees that are already available through overseas breeding programs. Import conditions are currently available to facilitate the introduction of these improved bee genetics to Australia.</p>		<p>Further, evidence provided by Agriculture in relation to providing access to new genetic material is dated 2015. Agriculture has not provided evidence or outcomes of the implementation of strategies identified in the period following finalisation of this strategy or following the Safe Keeping inquiry.</p>

Note a: Standing Committee on Agriculture and Water Resources, *Safe Keeping* [Internet], available from [www.aph.gov.au/Parliamentary\\_Business/Committees/House/Standing\\_Committee\\_on\\_Agriculture\\_and\\_Water\\_Resources/Roundtablehoneybees/Report](http://www.aph.gov.au/Parliamentary_Business/Committees/House/Standing_Committee_on_Agriculture_and_Water_Resources/Roundtablehoneybees/Report) [accessed April 2019].

Note b: The Plant Health Committee provides strategic scientific, technical and policy advice to government on plant biosecurity. Member include representatives from states and territories, industry and the Department of Agriculture.

Source: Australian Government response to the House of Representatives Standing Committee on Agriculture and Water Resources report: *Safe Keeping: Inquiry into the biosecurity of Australian honey bees* (August 2017); and ANAO analysis.

## Department of Infrastructure, Transport, Cities and Regional Development

**Table 5.2: Joint Committee of Public Accounts and Audit, Report 462: Commonwealth Infrastructure Spending (June 2017)**

Recommendation	Entity response	Entity view of current status of implementation	Assessment of implementation
<p><b>Recommendation no.1:</b> The Committee recommends that, in relation to project approval instruments for future infrastructure projects, the Department of Infrastructure and Regional Development provide explicit advice to its Ministers on whether the requirements of the land transport legislation have been met and, where sufficient information is not available to make such an assessment, identify this in its advice.</p>	<p><b>Agreed</b></p> <p>The Department's usual practice is to provide a Ministerial Brief, which accompanies the project approval instrument. This brief covers a range of matters, including whether the requirements of the land transport legislation have been met.</p>	<p>Infrastructure has not reported against the implementation of this recommendation.</p>	<p><b>Implemented</b></p> <p>The ANAO reviewed recent infrastructure project briefs and confirmed that the advice contained explicit advice to the Minister on whether the land transport legislation had been met and under what relevant sections of the <i>National Land Transport Act 2014</i>.</p> <p>Supporting departmental documentation refers to the <i>National Land Transport Act 2014</i>.</p>
<p><b>Recommendation no.2:</b> The Committee recommends that the Department of Infrastructure and Regional Development only make significant payments when required by a project according to agreed milestones due to the unnecessary interest and holding costs and risks, including unquantified risks, arising from advance payments.</p> <p>The Committee recommends that the Department of Infrastructure and Regional Development's advice in relation to significant payments in advance of project needs should clearly and specifically set out:</p>	<p><b>Agreed</b></p> <p>The Department's role in providing advice on payments is to ensure that project payments are made upon the achievement of jointly agreed milestones.</p> <p>The Department will provide advice on a range of risks associated with a payment in advance of need should it occur in the future, including those issues referenced in the JCPAA report.</p>	<p>Infrastructure has not reported against the implementation of this recommendation.</p>	<p><b>Partially implemented</b></p> <p>The ANAO was provided with documentation which demonstrated that, in two instances where the Minister was requested to make a pre-payment, Infrastructure's advice contained an explanation and consideration of the potential risks to the Commonwealth and consideration of how to account for any interest accrued on the pre-payment in the process. Infrastructure has not provided evidence of developing centralised guidance to ensure consistency of advice.</p>

Recommendation	Entity response	Entity view of current status of implementation	Assessment of implementation
<ul style="list-style-type: none"> <li>the additional interest charges and costs arising from additional Commonwealth borrowing so Ministers are fully informed of costs to the taxpayer if deciding to make advance payments; and</li> <li>any identified risks and potential risks arising from advance payments so Ministers are fully informed of risks to the Commonwealth if deciding to make advance payments.</li> </ul>			
<p><b>Recommendation no.3:</b> The Committee recommends that the Department of Infrastructure and Regional Development review its approach to drafting project approval instruments, to identify any risks that may be relevant to the use of Commonwealth funding and to develop a generic form of conditions that can be included in future instruments to address these risks.</p>	<p><b>Agreed with qualification</b></p> <p>While the Department agrees with the recommendation, this needs to be qualified as the briefings provided to the Minister accompanying the project approval instrument also usually identify risks and appropriate ways to mitigate them.</p> <p>In addition, the original Approval Instrument is only one of a number of means to control the flow of funds to a recipient.</p> <p>Other methods include:</p> <ul style="list-style-type: none"> <li>financial arrangements as set out in the Schedules to the National Partnership Agreements;</li> </ul>	<p>Infrastructure has not reported against the implementation of this recommendation.</p>	<p><b>Partially implemented</b></p> <p>Infrastructure advised the ANAO that it does not consider the project approval instrument to be the appropriate place for information on risks and that this information would be considered in the covering brief. The ANAO's review of ministerial briefs on project approvals confirmed that the project approval instrument does not identify risks, however the ministerial covering brief, does contain a description including risks and attachments that outlined the project specific issues or risks and the contingencies the department intended to use to manage them. Infrastructure has not provided evidence of developing centralised guidance to ensure consistency of advice.</p>

