



Auditor-General for Australia



28 July 2017

Mr Ben Morton MP
Chair
Joint Standing Committee on the National Capital and External Territories
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Morton

Inquiry into the Australia's Antarctic Territory

The Australian National Audit Office (ANAO) published the following performance audit reports that you may find relevant to the Joint Standing Committee on the National Capital and External Territories inquiry into Australia's Antarctic Territory:

- Report No. 45 of 2016–17, *Replacement Antarctic Vessel*.
- Report No. 22 of 2015–16, *Supporting the Australian Antarctic Program*.

Information about what the audits assessed, concluded and recommended is attached. The audit reports are available online at www.anao.gov.au.

Yours sincerely

Grant Hehir
Auditor-General

Report No. 45 of 2016–17, *Replacement Antarctic Vessel* assessed whether the procurement by the Department of the Environment and Energy of a replacement Antarctic icebreaking vessel will provide value with public resources.

The audit concluded that while the Department of the Environment and Energy has contracted for a vessel to meet its expected needs, the procurement process was largely non-competitive with an outcome that is higher than the cost benchmarks established by the department, and significantly greater than the current chartering costs. The department therefore cannot demonstrate that its procurement is providing value with public resources. Due to perceived time constraints and an associated need to fast-track the project, industry soundings were not undertaken to inform the selection of the procurement approach. This meant that the department focused its consideration on the merits of three possible procurement methods without attention to industry preferences. Subsequently, only one tender was received after the other two shortlisted entities did not bid, citing concerns in their withdrawal letters with the Design, Build, Operate and Maintain approach adopted by the department. Consistent with the Commonwealth Procurement Rules, the department implemented a two stage approach to the market with competitive pressure intended to drive the achievement of a value for money outcome. The tender evaluation approach was also appropriate. However, the tender process took much longer than had been planned. Reflecting the various delays, the replacement icebreaker is expected to be available to commence Australian Antarctic Division operations in October 2020, more than eight years after first pass approval for the project was granted. This is twice as long as was originally envisaged. In addition, only one tender was received due to two of the three entities shortlisted to tender withdrawing from the process. Some substantial changes to the contract provisions were made during contract negotiations. Of particular note was that the initial operate and maintain contract term was reduced to ten years (with four options of five years each); delivery was switched from Hobart to Europe, and the delivery date was extended into the following year. The department has contracted for the design, construction, operation and maintenance of a vessel that is expected to meet the research and resupply needs of the Australian Antarctic Program for the next three decades, for a level of risk it has assessed as acceptable. The price that is to be paid by the department under the contractual arrangements is higher than the cost benchmarks established by the department, and significantly greater than the current chartering costs.

No recommendations were made.

Report No. 22 of 2015–16, *Supporting the Australian Antarctic Program* assessed the effectiveness of the arrangements established to support Australia's Antarctic Program.

The audit concluded that as would be expected given the Australian Antarctic Division's (AAD's) long history in administering Australia's Antarctic Program, mature policies and frameworks are in place to support the effective delivery of key program responsibilities. These include strategic and operational planning, risk management (including risks to the health and safety of staff and expeditioners), and expeditioner recruitment, induction and training. AAD has also established sound administrative practices to support program delivery, including the management of a large number of diverse contracts for the provision of goods and services, a public communications program and a range of support services for expeditioners and their families. As with all long-term programs, there is scope for AAD to regularly review the effectiveness and appropriateness of

policies, frameworks and administrative practices for the Antarctic Program, particularly in light of reduced program funding over time and the resulting need for more efficient operations. In this context, there would be benefit in AAD initially focusing on: the establishment of a fit-for-purpose asset management strategy and supporting policies; strengthening IT project governance and management arrangements; and improving the management of work, health and safety investigations. Further, improving the existing program performance measurement framework, through expanding existing KPIs and/or developing additional measurement tools, would contribute to improved accountability and support more effective program management.

The ANAO made the following recommendations:

Recommendation No.1 - To improve accountability and support the effective management of Australia's Antarctic Program, the ANAO recommends that the Department of the Environment:

- a. expand existing KPIs and/or develop additional measurement tools to better inform an assessment of the extent to which the objectives for the program are being achieved; and
- b. publicly report on established performance measures.

Recommendation No.2 - The ANAO recommends that, to underpin an effective approach to the management of Antarctic Program assets, the Department of the Environment develop a fit-for-purpose strategic asset management policy supported by asset management plans and procedures that are regularly reviewed and updated.

Recommendation No.3 - The ANAO recommends that, to support the successful delivery of future Antarctic Program IT projects, the Department of the Environment implement:

- a. appropriate scoping and detailed budget planning processes to ensure adequate resources will be available to deliver the planned outcomes; and
- b. sound project governance arrangements.

Recommendation No.4 - To effectively manage risk and to ensure compliance with its Work Health and Safety obligations, the ANAO recommends that the Department of the Environment strengthen its WHS practices, particularly in relation to the management of WHS investigations.