

Joint Committee of Public Accounts and Audit**Review of Auditor-General's Reports Nos. 22 - 38 (2009-10)**

Climate Change and Energy Efficiency Portfolio
Department of Climate Change and Energy Efficiency

Answers to questions on notice
June 2010

Question No: Audit Report No. 26 – Questions 1-6
Topic: Audit Report No. 26
Hansard Page JCPAA: Written

The JCPAA Committee asked:**Audit Report No 26**Question 1

The ANAO noted that these types of programs are inherently high risk but that risk identification and management was often undertaken late in the implementation stage of the programs examined, preventing mitigation strategies being put in place early. (Audit Report No 26, pp 46-49)

Have steps been taken to tighten up risk identification and management of climate change programs?

Answer:

The Department of Climate Change and Energy Efficiency (the Department) has established a dedicated risk management team which has an express responsibility to support and develop risk management practices across the Department. A key element of their work involves engaging with programs in the early stages of development to drive out a comprehensive risk assessment and risk management plan that will continue to evolve in line with the development, implementation and operation of the program. Risk assessments are conducted in accordance with ISO 31000:2009 and, for the larger programs, subject to an independent quality review. Key risks are reported on a regular basis to the Departmental Audit Committee and risk management information is held in an accessible format that allows managers and risk management specialists to monitor the implementation and on-going effectiveness of agreed risk mitigation treatments.

Question 2

The ANAO found that there were a number of cases where successful applications did not meet the program's eligibility criteria. In one instance a project had been previously rejected by a former Minister and three of the recommended projects were technically ineligible. (Audit Report No 26, p 58)

What steps have been taken to tighten the assessment process to ensure successful applications meet eligibility criteria?

Answer:

The Greenhouse Gas Abatement Program has closed and no further applications for funding will be considered.

Subsequent competitive grant programs administered by the Department involving large complex grants, such as *Solar Cities* and the *Smart Grid, Smart City* initiative have utilised independent expert panels to oversee the assessment process and make funding recommendations.

Question 3

The ANAO noted that open-ended, demand driven programs run the risk of demand exceeding the budget. The ANAO suggested that ‘an adequate range of controls’ needs to be in place to deal with high levels of demand putting pressure on the budget. (Audit Report No 26, p 79)

What type of controls can be put in place to better manage such a situation and mitigate the risk?

Answer:

The Department has introduced a range of different controls to better manage the risk of demand exceeding the budget across a number of demand driven programs.

For example, on 19 February 2010, the Government announced a number of daily and weekly caps on the total number of assessments that could be booked under the Green Loans program. These caps have proved to be an effective tool for managing demand for this program and ensuring that all contracted assessors have an equitable opportunity to provide services under the Green Loans program.

The National Solar Schools Program (NSSP) re-opened on 15 July 2010 with changes made to improve management of demand, including:

- Annual funding caps to be applied in each state and territory’s government (state) and non-government sectors – the amount of each allocation will be consistent with each jurisdiction’s share of the total national number of schools eligible for a NSSP grant that have not already received a grant.
- Schools now need to apply for funding during a five-week annual application round. This also assists to better manage the risk of uncontrolled demand placing pressure of the program’s annual budget.
- Eligible schools’ applications will be assessed against three criteria: value for money; environmental benefits; and educational benefits. A merit-based, competitive, assessment process will be used to determine which schools’ applications best meet these criteria and should receive funding in each year. Any school not successful in one round is eligible to apply in subsequent years’ application rounds. Over the life of the program, every eligible school has the potential to receive a NSSP grant; but schools with the most competitive applications will receive their funding earlier.
- The Solar Hot Water Rebate (SHWR) has been reduced twice in the last financial year (September 2009 and February 2010) as a strategy to successfully reduce

demand and assist with managing the program within budget. In February 2010, the time to submit an application post installation was also reduced from six months to two months – giving a more timely view of Commonwealth liabilities. Demand is tracked on a weekly basis and forecasts adjusted to provide early warning of a potential overspend or significant underspend in a given financial year.

It is important that demand management strategies are considered early in the design of programs and that they are tailored to the particular target audience, objectives and parameters of each program. Regular tracking of demand is also critical to test the effectiveness of demand management controls and provide sufficient opportunity to adjust the controls if required.