Recommendation	Entity response	Entity view of current status of implementation	Assessment of implementation
	<ul style="list-style-type: none"> <li>• a Memorandum of Understanding that sets out the intentions of the parties with respect to entering into a formal agreement as well as funding and financing arrangements;</li> <li>• conditions on subsequent project approval instruments that may be issued;</li> <li>• the achievement of project milestones; and</li> <li>• the exercise of discretion by decision makers in making payments.</li> </ul>		
<p><b>Recommendation no.4:</b> The Committee recommends that the administrative guidelines for loans that the Department of Infrastructure and Regional Development is developing in response to Recommendation 1 in Audit Report No. 38 (2016– 17) The Approval and Administration of Commonwealth Funding for the WestConnex project, include a requirement that project proponents identify alternative funding strategies to a Commonwealth loan, as well as information explaining why Commonwealth funding would be the most effective, efficient and economical option.</p>	<p><b>Agreed</b></p> <p>The Department considers its approach to project funding and financing on a case-by-case basis in a manner consistent with the Principles for Innovative Financing (February 2016).</p> <p>In addition, more recently in May 2017, the Australian Government announced the establishment of the Infrastructure and Project Financing Agency to assist it identify, assess and broker financing opportunities for infrastructure projects.</p>	<p>Infrastructure has not reported against the implementation of this recommendation.</p>	<p><b>Partially implemented</b></p> <p>Infrastructure agreed to this recommendation and stated that they consider project funding and financing on a case-by-case basis consistent with the ‘Principles for Innovative Financing’.<sup>a</sup> The response also referred to the establishment of the Infrastructure and Project Financing Agency (IPFA)<sup>b</sup> who also assist in identifying, assessing and brokering financing opportunities for infrastructure projects.</p>

Recommendation	Entity response	Entity view of current status of implementation	Assessment of implementation
			The department advised the ANAO that no new or updated administrative guidance had been developed, however, a lessons learned process was conducted. A guidance note on the provision on the process to deliver a concessional loan was also developed. The guidance note contains a general overview of the processes involved when considering and delivering a concessional loan for a land transport infrastructure project.
<b>Recommendation no.6:</b> The Committee recommends that the Department of Infrastructure and Regional Development undertake a review of the Infrastructure Management System to identify ways in which to: <ul style="list-style-type: none"> <li>record additional information about the reasons for milestone payments and revisions;</li> <li>improve the quality of data submissions, including controls and data validation approaches; and</li> <li>capture information on incremental and cumulative project expenditure by the entities responsible for delivering projects.</li> </ul>	<b>Agreed</b> The Department is undertaking a review of the business information and communications technology systems.	Infrastructure has not reported against the implementation of this recommendation.	<b>Implemented</b> In 2017 Infrastructure conducted a review of its business information and communication technology systems before establishing an Infrastructure Investment Transformation Taskforce to lead the development and implementation of the Infrastructure Investment Information Systems and Business Reform Program. This program is intended to deliver an integrated business system for the department's Infrastructure Investment Division with the capability to support project payments, administration, reporting to government and records management. The program is scheduled to be rolled out across 2019 and 2020.

Note: Recommendation 5 from the Commonwealth Infrastructure Spending Inquiry was made to the ANAO.

Note a: Department of Infrastructure, Regional Development and Cities, *Principles for Innovative Financing* [online], 7 June 2018, available from [https://investment.infrastructure.gov.au/about/funding\\_and\\_finance/principles\\_for\\_innovative\\_financing.aspx](https://investment.infrastructure.gov.au/about/funding_and_finance/principles_for_innovative_financing.aspx) [accessed April 2019].

Note b: Infrastructure and Project Financing Agency (IPFA) provides advice to Australian Government Agencies and Ministers on commercial and financing arrangements in major projects. More information is available from <https://www.ipfa.gov.au/about> [accessed April 2019].

Source: Department of Infrastructure, Regional Development and Cities, *Australian Government Response: Department of Infrastructure and Regional Development Report 462 Recommendations 1, 2, 3, 4 and 6* (December 2017); and ANAO analysis.

## Was implementation of JCPAA and other parliamentary committee recommendations tested?

Neither Agriculture nor Infrastructure have tested the implementation of recommendations.

5.13 Agriculture's internal audit team and audit committee do not have any oversight of the JCPAA or other parliamentary committee recommendations and as such had not planned for the review of recommendation implementation. Agriculture has not provided any evidence of testing of the implementation of recommendations.

