

## Joint Committee of Public Accounts and Audit

### Answers to Questions on Notice

**Department/Agency:** Australian National Audit Office

**Inquiry:** Governance in the stewardship of public resources: Inquiry into Auditor-General's Reports 11, 31, 39 (2019-20) and 2 and 9 (2020-21)

**Type of question:** Written

**Date set by the committee for the return of answer:** 10 May 2021

**Number of pages:** 5

#### Question 1

With reference to evidence provided by Mr White in relation to table 4.1 on page 49 of the ANAO who said that "[t]he 'Benchmark (maximum considered)'" column came from a range of processes within the department";

- a. How many separate processes are involved in formulating this benchmark?
- b. Did the ANAO assess whether these processes were suitable for formulating a benchmark?
- c. With reference to the Condamine-Balonne purchases;
  - i. how many different processes were used by the department and provided to the ANAO to determine this benchmark?
  - ii. How many different documents were provided to the ANAO?
- d. Are these processes used consistently across each purchase?

#### Response

As noted in the ANAO response to questions on notice dated 6 May 2021, Chapter 4 of the report focusses on the third criteria of the audit in relation to whether the department achieved value for money. The audit concluded that the department did not develop a framework designed to maximise the value for money of the purchases. While the ANAO discussed the processes undertaken by the department, the department neither endorsed nor implemented a framework against which it could be assessed.

A summary of the analysis undertaken by the ANAO is set out in Table 4.1 which presents information identified by the department in its documentation on each purchase.

- a. The ANAO did not assess the number of processes involved in formulating the benchmark.
- b. The ANAO did not assess whether the processes were suitable for formulating a benchmark.
- c. As noted above, with reference to the Condamine-Balonne purchases, the ANAO did not assess the number of processes or documents used by the department in determining the benchmark.
- d. As noted at the inquiry, the department advised during the audit that a number of different processes were used across the limited tender purchases.

## Question 2

With reference to the Condamine-Balonne purchases, how many months after the Colliers International valuation was received was the purchase made?

## Response

As outlined in paragraph 4.33 of Auditor-General Report No.2 2020–21 *Procurement of Strategic Water Entitlements*:

4.33 Valuations provided by external valuers note they are valid for 90 days. The department's valuation methodology states that the department considers valuations to be valid for six months. For the 2016 and 2017 procurements, all procurements were approved within the 90 day validity period set by the valuer.

The valuation used was received on 17 March 2017. The purchase was approved by the delegate on 7 June 2017 within the 90 day validity period stated in the valuation report. The purchase was subsequently settled on 9 August.

## Question 3

With reference to evidence provided by Mr White, in which he says, "In reading the [ABARES] report, we looked at the explanation that the valuer had provided that there were some sales that would possibly occur again or follow, occurring in the near future, that would be above the range that was listed";

- a. Who is the valuer Mr White is referring to?
- b. Which component of the valuation is Mr White referring to?

## Response

- a. The valuer is Colliers International.
- b. The Valuation Methodology section of the valuation report on pages 12 to 15.

## Question 4

With reference to evidence provided by Mr White where he says, "We also looked, then, at the explanation of the valuer that a 10 to 30 percent premium could be expected on some sales, depending on a range of factors";

- a. What were the range of factors?
- b. Were these factors outlined by Colliers International?
- c. How were these factors determined by the department?
- d. How were these factors used?

## Response

- a. The range of factors taken in to consideration were that;
  - i. some future sales were expected to be at or above the range provided in the valuation,
  - ii. market sentiment was considered to be improving and that for many of the properties (included in the Table of Analysed Sales) an improvement in value could be anticipated if reoffered on the market, and

- iii. the valuation assumed no added value for the existing infrastructure.
- b. The factors were included in the valuation report.
- c. The factors were determined by Colliers International.
- d. Documentation provided during the audit on how the department used those factors was unclear.

#### **Question 5**

With reference to evidence provided by Mr White, in which he says, "I was talking about work that we did in terms of looking at how the price range may have been reasonable. How the department factored in the 10 to 30 percent, they might better answer themselves";

- a. Did the ANAO look into how the department factored in the 10 to 30 percent?
- b. Did the ANAO determine the price range was reasonable without looking into how the 10 to 30 percent was factored in by the department?

