OFFICIAL

Australian National Audit Office

Joint Committee of Public Accounts and Audit

Commonwealth investments to achieve policy objectives: Inquiry into Auditor-General Reports Nos. 14, 26, 28 and 47 (2020–21)

3 December 2021

Opening Statement by the Auditor-General

1. Good morning Chair and Committee members.

2. Thank you for the opportunity to appear before the committee today as part of the inquiry into Commonwealth investments to achieve policy objectives, based on Auditor-General Reports:

- No. 14 (2020–21) *Decision-making Controls for NDIS Participant Plans*;
- No. 26 (2020–21) *Investments by the Clean Energy Finance Corporation*;
- No. 28 (2020–21) *Administration of the National Housing Finance Investment Corporation*; and
- No. 47 (2020–21) *Administration of Commuter Car Park Projects within the Urban Congestion Fund*.

3. The Department of Finance Resource Management Guidance on Commonwealth Investments states that:

> Australian Government investment that utilises the Commonwealth balance sheet is integral to the achievement of policy objectives that stimulate productivity, drive economic growth, deliver critical infrastructure and provide important services for Australian citizens, businesses and communities.[1]

4. A number of investments made for policy purposes have elements of economic and social benefits, in addition to providing commercial returns.

5. Report No. 25 of 2020–21 *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020* included analysis of Government investments made for policy purposes including investments in public corporations and concessional loans, noting that there

[1] Department of Finance, Commonwealth Investments (RMG 308) accessed at: https://www.finance.gov.au/publications/resource-management-guides/commonwealth-investments-rmg-308#-thecommonwealth-investment-framework

may be some benefits in segregating the commercial and non-commercial portions of these investments to better reflect the implications on key fiscal aggregates.

6. Two recent audits that are the subject of this inquiry have examined the effectiveness and efficiency of entities' management of investment activities and the extent to which these entities are achieving policy objectives. These audits are Report No. 26 (2020–21) *Investments by the Clean Energy Finance Corporation* and Report No. 28 (2020–21) *Administration of the National Housing Finance Investment Corporation.* Some of the key messages from these audits are:

- entities should not only demonstrate that they have undertaken the programs and activities set out in legislation, but they should also demonstrate the achievement of outcomes from those programs and activities;
- where a component of an entity's purpose is additionality, performance measures should be developed and reported on that capture the achievement of those measures. This reporting should demonstrate that the specific outputs or outcomes were delivered over and above what would have been delivered without the entity's contribution;
- where responsible Ministers provide entities with directions, the entities should implement arrangements to provide assurance that the mandated directions are being effectively addressed at both strategic and operational levels; and
- entities should set consistent targets for performance measurement and review these on a regular basis to ensure meaningful information is provided to the Parliament and the public. Where targets are initially set at an achievable level, targets should be reviewed with a view to increasing where practical, particularly where performance is linked to legislative compliance and the expectation for performance against requirements is high.

7. The audit report *Investments by the Clean Energy Finance Corporation* concluded that the Clean Energy Finance Corporation (CEFC) has largely met its legislated objective of facilitating increased flows of finance into the clean energy sector, consistent with legislative requirements and directions.

8. There were eight recommendations included in the audit report aimed at improving the CEFC's: documentation of its compliance with its Investment Mandate and mandated requirements for investments; portfolio risk management and reporting; and performance measurement and reporting.

9. The CEFC agreed with all recommendations in the report with one exception. The CEFC did not agree with a part of one recommendation. This recommendation was that to help decision-makers take account of all mandated requirements when assessing investment proposals, the

CEFC include in its screening documentation for all projects information on a comparison of the rate of return with the relevant benchmark average rate of return in the Investment Mandate.

10. The audit report *Administration of the National Housing Finance Investment Corporation* concluded that the administration of the National Housing Finance Investments Corporation (NHFIC) is partly effective. While NHFIC has established administrative arrangements for five programs which align to the NHFIC Act and the Investment Mandate, its implementation and reporting does not clearly demonstrate that it is achieving its purpose to 'improve housing outcomes'. NHFIC's administration should be improved in relation to: management of its Services Agreement with Export Finance Australia; risk management and compliance management; and measuring and presenting its achievements in delivering 'improved housing outcomes'.