5.14 Infrastructure's internal audit team and audit committee do not have oversight of JCPAA and other parliamentary committee recommendations and, as such, had not planned for the review of recommendation implementation and closure reports have not been submitted. Infrastructure has also not been able to provide evidence of another form of executive oversight process across these recommendations or confirm if risk management plans have been updated to reflect necessary changes to address the recommendations.

5.15 As at March 2019, Infrastructure considered all recommendations from the JCPAA in 2016–17 to be open, and therefore unable to be tested at that time. Infrastructure has advised that it has commenced monitoring these recommendations, with a view to implementing recommendations from JCPAA Report No. 462 *Commonwealth Infrastructure Spending*.

## Was the appropriate parliamentary committee advised of implementation?

Neither Agriculture nor Infrastructure had reported back to the relevant committee following the tabling of responses to the inquiry and report.

5.16 Two of the recommendations from the *Safe Keeping: Inquiry into the biosecurity of Australian Honey Bees* explicitly required a report back to the Committee. Recommendation four required that an assessment of pest bee risk ratings should be completed for Australian ports that do not have such ratings and a copy of the completed assessment be provide to the Committee. Agriculture advised that the assessment has not been completed and as such there has been no report back to the committee.

5.17 Recommendation five required that a copy of the analysis of the smuggling of bees into Australia be provided to the Committee upon completion. Agriculture advised the ANAO that it was unable to provide an analysis of cases because there has been no detections or prosecutions of alleged illegally imported bees since 2000. As no analysis was completed, Agriculture advised that no further reporting to the Committee was deemed necessary.

5.18 Agriculture has not provided any evidence of reporting to the committee against any of the other recommendations. Agriculture has not provided any evidence of other internal reporting to provide oversight of the implementation of recommendations.

5.19 The recommendations from JCPAA Report No. 462 *Commonwealth Infrastructure Spending* did not contain an explicit requirement to report to the committee following implementation. The Senate Standing Committee on Rural and Regional Affairs and Transport requested that Infrastructure update the committee in early 2018 on the progress and outcomes following the

implementation of Stage Two of the Visitor Identification Card enhancements. However, the responsibility to address these recommendations had been transferred to the Department of Home Affairs by that time.

5.20 Infrastructure has not provided evidence of reporting to either committee against any of the recommendations. Infrastructure has also not provided any evidence of other internal reporting to demonstrate executive oversight of the implementation of parliamentary committee recommendations.

#### Recommendation no.4

5.21 The Department of Agriculture and the Department of Infrastructure, Transport, Cities and Regional Development each undertake an analysis of the actions taken to date in relation to the relevant recommendations examined in this audit and implement plans to complete the recommendations. The entities should also advise the relevant committees of the status of the recommendations.

**Department of Agriculture response:** *Agreed.*

5.22 *The department will undertake an analysis of the actions undertaken in response to the recommendations from the Safe Keeping: Inquiry into the biosecurity of Australian Honey Bees report. Where required, plans will be implemented to complete the recommendations. The department will provide the Standing Committee on Agriculture and Water Resources an update on the status of recommendations.*

**Department of Infrastructure, Transport, Cities and Regional Development response:** *Partially agreed.*

5.23 *The Department has undertaken an analysis of actions taken to date in regard to the recommendations from the Joint Committee of Public Accounts and Audit Report 462: Commonwealth Infrastructure Spending and will continue to implement recommendations 2, 3 and 4.*

5.24 *The Department will report to the JCPAA on the implementation of the recommendations examined in the audit whenever invited to do so.*

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Grant Hehir  
Auditor-General

Canberra ACT  
5 August 2019





## **Appendices**

## Appendix 1 Entity responses



**Australian Government**  
**Department of the Prime Minister and Cabinet**

**SECRETARY**

**DR MARTIN PARKINSON AC PSM**

Ref: EC19-000669

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

Dear ~~Mr~~ <sup>Grant</sup> Hehir

Thank you for your correspondence of 3 June 2019 regarding the Australian National Audit Office (ANAO) draft audit report on the Implementation of ANAO and Parliamentary Committee Recommendations.

Officials from the Department of the Prime Minister and Cabinet (PM&C) and your office met to discuss the proposed audit report and the associated commentary, including the recommendation relating to PM&C.

The presentation of documents is an important component of the Government's accountability to the Parliament and the broader community. It is critical for responsible agencies to monitor and implement the parliamentary committee's recommendations agreed to by the Government.

Accordingly, PM&C agrees with the below recommendation to be contained in the ANAO audit report:

*The Department of the Prime Minister and Cabinet reinforce the responsibility of accountable authorities to monitor and implement agreed parliamentary committee recommendations.*

To address this recommendation, I will write to all Secretaries reminding them of their obligation to develop a Government response to parliamentary committee reports for ministerial consideration in a timely manner for tabling in the Parliament.

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Further, I will remind Secretaries of the obligations to implement agreed recommendations within an acceptable timeframe.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark O'Connell', written in a cursive style.