Question 4

What type of modelling or forecasting was used to determine the possible demand in the case of the Solar Homes and Communities Plan?

Answer:

Modelling and forecasting to determine the possible demand in the Solar Homes and Communities Plan (SHCP) was undertaken by the Department of the Environment, Water, Heritage and the Arts (DEWHA) at the time of preparing Cabinet Submissions and briefing for the then Minister, the Hon Peter Garrett AM MP. The primary modelling was in relation to the effect on demand of the introduction of solar credits.

Question 5

The ANAO noted that ‘performance reporting is inconsistent and inaccurate and improvements need to be made to assist the Government and Parliament to make informed judgements as to the actual achievements resulting from program expenditure’. (Audit Report No 26, p 96)

What steps have been taken to improve performance reporting for climate change programs?

Answer:

The quality and timeliness of reporting for the Renewable Remote Power Generation Program has improved, with the database now functioning effectively. An end of program report is also currently being prepared which will provide a consolidated assessment of achievements.

The SHWR, NSSP and SHCP programs provide weekly reports on volumes of applications received and paid which are consolidated into a report for the Department of the Prime Minister and Cabinet. This information is also provided to the responsible Minister’s Offices.

The SHCP program is scheduled to undertake a program evaluation during the current financial year, prior to all remaining rebates being paid. Monitoring and evaluation plans are also being established for the SHWR, NSSP, Green Loans Program and Green Start Program to provide information to assess achievements resulting from program expenditure.

Question 6

The ANAO noted that a centralised Grants Policy Unit was being set up by DEWHA and that this would facilitate improvement in the grants management process across both DEWHA and DCCEE.

Can you update the Committee on the progress of this Grants Policy Unit? Is it in operation? Can you identify any improvements in the grants management cycle to date?

Answer:

The Grants Policy Unit established by DEWHA was not transferred to the Department as part of the Machinery of Government changes, and as such remains within that Agency. Grants Policy guidance within the Department is provided from two sources. The Department's Legal Services Branch issues the Department's Grants Policy and is responsible for assisting with the drafting of funding agreements. The Department's Finance Branch co-ordinate the provision of new and amended grant guidelines. Assistance with broader frameworks for applying risk management and project management to grant schemes is provided by the newly established Governance and Program Support Division. This Division is actively working with program areas to improve planning, administration, resolution of legal issues, and implementation of compliance activities (from assurance through to fraud investigation).

The Department is confident that these arrangements will improve grant administration, however, as these arrangements have only been in place for a short period of time the Department does not currently have evidence on which to base an assessment of tangible improvements.

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Answers to questions on notice
June 2010

Question No: Audit Report No. 27 – Questions 1-7

Topic: Audit Report No. 27

Hansard Page JCPAA: Written

The JCPAA Committee asked:

Question 1

The ANAO noted that the reviews being undertaken to streamline climate change mitigation measures across jurisdictions were expected to be completed by mid-2010. (Audit Report No 27, pp 49-52, Table 2.1)

Have these reviews been finalised? If not, when are they expected to be completed?

Answer:

All state and territory reviews have now been completed and the final summary report to Council of Australian Governments (COAG) of the reviews and responses by all jurisdictions has been agreed by the Senior Officials Group and published on the COAG website, at <http://www.coag.gov.au/reports/index.cfm>.

Question 2

The ANAO noted the importance of the National Framework for Australian Climate Change Science in avoiding costly overlaps and duplication in research (Audit Report 27, p 58). An implementation plan for the Framework was expected to be completed by June 2010.

Can you update the Committee on the implementation plan? Is it on track? How will it work?

Answer:

The Implementation Plan for the National Climate Change Science Framework is being developed by the High Level Coordination Group, chaired by the Chief Scientist. The Implementation Plan is expected to be finalised by November 2010. Additional time is necessary so that the High Level Coordination Group can ensure the Implementation Plan fully integrates the national climate change science effort, enabling resources to be deployed with maximum efficiency.

Question 3

The ANAO notes that DCCEE has implemented the majority of the recommendations from the latest UNFCCC review but indicates that there are 13 outstanding agreed recommendations and that it is unclear 'how the department plans to handle these matters' (Audit Report No 27, p 69).

Could you update the Committee on the steps DCCEE is taking to address these recommendations?