11. There were five recommendations included in the audit report aimed at improving the NHFIC's: monitoring and reporting of service delivery performance by Export Finance Australia; risk management; compliance and quality assurance; and performance measurement and reporting.

12. The NHFIC agreed with all recommendations in the report.

13. Regardless of the delivery mechanism used, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) provides a framework for the proper use and management of public resources. Under section 15(1) of the PGPA Act, the Accountable Authority of a Commonwealth entity must govern their entity in a way that promotes the proper (i.e. efficient, effective, economical and ethical) use and management of public resources for which they are responsible, promotes the achievement of the purposes of the entity and promotes the financial sustainability of the entity. The remaining two audits that are the subject of this inquiry examined elements of selected programs, with a focus on financial sustainability and effective program administration.

14. The audit report *Decision-making Controls for NDIS Participant Plans* concluded that the National Disability and Insurance Agency (NDIA) does not yet have appropriate controls to ensure supports in participant plans are 'reasonable and necessary'. While an appropriate control framework had been established, the effective implementation of the controls will provide the NDIA with greater assurance that the supports approved in participant plans are reasonable and necessary. Effective implementation of controls will further assist the NDIA to manage risks relating to Scheme sustainability, while ensuring participants are receiving adequate supports.

15. There were three recommendations included in the audit report aimed at improving the NDIA's: alignment of ICT system processes and controls with internal policy requirements and to better support planning processes for reasonable and necessary decision-making; establishing

mechanisms to track and analyse at the enterprise level issues arising from review mechanisms to inform continuous improvement in reasonable and necessary decision-making; and align service delivery key performance indicator and quality metric targets for reasonable and necessary decision-making; and review the target on a regular basis with a view to increasing the target to drive greater quality standards in reasonable and necessary decision-making.

16. The NDIA agreed with all recommendations in the report.

17. The audit report *Administration of Commuter Car Park Projects within the Urban Congestion Fund* assessed the effectiveness of the Department of Infrastructure, Transport, Regional Development and Communications' (Department of Infrastructure) administration of the commuter car park projects within the Urban Congestion Fund. The audit concluded that the Department of Infrastructure's administration of the commuter car park projects within the Urban Congestion Fund was not effective.

18. The department did not develop a program-specific implementation plan, performance indicators or evaluation plan. As a $4.8 billion initiative, which included a car park component that was new for the Australian Government, customisation was warranted. The potential for research and data to inform program design and project identification was not fully realised. Record keeping was not compliant with departmental and Australian Government policies.

19. The department's approach to identifying and selecting commuter car park projects for funding commitment was not appropriate. It was not designed to be open or transparent and the department did not engage with state governments and councils, which increased the risk that selected projects would not deliver the desired outcomes at the expected cost to the Australian Government. Departmental advice did not contain an assessment against the investment principles or policy objectives and it was not demonstrated that projects were selected on merit.

20. While the Department of Infrastructure provided written briefings that included assessment reports to advise the Minister to approve funding for 33 projects up to 31 March 2021, the underlying assessment work conducted by the department was not to an appropriate standard. Insufficient assessment work has been undertaken by the department to satisfy itself that projects are eligible for funding under the *National Land Transport Act 2014*. In relation to the merits of projects, the department did not seek to establish assessment criteria, and the assessment work has not adequately demonstrated that approved projects will provide value for money.

21. There were six recommendations included in the audit report aimed at improving the Department of Infrastructure's: program planning; record keeping; assessment procedures to

assess funding eligibility; use of benchmarking when non-competitive processes are used; and controls over the establishment of delivery and payment milestones.

22. The Department of Infrastructure agreed to the six recommendations included in the report.

23. We would be happy to answer any questions the Committee may have.