8 July 2019



Australian Government  
Department of Agriculture

**SECRETARY**

Ref: EC19-000538

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

Via email: [grant.hehir@anao.gov.au](mailto:grant.hehir@anao.gov.au)

Dear Grant

Thank you for providing the Department of Agriculture (the department) with the opportunity to comment on the ANAO's proposed report on *Governance of the Implementation of ANAO Recommendations and Parliamentary Committee Recommendations*.

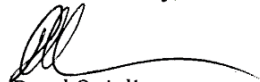
The department welcomes the report's conclusions and findings and is committed to appropriate and timely implementation of agreed recommendations to both ANAO and parliamentary committee reports.

The department is pleased that the report recognises that governance processes are in place to ensure effective monitoring and implementation of ANAO recommendations. The department acknowledges that there is work to be done to strengthen the governance processes to support monitoring and implementation of Joint Committee of Public Accounts and Audit's and other parliamentary committees' recommendations. The department is in full support of strengthening these processes as identified by the ANAO.

The department's summary response to the audit is enclosed (at Attachment A) for publication in the final report. The department acknowledges that there are some recommendations which are addressed to other agencies.

I would like to thank the ANAO for the professional and cooperative approach of its audit team in working with my staff throughout this audit process.

Yours sincerely,



Daryl Quinlivan

19 June 2019

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Mr Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601  
E: grant.hehir@anao.gov.au

Dear Mr Hehir

I refer to the proposed audit report on the *Implementation of ANAO and parliamentary committee recommendations* provided to Airservices Australia under section 19 of the *Auditor General Act 1997*. I offer the following comments in relation to the report.

As a Commonwealth entity, Airservices recognises the importance of external scrutiny by the ANAO, the Joint Committee of Public Accounts and Audit (JCPAA) and other parliamentary committees. I agree that appropriate and timely implementation of recommendations is vital to ensure that learnings from these reports are realised by agencies such as Airservices.

In this regard, Airservices took its responsibility to consider and adopt the learnings from ANAO audit into the *Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program* very seriously. This commitment is reflected by the immediate action taken and close oversight by Airservices' Board and management in relation to the audit report.

On receiving the draft ANAO audit report in April 2016, Airservices carefully considered the draft report's findings and recommendations, and developed a set of actions to address the findings and recommendations in a timely manner. With the issue of the final audit report in August 2016 these actions were well advanced, and all were complete by 30 September 2016.

The actions were subsequently reported to the JCPAA during its inquiry in November 2016<sup>1</sup>. During the inquiry hearing on 25 November 2016 these actions were acknowledged by the Auditor-General as '*...the types of things they would expect to have occurred*', which reinforced for us that our actions were appropriate. In response to a recommendation of the inquiry, Airservices undertook a post-implementation progress report for each of the audit recommendations, which was completed and provided to the JCPAA on 16 March 2018<sup>2</sup>.

To give Airservices' Board assurance that the recommendations had been appropriately addressed, in April 2017 Airservices Chief Auditor undertook an audit of end-to-end procurement framework including examining the implementation of actions to address the recommendations. This audit concluded that all actions were implemented and that the procurement framework and governance enhancements were progressing as planned.

<sup>1</sup> Airservices submission <https://www.aph.gov.au/DocumentStore.ashx?id=d016ef97-312d-4b7c-81cc-e41fe3ff8fda&subId=459706>

<sup>2</sup> Government response (including Airservices' post-implementation progress report <https://www.aph.gov.au/DocumentStore.ashx?id=99cadc39-f605-48b4-9a44-36256bf99db3>)

On 27 March 2018 Airservices' Board Audit and Risk Committee Chair and Chief Executive Officer briefed the ANAO Executive Director responsible for the ICCPM audit on our learnings from the audit, improvement actions following the audit, and the outcomes of these action. At that time we received positive feedback from the ANAO on the actions we had taken.

This context and series of actions demonstrates a genuine commitment by Airservices to address the recommendations of the audit and a sound basis for considering the recommendations implemented.

Importantly, Airservices continued its improvement focus beyond our initial response to the audit, by introducing further system improvements, additional training, and ongoing monitoring and assurance reviews to ensure that we continue to identify and address areas for improvement. These are noted by the ANAO in its audit as evidence that the recommendations are not fully implemented. This is to be contrasted with Airservices' view that they reflect a commitment to continuous improvement and provide evidence that the learnings from the 2016 audit will continue into the future.

For the reasons outlined above, we do not accept the report's Recommendation no. 1 to complete implementation of the recommendations from that audit.

Nonetheless, we remain committed to the continuous improvement of our procurement system, based on the building blocks put in place in response to the ANAO audit. We will feed the learnings from this audit into that process. By way of example, with the learnings from this audit we recognise that establishing a measurable target to demonstrate success would have assisted Airservices to demonstrate that the recommendations had been addressed. This is particularly important for a recommendation such as effecting cultural change, which is inherently difficult to measure, takes time, continued attention and effort, and reinforcement of messages to take effect.

