F2000/175

31 May 2000

Dr Margot Kerley
Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Dr Kerley

SUBMISSION TO THE COMMITTEE'S INQUIRY INTO COASTWATCH

You wrote to me on 13 April 2000, inviting the Australian National Audit Office (ANAO) to provide a written submission to the Committee's inquiry into Coastwatch.

I am pleased to provide the attached ANAO submission in response (in electronic format as well as in script).

In preparing the document, we recognise the particular place Audit Report No 38 1999-2000 *Coastwatch* has within the context of the Committee's current inquiry. Although our submission draws out particular matters from the *Coastwatch* report to respond to the Inquiry's specific Terms of Reference, the report as a whole is relevant to the Committee's Inquiry, particularly being self-contained. We therefore have made our submission quite brief.

We would be happy to enlarge upon our submission at a hearing if required.

Yours sincerely

P.J. Barrett

SUBMISSION TO THE JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT'S INQUIRY INTO COASTWATCH

Part 1 - Background

This Australian National Audit Office (ANAO) submission recognises the particular place Audit Report No 38 1999-2000 *Coastwatch*[1] has within the context of the Committee's current inquiry into Coastwatch[2]. The report, particularly being self-contained, is our key reference source in preparing this submission.

The *Coastwatch* audit report presents the results of our examination of Coastwatch's administration of the Australian civil coastal and offshore surveillance and response service. The report considered the performance of Coastwatch in the context of the Government's current policy framework, consistent with our legislative mandate. Therefore the ANAO, necessarily, is not in a position to offer comment on the policy matters of possible interest to the Committee which are evident in a number of its terms of reference.

Before addressing the Committee's terms of reference specifically, we set out some information on the audit and its overall conclusions.

Audit objective and methodology

The objective of the audit was to examine Coastwatch's administration of the Australian civil surveillance and response service. In particular, the audit focused on:

- coordination between Coastwatch, its clients and external service providers;
- Coastwatch operations; and
- aspects of Coastwatch's corporate governance. The audit also aimed to identify elements of better practice in relation to the Australian civil surveillance and response program.

Prime Minister's Task Force into Australian Coastal Surveillance

The Prime Minister established a Task Force to examine Australian coastal surveillance in April 1999. This occurred during the fieldwork phase of the audit and impacted on the audit as the Task Force sought to address a number of issues also identified for review by the ANAO. The audit was extended to allow consideration of the Task Force's recommendations and the audit report's recommendations take account of the Task Force report and recommendations.

In undertaking the audit, the ANAO was also cognisant of several environmental factors when assessing Coastwatch's administrative performance. These factors relate to:

- the large area Coastwatch is tasked to patrol;
- the financial resources allocated to the civil surveillance program. The ANAO recognises that it is not possible to guarantee complete surveillance coverage within available resources and given the current state of technology; and

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[1] Audit Report No 38 1999-2000 *Coastwatch,* presented to the Parliament on 6 April 2000. This report (as with other reports of the Auditor-General) is available on the ANAO's Homepage http://www.anao.gov.au.

[2] The Joint Committee of Public Accounts and Audit has a statutory responsibility 'to examine all reports of the Auditor-General'.

- the Government's current focus on measures relating to immigration related issues, such as dealing with 'boat people', following significant increases in the number of suspect unlawful non citizens entering Australia.

Overall conclusions of the audit

Coastwatch operates in a difficult and demanding environment. Given the extent of Australia's coastline and resource availability, it is impractical to expect Coastwatch to cover and provide continuous surveillance and response services for all of this area. The successful delivery of Coastwatch services is particularly dependent on:

- effective coordination between Coastwatch and its key client agencies;
- sound intelligence and risk management procedures for the tasking of Coastwatch assets;
- clear lines of reporting; and
- effective support systems for management of operations for greater effectiveness.

