



Auditor-General for Australia



15 February 2016

The Hon Ian Macfarlane MP  
Chair  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2600

Dear Mr Macfarlane

***JCPAA Report 449: Regional Development Australia Fund, Military Equipment Disposal and Tariff Concessions: Review of Auditor-General Reports Nos 1-23 (2014-15).***

I am writing about the Joint Committee of Public Accounts and Audit's (JCPAA) Report 449, which made a number of recommendations directed to the Australian National Audit Office (ANAO). The JCPAA recommendations and ANAO responses are set out below.

**Recommendation 1:** The Committee recommends that the Australian National Audit Office (ANAO) consider prioritising the Department of Infrastructure and Regional Development—or, as applicable, the department responsible for administering the regional portfolio—in its continuing series of audits of agencies' implementation of performance audit recommendations.

**Response:** The ANAO has undertaken a series of five performance audits since 2012-13 on the implementation of audit recommendations, covering nine departments. The then Department of Infrastructure and Transport—which has since been succeeded by the Department of Infrastructure and Regional Development—was reviewed in ANAO Audit Report No.53 2012-13. Avoiding duplication in this series of audits will enable the ANAO to complete its planned review of remaining departments within a reasonable timeframe.

That said, it is common for the ANAO to examine the implementation of relevant earlier performance audit recommendations as part of the scope of performance audits of individual funding programs. For example, the audit of the Bridges Renewal Programme examined the extent to which the design and implementation of that program had implemented recommendations made in three earlier reports: Audit Report No.3 2012–13 (relating to the first funding round of the Regional Development Australia Fund); Audit Report No.1 2013–14 (relating to the Liveable Cities Programme); and Audit Report No.9 2014–15 (relating to the third and fourth rounds of the Regional Development Australia Fund). In addition, the ANAO has recently commenced the Design and Implementation of Round Two of the National Stronger Regions Fund audit that will examine the extent to which the design and implementation of this program had implemented recommendations made in the above-mentioned reports. Going forward, the ANAO proposes to adopt this approach rather than conducting a

separate audit of the Department of Infrastructure and Regional Development's implementation of audit recommendations.

**Recommendation 2:** The Committee recommends that in the next update of its Better Practice Guide, *Implementing Better Practice Grants Administration*, the ANAO consider incorporating a new section on 'Regional grants administration', focusing on the findings of recent ANAO reports on this area and the Committee's report, to maintain an emphasis on increased effectiveness in regional grants administration.

**Response:** The ANAO is reviewing its overall strategy for the preparation of new Better Practice Guides and the maintenance of existing Guides.

As part of its review, the ANAO will consult with the Department of Finance on existing Guides, including the Guide on grants administration. The ANAO will also have regard to the August 2015 *Independent Review of Whole-of-Government Internal Regulation* (the Belcher Review), which recommended that the ANAO take the opportunity, where regulators and policy owners have developed or are developing policy guidance material, to review whether there is a continuing need for the ANAO to develop, release and maintain separate guidance through Better Practice Guides. The Review also suggested that consideration be given, on a policy by policy basis, to incorporating the substance of ANAO Better Practice Guides into policy guidance material produced by the policy owner.

**Recommendation 4:** To encourage better practice grants administration, particularly concerning regional grants programs, the Committee recommends that the ANAO consider including in its schedule of performance audits:

- priority follow-up audits of the effectiveness of grants program administration by the Department of Infrastructure and Regional Development
- a standing priority audit focus on regional grants administration by the relevant department (with the specific timing of such audits as determined by the ANAO), noting that a potential performance audit of the design and implementation of the National Stronger Regions Fund is included in the ANAO's current forward Audit Work Program.

**Response:** The ANAO has commenced a performance audit of the Design and Implementation of Round Two of the National Stronger Regions Fund and will consider future audit coverage in the context of developing its forward work program.

**Recommendation 5:** The Committee recommends that the ANAO consider a follow up audit 12 months following the tabling of this report to provide an update on the progress of the Department of Defence's reforms with regard to the disposal of Specialist Military Equipment. Further audits in this area could be considered by the ANAO.

**Response:** The ANAO will consider a follow-on order of Defence's implementation of recommendations made in Report 19. 2014-2015 *Management of the Disposal of Specialist Military Equipment* in the development of the future work program.

**Recommendation 8:** The Committee recommends that the ANAO consider undertaking a cross-agency audit (Department of Industry and Science, and the Department of Immigration and Border Protection) of the Tariff Concession System at least 12 months following the finalisation of the Department of Immigration and Border Protection’s organisational restructuring and the commencement of the Australian Border Force.

**Response:** The ANAO will consider the inclusion of a cross-entity audit of the Tariff Concession System as part of the 2016–17 Audit Work Program.

Yours sincerely,

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

Grant Hehir  
Auditor-General