In this context, Airservices accepts the ANAO's Recommendation no. 2, to implement formalised governance arrangements for the implementation of JCPAA and other parliamentary committee recommendations, and has formally documented a process that also applies to ANAO performance audit recommendations. This will ensure that we best implement, and fully realise the benefit of, any future recommendations

Airservices has invited the Executive Director that conducted the audit to our next Board Audit and Risk Committee meeting to share any further learnings. We have also reached out to the Commonwealth procurement experts in the Department of Finance to discuss any other learnings from recent audits.

To contextualise the ANAO's assessment of Airservices implementation of each of the recommendations in the table at pages 32-36 in the draft report, Airservices has prepared a table (at **Attachment 1**) that includes the actions it committed to (and implemented) in response to the report, and comment against the ANAO assessment.

Airservices' summary response for inclusion in the report is at **Attachment 2**.

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

Yours sincerely



John Weber  
Chairman

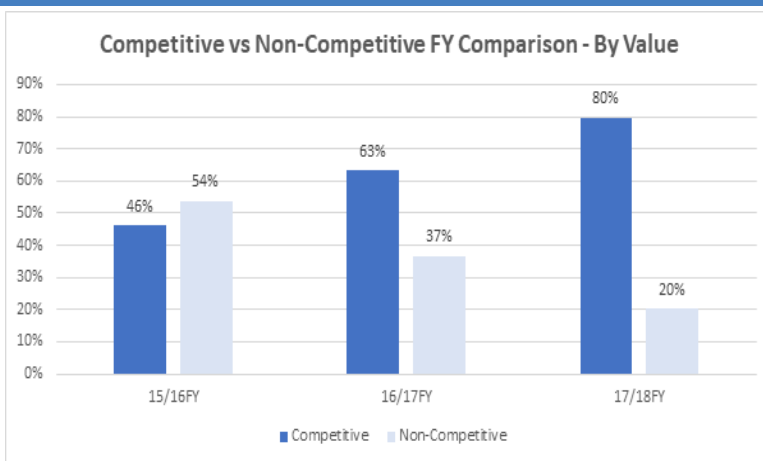
28 June 2019

## Attachment 1 to Airservices Australia response

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment									
<b>Recommendation No. 1:</b> The ANAO recommends that Airservices Australia address systemic failures in the adherence to the organisation's procurement policies and procedures and the cultural underpinnings of those failures.	<p>Airservices has implemented a number of initiatives to enhance the awareness of, and adherence to, the organisation's procurement policies. These include:</p> <p>Awareness</p> <ul style="list-style-type: none"><li>Targeted communications to senior managers clarifying responsibilities within the existing procurement frameworks, including the fundamentals of competitive sourcing and consideration of probity</li><li>All staff communications regarding the importance of compliance with the organisation's procurement policies</li><li>A factsheet provided to staff as new procurement activities are raised focusing on probity considerations and the benefits of running competitive procurement processes.</li></ul> <p>Training</p> <ul style="list-style-type: none"><li>An education program aimed at improving</li></ul>	<p><b>Partially implemented</b></p> <p>The outcomes of internal reviews, combined with the status of recommendations 2 to 6, indicate that Airservices has not yet fully shifted the entity's procurement culture. Further, Airservices has not identified a target state to measure performance against this shift.</p>	<p>The changes made by Airservices to the governance frameworks coupled with the cultural change activities (training, awareness etc.) have addressed the systemic failures that were previously identified in the ANAO performance audit.</p> <p>This is best demonstrated by the compliance levels to the organisation's procurement policies and procedures.</p> <p>The only identified non-compliances in 2017/18 (8 in total; 3%) were administrative in nature and do not evidence any systemic or wider cultural issues across Airservices. The percent shift is demonstrated in the following graph.</p> <div><p>Compliant vs Non-Compliant Comparison</p><table><thead><tr><th>Fiscal Year</th><th>Compliant</th><th>Non-Compliant</th></tr></thead><tbody><tr><td>16/17FY</td><td>85</td><td>15</td></tr><tr><td>17/18FY</td><td>97</td><td>3</td></tr></tbody></table></div> <p>Where non-compliances have been identified these have been highlighted with the issuance of formal breach notices to the respective business groups to ensure appropriate action is taken.</p> <p>In addition, the internal and external reviews that Airservices have performed since 30 September 2016 reflect a commitment to continuous improvement. Examples of these reviews include:</p>	Fiscal Year	Compliant	Non-Compliant	16/17FY	85	15	17/18FY	97	3
Fiscal Year	Compliant	Non-Compliant										
16/17FY	85	15										
17/18FY	97	3										