Over the last 10 years Coastwatch has worked at steadily improving the effectiveness of the Australian surveillance and response service. The additional funding and successful implementation of the Prime Minister's Coastal Surveillance Task Force recommendations also provide Coastwatch with an opportunity to strengthen its capabilities, particularly in relation to proactive gathering and analysis of intelligence.

Notwithstanding the recent initiatives, the ANAO found significant scope for Coastwatch to improve its administration and therefore its cost-effectiveness. These include the finalisation of Memoranda of Understanding (MOU) with Coastwatch's key clients, the effective deployment of its assets over an extensive geographic area of operations; and the introduction of a more comprehensive set of performance indicators to enhance Coastwatch's performance assessment.

The ANAO recognised that, in some areas, recommended improvements were heavily dependent upon the <u>full</u> cooperation of Coastwatch's key client agencies which, in the past, had not always been forthcoming.

Part 2 - ANAO comments in relation to the Inquiry's Terms of Reference

In the following comments we have sought to draw on those parts of the *Coastwatch* audit report most relevant to the matters addressed in the Committee's Terms of Reference. However, some matters in the Terms of Reference are discussed over several parts of the report. In addition, some parts of the report relate to more than one Term of Reference. The Attachment to this submission broadly identifies sections of the *Coastwatch* audit report with the Committee's individual Terms of Reference.

The role and expectations of Coastwatch

The report outlines the role and services Coastwatch provides and the range of assets and support to which it has access (see pages 32-35 and Chapter 3).

Coastwatch's surveillance and response services apply to approximately 37 000 kilometres of coastline and a nine million square kilometre offshore maritime area. Given relevant factors such as geography, resources and technology, it is impractical to expect Coastwatch to cover and provide continuous surveillance and response

resources for all of this area. As a result, in order to discharge its responsibilities, Coastwatch is particularly dependent on:

- effective coordination between Coastwatch and its key client agencies;
- sound intelligence and risk management procedures for the tasking of Coastwatch assets;
- clear lines of reporting; and
- effective support systems for management of operations.

As well as this broad discussion of the role and expectations of Coastwatch, the audit report flags two areas of apparent ambiguity in the scope of Coastwatch's operations and the types of services it could be expected to provide to clients, given its resources. These areas are the patrolling of Australia's Southern Oceans and the Australian Antarctic Territory and the detection and surveillance of suspect illegal flights (see pages 56-59). We make recommendations concerning clarification of the scope of Coastwatch's operations in relation to both these matters (Recommendations 5 and 6, with which the Australian Customs Service (ACS) 'agrees with qualification' and 'agrees', respectively).

The relationship of Coastwatch as 'service provider' and its client agencies, as 'service purchasers'

The audit report discusses several issues relating to the provision of services by Coastwatch to its clients. The report notes that one issue in particular, the establishment of the MOUs between Coastwatch and its clients, needs to be finalised. MOUs between Coastwatch and its client agencies are an essential element in the effective provision of Coastwatch services, as they should clearly outline the respective roles and responsibilities of Coastwatch and its clients, including performance and associated accountability criteria. MOUs also provide the basis for effective coordination of operations, particularly with regard to the gathering and evaluation of intelligence, and the tasking of Coastwatch assets (see pages 40-42). We make a recommendation on this matter (Recommendation 1, with which ACS agrees).

Another aspect of this service provider/service purchaser relationship concerns funding and costing attribution arrangements (see pages 51- 53). We indicate that there is merit in Coastwatch evaluating the potential benefits of reporting flying hours and costs for each client. This would involve the trialing of a model that would allocate costs and funding to the relevant clients. We make this suggestion knowing that a service provider arrangement of this type already exits between Coastwatch and Department of Immigration and Multicultural Affairs.

In making our costing and funding suggestions, we were also aware of the capacity of Coastwatch's new information technology systems that should permit the collection and analysis of relevant flight cost data. We also appreciate the trend in governance reforms towards using the purchaser/provider model and the considerable interest over time in applying purchaser/provider arrangements between some public sector agencies in the Australian Public Service, in particular. We recognise Coastwatch's particular reservations (see page 53), but still advocate the measures because we consider that, if implemented, they have the potential to improve client involvement in the tasking of Coastwatch assets and the efficiency of Coastwatch asset use.