Answer:

Each year the United Nations Framework Convention on Climate Change (UNFCCC) conducts expert reviews of the submissions made by countries of their national inventories contained in a document called the 'National Inventory Report'. However, the UNFCCC expert review reports are available only late in the annual inventory cycle. This year, the UNFCCC report was released on 5 March 2010 whereas the National Inventory Report must be submitted by 27 May 2010. Recommendations that are not able to be implemented immediately, therefore, must be addressed over a longer time period.

Following the release of the Australian National Audit Office (ANAO) report the Department of Climate Change and Energy Efficiency (the Department) has moved to ensure that the progress made with respect to the UNFCCC expert review recommendations is documented in the National Inventory Report itself.

In the most recent National Inventory Report, released on 26 May 2010, the recommendations of the latest UNFCCC review have been listed for the first time as well as an indication as to whether the recommendations had been able to be addressed immediately or whether additional time would be needed.

In the latter cases, consideration of the response to the recommendations of the review has been included within the Department's work program for 2010-11. An update of the completion of the process for addressing the recommendations will be provided in the next National Inventory Report, to be released in April 2011.

Question 4

The ANAO notes that the implementation of the *National Greenhouse Energy Reporting Act 2007* would improve the quality of data collected for Australia's emissions inventory (Audit Report No 27, p 76). The first data collected under this legislation was due in late October 2009 for the 2008-09 financial year (Audit Report No 27, p 73).

Can you tell the Committee how the integration of this data into the inventory went? How has it improved the quality of the data collected? Has the integration presented any difficulties?

Answer:

The first data collected under the *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) is currently in the process of being integrated into Australia's national inventory. Prioritised components of the data collected will be integrated into the inventory in time for the next submission of Australia's national inventory to the UNFCCC, due in April 2011, which will cover the same reporting year for which data under NGERs has been received (2008-09).

The full process of integration requires the development and refinement of the software used to manage the national inventory, the Australian Greenhouse Emissions Information System (AGEIS). This full integration process is being staged over two inventory cycles and is scheduled to be completed during 2011.

Overall, the data collected under NGERs will enable the inventory to be more accurate and more complete than previously. The data collected will improve the quality of the emission estimates through a greater utilisation of facility-specific data, the increased use of higher-order tier 3 methods to estimate emissions and through improved allocation of data to individual sectors. The reporting of standardised measurements made by individual facilities, encouraged under NGERs, will improve the accuracy of the inventory. Small improvements in the coverage of emission sources will also be achieved.

Systematic annual data collection for certain emission sources has been established under NGERs for the first time in a number of cases allowing gaps in the annual data collection process to be filled (for example in the estimation of fugitive emissions from underground coal mining). In addition, a number of voluntary data collections for certain sectors previously operated by the Department have been subsumed into the NGER data collection process, resulting in a streamlined data collection process.

Question 5

DCCEE advised the ANAO that a draft guidance document designed to standardise abatement costing and measurement was being developed and was expected to be published by mid-2010 (Audit Report No 27, p 91).

Has that tool been completed and implemented?

Answer:

The proposed guidelines for abatement measurement and costing methodology for new climate change policy proposals mentioned in the ANAO report are currently under development. Substantial progress has been made and a draft is currently undergoing internal Departmental clearance processes.

Question 6

The ANAO suggests that a 'more comprehensive consideration of the business as usual component within programs and broader identification of abatement drivers' would improve the integrity of individual estimates by providing a clearer idea of overlaps between programs (Audit Report No 27, p 92).

Has the DCCEE taken any steps to improve the consideration of business as usual factors and other economic drivers?

Answer:

The Department has a work program to improve estimates of individual measures that is well underway. Consideration of business as usual factors and other economic drivers will be part of this work program with every attempt made to identify clear overlaps between programs where possible.

Question 7

The ANAO found that reporting on the impact of individual programs was inconsistent and generally poor and that a ‘consolidated picture of individual abatement measures and aggregate abatement is currently lacking’. The ANAO recommended that responsible agencies report annually on abatement estimates/figures and that DCCEE publish an annual consolidate report. (Audit Report No 27, pp 97-98)

What steps have been taken to improve reporting?

Answer:

The Department’s 2010 work program to improve estimates of individual measures has commenced. As part of the 2010 emissions projections, the Department intends to publish the updated abatement estimates in a consolidated report to improve transparency and consistency.