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment
	<p>commercial decision-making and outcomes in the organisation has commenced.</p> <p>Monitoring</p> <ul style="list-style-type: none"> <li>Improved monitoring and oversight by the Executive and Board in relation to project delivery and governance</li> <li>Improved procurement compliance reporting</li> <li>Audits into how contracts and projects are being managed</li> <li>Adoption of best practice program management principles (P3M) in all projects which will improve project governance.</li> </ul>		<ul style="list-style-type: none"> <li>KPMG: Engaged to audit Airservices active contracts to assess that procurement methods and record management approaches were appropriate;</li> <li>Callida Indigenous Consulting Pty Ltd: Review of Airservices significant long term contracts against best practice contract management principles</li> <li>Ngamuru: Engaged to perform an assurance review of the Phase 5 record keeping activity for the OneSKY program; and</li> <li>Airservices internal audit have conducted eight (8) separate procurement and contract management related audits over the period.</li> </ul> <p>None of these reviews identified significant or systemic issues but have instead identified areas for continued development and enhancement. All improvement initiatives identified as part of these reviews have been accepted and actioned by Airservices.</p>
<p><b>Recommendation No. 2:</b></p> <p>The ANAO recommends that Airservices Australia improve the value for money it obtains from major and strategic procurement activities by:</p> <p>a) requiring that, except in genuinely rare circumstances, competitive procurement processes are to be employed; and</p>	<p>Airservices has updated its procurement processes to include clearer guidance on assessing value for money, the importance of competitive processes and record keeping requirements that are commensurate with the scale, scope and risk of the procurement.</p> <p>Reporting to executive management on procurement activities, profiles and trends has also been enhanced.</p>	<p>Partially implemented</p> <p>Airservices has updated internal procurement guidance to outline key procurement principles including value for money and competitive market approaches.</p> <p>11 types of goods and services and 19 different suppliers have been classified as exempt from normal procurement processes. Examples</p>	<p>The updates made by Airservices have had the following demonstrable impact on the utilisation of non-competitive procurement activities;</p>



Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment												
<p>b) on those rare occasions when competitive procurement processes have not been able to be employed:</p> <ul style="list-style-type: none"><li>documenting the reasons why a competitive approach was not employed;</li><li>benchmarking the quoted rates/fee and making records of the basis on which it was decided that the contracted rate/fee represented value for money; and</li><li>reporting any such instances to the Airservices Australia Board.</li></ul>		<p>include occupancy cost (rent), licence or subscription fees, superannuation or private health payments, vehicle registration and utilities. It is unclear whether any external advice was sought in exemption of these activities, or how frequently exemptions are reviewed.</p> <p>Further, reporting on compliant and non-compliant procurement activities is at too high a level and does not provide sufficient detail to support detailed analysis and decision making.</p>	<div><p><b>Competitive vs Non-Competitive FY Comparison - By Value</b></p><table><thead><tr><th>Financial Year</th><th>Competitive (%)</th><th>Non-Competitive (%)</th></tr></thead><tbody><tr><td>15/16FY</td><td>46%</td><td>54%</td></tr><tr><td>16/17FY</td><td>63%</td><td>37%</td></tr><tr><td>17/18FY</td><td>80%</td><td>20%</td></tr></tbody></table></div> <p>Of the non-competitive procurements, a significant proportion of these are based on the following:</p> <ul style="list-style-type: none"><li>Additional goods and services by the original supplier when a change of supplier would result in compatibility issues with existing services (24%)</li><li>Exercising extension options within contracts (4%)</li><li>Regulated or monopoly markets (6.5%)</li><li>Labour Hire arrangements (34%)</li><li>Variations to contracts established through a competitive process (9%)</li></ul> <p>Irrespective of the nature of the direct engagement, a value for money justification still has to be established and approved before entering in to the contract.</p> <p>The exemptions noted by the ANAO, excluding licence and subscription fees, all relate to regulated and non-contestable goods and /or services. The exemption relates only to a requirement to run a competitive process or seek CFO approval for direct engagement. The other procurement concepts and governance requirements including Value for Money still apply.</p>	Financial Year	Competitive (%)	Non-Competitive (%)	15/16FY	46%	54%	16/17FY	63%	37%	17/18FY	80%	20%
Financial Year	Competitive (%)	Non-Competitive (%)													
15/16FY	46%	54%													
16/17FY	63%	37%													
17/18FY	80%	20%													