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The effectiveness of Coastwatch's allocation of resources to its tasks

Coastwatch's allocation of resources to its tasks is a strong theme throughout the Coastwatch audit report. Although there are a number of areas in which Coastwatch can improve its performance in allocating resources to tasks, we are not critical of Coastwatch's performance in this area. The main issues affecting the allocation of Coastwatch assets to tasks are:

- *The application of risk management processes to the Coastwatch tasking process.* Coastwatch clients are required to rank their taskings in order of risk before submission to Coastwatch. Coastwatch is then required to rank client taskings against one another. The ANAO found that Coastwatch did not undertake a common risk assessment process to rank various taskings against one another. Although we recognise there are significant difficulties in ranking the client taskings against one another, we consider that a common risk assessment process to rank taskings would be of considerable benefit to Coastwatch. Recommendation 3, with which ACS agrees with qualification, addresses this issue.

- *The Coastwatch contractor performance measurement system.* We note that Coastwatch has a proven relationship with its private sector contractors in delivering the majority of its services. Coastwatch contractors have continually satisfied all aspects of their contracts with Coastwatch (see pages 67-73). However, we also note that there might be scope to improve performance through the re-examination of the contractor performance measurement system negotiated by Coastwatch. One matter requiring attention in that regard is the provision in the current system allowing a contractor to offset good performance against poor performance. Recommendation 8, with which ACS agrees, addresses this issue.

- *The relative cost effectiveness of the various types of Coastwatch assets.* Although we provide some comparison between military and civilian assets in performing Coastwatch-related activities in Chapter 3, it is difficult to assess the comparative cost effectiveness of each aircraft and marine vessel. This is due to the different capabilities of military assets compared to Coastwatch civilian-run assets. The ANAO notes, however, the large differences in cost between civilian and military assets.

New technologies which might improve the performance of Coastwatch

The ANAO is not in a position to comment specifically on possible new technologies. The audit report acknowledges Coastwatch's efforts in investigating new and emerging technologies to aid the delivery of its services, including the use of surveillance satellites, unmanned aircraft and advanced land-based radar systems (see page 102). We also note in the report (see pages 33-34) that ACS uses the additional capability of military surveillance operations, where they are available, to add value to Coastwatch operations. We observe that, following the Prime Minister's Task Force Report, a National Surveillance Centre was established at ACS National Office (see page 36).

The adequacy of existing or proposed legislation which underpins Coastwatch's functions

The audit notes that Coastwatch was not established under specific surveillance and response legislation but it delivers its services to agencies in accordance with legislation administered by those agencies eg legislation governing immigration, fisheries and quarantine matters (see page 13).

We observe that one of the changes following the Prime Minister's Task Force Report involved the introduction of legislative amendments to strengthen maritime investigation and enforcement powers of Commonwealth officers (see page 36).

Whether an Australian Coastguard should be created to take over Coastwatch's functions

This is a policy matter and it was not considered in the audit.

The audit notes, in discussing benchmarking and better practice, that it is difficult to make direct comparisons between Coastwatch and other overseas government agencies delivering surveillance and response functions similar to those of Coastwatch. We observe, however, that the process of benchmarking could usefully identify alternative service delivery platforms and relevant administrative systems (see pages 101-102).

Any other issues raised by Audit Report 38, 1999-2000, Coastwatch – Australian Customs Service

Other key issues addressed in the audit report include:

- *The development of Memoranda Of Understanding (MOUs) between Coastwatch and its key client agencies.* We found that development of MOUs between Coastwatch and its key clients is essential to the efficient and effective delivery of Coastwatch services. MOUs should clearly outline the respective roles and responsibilities of Coastwatch and its key client agencies in relation to the provision of Australian civil surveillance and response services. As at December 1999 Coastwatch had formalised MOUs with four client agencies, with seven remaining outstanding (see pages 40-42).