#### **Response**

- a. Documentation provided during the audit did not demonstrate how the department included each factor in including the 10 to 30 per cent premium.
- b. The ANAO considered the points raised in discussion with the department, and alternative evidence that supported the department's decision to factor in an increase in prices.

#### **Question 6**

Was the ANAO aware of any valuation of overland flow licenses that valued the water at \$50 per megalitre?

#### **Response**

The ANAO was not aware of any valuation of overland flow licences that valued water at \$50 per megalitre at the time of the audit. The list of valuations considered by the ANAO relating to the Condamine-Balonne purchase was provided in response to prior questions on notice dated 6 May 2021.

#### **Question 7**

In order to determine whether purchases met value for money what weighting did the department use for each aspect of the triple-bottom-line?

#### **Response**

Documentation provided during the audit did not demonstrate that the department applied a weighting to each aspect of the triple-bottom line. As outlined in paragraphs 4.5 to 4.6 of Auditor-General Report No.2 2020-21 *Procurement of Strategic Water Entitlements*:

4.5 The department did not use a value for money approach for procurement of strategic water entitlements. The department commenced work on two value for money approaches, however neither were endorsed nor implemented. In September 2015 and July 2016, the department developed draft *Value for Money Considerations* and *Framework for Assessing Value for Money* documents.

4.6 These documents detail factors which could be taken into account when undertaking a value for money assessment of procurements. The *Framework for Assessing Value for Money* also provided weighting factors applicable to assessments where the department places additional value against certain criteria.<sup>84</sup> A documented and approved value for money approach would have assisted the department to more clearly demonstrate its achievement of value for money.

Footnote 84 in paragraph 4.6 states:

These included: market activity; environmental value; size of the entitlement; whether the purchase offered an extraordinary opportunity for water recovery in the area to date; whether the procurement would have benefits beyond the water yielded (such as minimal negative social or economic benefit); and previous success of purchasing in the resource area.

### Question 8

How has the ANAO determined that the Condamine Balonne purchases met the triple bottom line when the application of guidelines weren't met in three out of four assessment categories? (See table 3.1, p.34).

### Response

As outlined in paragraph 3.5 of Auditor-General Report No.2 2020–21 *Procurement of strategic water entitlements*:

3.5 The ANAO examined procurement documentation against the assessment process outlined in the Guidelines... Table 3.1 outlines the ANAO's assessment of the department's application of elements of the Guidelines which were key policy requirements or specifically identified in the department's commitment to the Minister.

The information presented in Table 3.1 is an assessment of whether departmental documentation met the requirement to assess and include consideration of all three elements of the triple bottom line approach.

As stated by the ANAO at the Joint Committee of Public Accounts and Audit Inquiry into Auditor-General's Reports 11, 31, 39 (2019-20) and 2 and 9 (2020-21) hearing date 14 April 2021:

"We were, in the case of the Condamine-Balonne, happy that there was sufficient documentation on the triple bottom line."

### Question 9

Did the ANAO take into account the implementation of previous recommendations made to the environment department (in previous audits) when undertaking this audit? If so, what recommendations were not implemented?

### Response

As part of the audit planning process the ANAO takes into account a range of information including consideration of previous Auditor-General reports and recommendations. Where they are related to the proposed audit, the ANAO may directly follow up on the recommendation/s or consider the intent of the recommendation in the scoping of the proposed audit.

The ANAO did not assess the implementation of previous recommendations as part of this audit. As outlined in paragraphs 1.32 and 1.34 of Auditor-General Report No.2 2020–21 *Procurement of strategic water entitlements*:

1.32 The objective of the audit was to examine whether strategic water procurements by the department were conducted consistent with government policy, supported by appropriate program design, were planned and executed appropriately and achieved value for money.

1.34 This audit focused on completed strategic water procurements undertaken through limited tender arrangements between January 2016 and December 2019. A total of 27 transactions were considered (See Table 1.1).

#### **Question 10**

With reference to a recent statement from Colliers International where they described the department's use of their valuation as not appropriate;

- a. What steps will the ANAO now take?
- b. What steps will the department now take?

#### **Response**

- a. The ANAO has appended the subsequent information to the report so that readers of the report have the subsequent information available to them.
- b. Questions relating to actions the department intends to take are a matter for the department.