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment
			For licences and subscriptions, the exemption relates to the calculation of Whole of Life Cost and the determination that the annual renewal cost for support or membership/subscription renewals. The other procurement concepts and governance requirements including Value for Money still apply.
<p><b>Recommendation No. 3:</b></p> <p>The ANAO recommends that Airservices Australia improve its procurement framework by including enhanced guidance in relation to:</p> <ul style="list-style-type: none"> <li>a) the different roles performed by probity advisors and probity auditors;</li> <li>b) determining the circumstances in which the engagement of an independent probity auditor would be appropriate; and</li> <li>c) the manner in which such decisions are to be documented.</li> </ul>	<p>Airservices has updated its procurement processes to include clearer guidance in relation to the active management of probity during procurement processes, including:</p> <ul style="list-style-type: none"> <li>• articulating the different roles performed by probity advisors and probity auditors</li> <li>• guidance on how to determine the need for a probity auditor and to document the decision appropriately</li> </ul> <p>Airservices has established a panel of independent probity advisors and auditors which can be utilised across the business where required in the course of procurement activities.</p>	<p><b>Partially implemented</b></p> <p>Overall, the information provided within the finance manual provides limited guidance to staff in determining when to engage the services of a probity advisor or auditor.</p> <p>The procurement workflow includes several references to probity, however these are not supported by clear guidance within the workflow or finance manual. The workflow includes a reference to a probity plan template, which includes greater detail as to when probity advice should be sought. However, the probity plan is not required for all procurement activities and so this information is not clearly and readily available to all staff for consideration when commencing a procurement.</p>	<p>The updates at the time of implementation were based on Airservices review of public sector practices on guidance material for probity advisors and auditors. This included the Commonwealth Procurement Rules and Department of Finance.</p> <p>As a result of the increased guidance and awareness of requirements for probity advisors and auditors external probity engagements have been established across a number of significant projects.</p> <p>To ensure Airservices continues to address emerging risks and operate better practice processes and procedures in relation to probity we recently engaged a specialist firm (O'Connor Marsden) to perform a probity audit of Airservices significant procurement activities commenced but not yet completed in the last 12 months to assess whether they adhered to prescribed probity requirements.</p> <p>No issues of significance were identified, with improvement opportunities identified and being actively implemented by Airservices.</p>

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment
<p><b>Recommendation No. 4:</b></p> <p>The ANAO recommends that Airservices Australia proactively manage probity in procurement activities by:</p> <ul style="list-style-type: none"> <li>a) ensuring conflict of interest declarations are updated regularly or their ongoing currency confirmed;</li> <li>b) reviewing existing declarations when the role being performed by an individual changes; and</li> <li>c) regular review of program participants' reporting of contact with industry respondents in order to monitor compliance with reporting obligations.</li> </ul>	<p>Airservices has updated its procurement processes to include clearer guidance in relation to the active management of probity during procurement processes, including specific requirements for longer term procurements to update and review declarations on a regular basis.</p>	<p><b>Partially implemented</b></p> <p>There is no evidence within the finance manual of a requirement to record contact with industry, respondents or monitoring of any instances of contact.</p> <p>An internal audit activity conducted in January 2019 indicated that although Airservices has defined assurance processes within its finance manual to confirm the compliance of procurement documentation, this process does not incorporate non-competitive or direct source procurements.</p> <p>Further, there is no requirement for formal review of conflict of interest declarations either by management, staff or Airservices' procurement support team.</p> <p>The absence of advice on contact with industry respondents combined with the control weaknesses identified in the internal audit</p>	<p>The area of focus for Airservices in the period following the ANAO report centred on ensuring that participants in the OneSKY program were effectively discharging their probity responsibilities.</p> <p>In support of this Airservices engaged O'Connor Marsden to undertake an independent assurance review that all policies and procedures relating to the OneSKY Australia program have been actively applied and adhered to.</p> <p>This review identified that there are no issues of significance to raise around the application to the Program of policies and procedures already in place for the Program's effective governance and probity.</p> <p>The report also made the following broader reference;</p> <ul style="list-style-type: none"> <li>• We have reviewed the documented actions set out in the Minute to the Board (dated 28 September 2016) on the ANAO Performance Audit Recommendations. We are of the view that the listed actions should address the ANAO audit recommendations. We have also sighted evidence (e.g. updating Probity protocols and Plan and Finance manual) that supports implementation of the ANAO audit recommendations.</li> </ul> <p>The improvement areas identified in the recent internal audit, upon which Airservices has acted, are evidence of a clear commitment to continuous improvement in all area of probity governance.</p>

