

Home Insulation Program

Audit Report No.12 2010–11

Opening Statement by Ian McPhee, Auditor-General

JCPAA Review 23 March 2011

1. Chair, Members of the Committee, in March 2010, I was asked to conduct a performance audit of the Home Insulation Program (HIP) by the then Minister Assisting the Minister for Climate Change and Energy Efficiency the Hon Greg Combet and the Shadow Minister for Climate Change and the Environment, the Hon Greg Hunt.
2. I agreed to conduct an audit, the objective of which was to assess key aspects of the establishment and administration of the program by the then Department of the Environment, Water, Heritage and the Arts as well as the transition of the program to the Department of Climate Change and Energy Efficiency. All phases of the program were covered in the audit. The report was tabled in the Parliament on 15 October 2010.
3. At \$2.45 billion, HIP was the major component of the Government's \$3.9 billion Energy Efficient Homes Package, announced on 3 February 2009.
4. HIP was designed to generate economic stimulus and jobs for lower skilled workers in the housing and construction industry, which was expected to be adversely affected by an economic downturn flowing from the global financial crisis. A secondary but important objective was to improve the energy efficiency of 2.7 million Australian homes and reduce greenhouse gas emissions. At the time, it was estimated that only 60 per cent of Australian homes were insulated.

5. Key program statistics include:

- approximately 1.1 million roofs were insulated at a cost of \$1.45 billion;
- between 6000 to 10 000 jobs were created. While, clearly, the creation of these jobs was an important outcome, these jobs were shorter-lived than intended, with the early closure of the program. There have also been energy efficiency benefits but these are likely to be less than anticipated due to the deficiencies in a significant number of installations.
- of the 13 808 targeted roof inspections conducted as at March 2010, around 29 per cent had identified installations with some level of deficiency, ranging from minor quality issues, to serious safety concerns.
- deficiencies in the delivery of the program saw the Government implement further measures to check and rectify the standard of installations. These new measures included the Foil Insulation Safety Program (FISP) and the Home Insulation Safety Program (HISP), expected to cost \$424 million.
- cases of potential fraud were identified. The department should be well placed to update the committee on the status of these investigations.

6. Our overall conclusions were that:

- The program was implemented in a very short period of time (between 3 Feb and 30 Jun 2009) as a stimulus measure. The focus by the department on the stimulus objective of the program was at the expense of risk mitigation measures that should have been expected, given the inherent risks associated with the program.

- The department relied heavily on its compliance and audit program to address some of the identified risks, but the significant delay in implementing this element of the program meant that these risks were not adequately addressed.
 - Greater emphasis should have been given to program risk mitigation strategies, particularly those concerning installer registration requirements and compliance with quality and safety standards.
 - By November 2009, the volume of claims and increasing number of installations identified with quality, safety and potential fraud issues overwhelmed the department and it was unable to recover the situation.
 - Insufficient resources as well as lack of experience within DEWHA in project management and program implementation were contributing factors.
7. HIP was a costly program for the outcomes achieved, including substantial remediation costs. The fallout from the program caused serious inconvenience to many householders, reputational damage to the insulation industry, and financial difficulties for many Australian manufacturers and installers. It has also harmed the reputation of the Australian Public Service.
 8. This experience underlines very starkly just how critical sound program design and implementation practices are to achieving policy outcomes.
 9. There are important lessons to be learnt from this program and the final chapter of the report outlines these lessons, which were developed in collaboration with DEWHA, DCCEE and Medicare Australia..
 10. No recommendations were made because of the closure of the program and improvement strategies were being implemented by DEWHA and DCCEE.