- *Operational planning and tasking processes.* Coastwatch uses a number of committees to coordinate strategic and tactical operations with clients and external service providers. We consider that Coastwatch could restructure and reinvigorate these committees to improve Coastwatch/client liaison and the flow of information between client agencies. Improved liaison between Coastwatch and its clients would have the additional benefit of strengthening the Coastwatch tasking process (see pages 43-45).

- *Evaluation of cost effectiveness.* We noted that through the development of an improved tasking process, Coastwatch should be able to allocate the costs of its services against individual client taskings. This would allow Coastwatch to analyse the usage and costs of assets attributed to individual agencies and their activities more effectively. The Government, Parliament and Coastwatch clients are also likely to find this analysis useful in assessing Coastwatch's overall performance (see pages 51-53).

- *Risk management*. We found that there was scope for Coastwatch to adopt a more rigorous approach to risk management to improve overall performance, based on the ACS risk management framework. In particular Coastwatch could better utilise the risk management methodology to determine the priority of client taskings, and standardise the Coastwatch client task ranking process (see pages 90-93).

- *Performance information*. In assessing Coastwatch's performance information, we found that Coastwatch's performance indicators were of limited value in assessing Coastwatch's overall performance. Coastwatch should provide more accurate and meaningful performance information through the identification of indicators that adequately reflect overall performance relevant to key client agencies. We recommend that Coastwatch investigate the use of a balanced scorecard to measure overall performance (see pages 93-101 and Recommendation 14 with which ACS agrees with qualification).

- *External accountability*. The ANAO found that Coastwatch did not provide sufficient detail in the ACS Annual Report and Portfolio Budget Statements to allow the Parliament and clients either to determine readily Coastwatch's total costs or allow the assessment of its overall performance (see pages 102-105).

- *The opportunity provided by the Prime Minister's Coastal Surveillance Task Force to strengthen Coastwatch's capabilities.* The ANAO notes that Coastwatch has the opportunity to strengthen its capabilities and overall effectiveness through the efficient and effective use of additional resources provided by the Government as a result of the recommendations of the Prime Minister's Taskforce into Coastal Surveillance. This relates, in particular, to the pro-active gathering and analysis of intelligence for greater effectiveness (see pages 36-37 and 79-82).

Australian National Audit Office
May 2000

Coastwatch audit report broadly allocated to the Committee's Terms of Reference

Term of reference 1
- Overview Chapter 1 (pages 29-38)
- Scope of Coastwatch operations (pages 56 - 61)
- Recommendation 5 (agreed with qualification) and Recommendation 6 (agreed)
- Appendix 1 and 2

Term of reference 2
- Overview Chapter 1 (especially pages 32 – 35)
- Chapter 2 (pages 40 – 55)
- Chapter 4 (pages 86 – 90)
- Recommendations 1, 2 and 6 (all agreed)
- Appendix 3

Term of reference 3
- Summary re administrative improvements (pages 15 - 16)
- Chapter 2 (pages 43 – 55)
- Chapter 3 (pages 62 – 84)
- Chapter 4 (pages 90 – 105)
- Recommendation 1 (agreed), Recommendation 3 (agreed with qualification), Recommendation 4 (agreed), Recommendation 5 (agreed with qualification), Recommendations 7 – 13 (all agreed), Recommendation 14 (agreed with qualification) and Recommendation 15 (agreed)
- Appendix 4 – 6

Term of reference 4
- Chapter 1 (pages 33 – 34)
- Chapter 3 (pages 75 – 76)
- Chapter 4 (pages 98 – 99 and 102)

Term of reference 5
- Summary (page 13)
- Chapter 1 (page 36)
- Chapter 2 (page 56 – 59)

Term of reference 6
- Chapter 4 (pages 101 – 102)
- Appendix 7

Term of reference 7
Refer to Audit Report No 38 1999-2000 *Coastwatch*