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment
		demonstrates that actions to address this recommendation have not been fully effective.	
<p><b>Recommendation No. 5:</b></p> <p>The ANAO recommends that Airservices Australia's governance arrangements address:</p> <p>a) whether individuals proposed to be employed in key probity management roles possess the understanding and capabilities required to undertake the role effectively; and</p> <p>b) the appropriate separation of duties between key probity management roles associated with a procurement activity.</p>	<p>Airservices has updated its procurement governance framework to clarify expectations regarding the various probity roles within a procurement. Furthermore, explicit guidance has been made in respect of the requirement to engage appropriately skilled and qualified professionals in key probity and procurement roles.</p> <p>To address any future capability and/or capacity gaps in the key roles of probity management, a panel of independent probity advisors and auditors is being established to provide ready access to suitably qualified and experienced professionals.</p>	<p><b>Not fully implemented</b></p> <p>The circumstances in which a probity advisor or auditor should be engaged are not clearly articulated in the finance manual. This level of detail is only discussed in a template which is not required for all activities.</p> <p>Airservices has documented the required capabilities of probity auditors but not probity advisors.</p>	<p>In addition to enhancing the governance arrangements to address the recommendations of the ANAO Airservices also took targeted action in regards to the OneSKY program.</p> <p>In specific response to the issues identified in the ANAO 2016-17 Performance Audit, the role of the Probity Manager was separated from the Manager Acquisition role with the creation of a dedicated Probity Manager (and Commercial Coordinator) within the OneSKY program.</p> <ul style="list-style-type: none"> <li>This response was identified as a positive initiative within an externally instructed Probity Audit on OneSKY and in their opinion enabled a more effective discharge of responsibilities for key probity functions.</li> </ul> <p>To ensure the assigned individual possessed the required capabilities to perform the role Airservices engaged the services of the Australian Government Solicitor (AGS) to provide training and support to the Probity Manager upon separation of the roles.</p> <p>The Finance Manual is only one tool used in developing the understanding across the organisation of probity considerations and the requirements to engage advisors and / or auditors. In addition to the Finance Manual Airservices also has a comprehensive training suite which also addresses probity considerations and awareness. To date 340 employees have attended training courses where probity considerations are explored.</p> <p>As a result of the increased guidance and awareness of requirements for probity advisors and auditors external probity engagements have been established across the significant projects.</p>
<b>Recommendation No. 6:</b>	Airservices has updated its procurement governance	<b>Partially implemented</b>	Airservices addressed the findings from the ANAO audit through the enhancements made to the Finance Manual.

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment
<p>The ANAO recommends that Airservices Australia enhance its procedures for managing probity in procurement processes to require documented consideration of the potential for actual or perceived conflicts of interest to arise when engaging external contractors to participate in tender evaluations and contract negotiations and, where relevant, the management strategies that are to be applied.</p>	<p>framework and guidance documentation to ensure a clear understanding that conflict of interest declarations are to be completed by all individuals, including external contractors, involved in the evaluation and subsequent negotiation activities for Airservices procurements. This also outlines the considerations to be made in the establishment and ongoing management of any mitigation strategies for any identified conflicts of interest.</p>	<p>Airservices advised the ANAO that it undertook activities to clarify the procurement framework and guidance relating to conflict of interest declarations, and applying ongoing management and mitigation strategies for identified conflicts.</p> <p>Airservices' finance manual specifies that all members of the evaluation panel are required to declare conflicts of interest. This includes any specialist advisors and contractors. There is no requirement for formal review of conflict of interest declarations either by management, staff or Airservices' procurement support team.</p> <p>In June 2018, Airservices initiated monthly compliance checks of completed procurements.</p> <p>Airservices' guide to compliance checks states that they must verify, amongst other requirements, that conflict of interest forms</p>	<p>Airservices has continued to strengthen its approach to managing probity in procurement activities through increased assurance activities.</p> <p>Airservices welcomes the additional improvements suggested In this report and intends to further enhance the guidance provided to employees undertaking procurement activities and in management oversight roles.</p>

Recommendation	Airservices action taken by 30 September 2016	ANAO assessment of implementation	Airservices comments in relation to ANAO assessment
		have been completed and, for longer term procurement, regularly updated as required.	



**Australian Government**  
**Australian Pesticides and  
Veterinary Medicines Authority**

28 June 2019

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

Dear Mr Hehir

Thank you for providing the Australian Pesticides and Veterinary Medicines Authority (APVMA) with the opportunity to comment on the Australian National Audit Office's proposed audit report on the *Implementation of ANAO and parliamentary committee recommendations*.

The APVMA acknowledges the findings of the report and agrees with the recommendations relating to the APVMA. Our response to the recommendations is at Attachment A.

As the audit report notes, the APVMA has taken a number of actions to improve quality assurance processes and to strengthen risk management, governance and performance monitoring frameworks. The APVMA remains committed to continuous improvement in these areas and the audit recommendations will assist us to continue this work.

I would like to thank you and the audit team for the professional and collaborative manner in which the audit was conducted.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Parker'.

Dr Chris Parker  
Chief Executive Officer

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**Australian Government**  
**Department of Infrastructure, Transport,**  
**Cities and Regional Development**

**Secretary**  
**Dr Steven Kennedy PSM**

PDR ID: EC19-000582

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

Dear Mr Hehir

**Auditor-General Proposed Audit Report on the Implementation of ANAO and parliamentary committee recommendations**

Thank you for providing the Department of Infrastructure, Transport, Cities and Regional Development (the Department) with the opportunity to comment on the Australian National Audit Office's (ANAO's) proposed report on the implementation of ANAO and parliamentary committee recommendations.

The Department acknowledges the ANAO's overall conclusions and welcomes the recommendations. The Department's summary response and response to each of the recommendations is attached.

Please contact Ms Justine Potter, Chief Operating Officer, on [REDACTED] if you would like to discuss this response.

I would like to thank the ANAO for the cooperation of the audit team and the professional manner in which the audit was conducted.

Yours sincerely

  
Steven Kennedy

26 June 2019

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