The Parliament of the Commonwealth of Australia

Report 428

Review of Auditor-General's Reports Nos. 16 to 46 2010-11

Joint Committee of Public Accounts and Audit

November 2011
Canberra

Contents

Foreword

This report provides the findings of the Joint Committee of Public Accounts and Audit's examination of the Auditor-General's reports tabled in Parliament between November 2010 and May 2011.

The Committee selected four reports to examine in detail. First, the Committee reviewed the report on the audits of the 2009-10 financial statements of Australian Government entities. The Committee also examined three performance reports in detail, covering a range of departments and identified key areas for improvements in administration, performance measurement and evaluation, as well as reporting.

In terms of financial reporting, the Committee was pleased to see another year of positive results for the financial statement audits of Australian Government entities. With this in mind and rather than reviewing individual entities audit results, the Committee decided to use this inquiry to focus on broader aspects of the financial framework, including the transparency of reporting to Parliament and the ability to demonstrate value for money to the people of Australia. Noting that Finance is currently undertaking a major multi-year Commonwealth Financial Accountability Review, the Committee recommends that options for improved cross-agency and cross jurisdictional financial reporting are fully considered as part of Finance's review.

The three ANAO performance reports selected for review were: the Digital Education Revolutions — National Secondary School Computer Fund; Management of the Defence Estate; and the Management of Student Visas. These reports gave the Committee the opportunity to look at a range of areas to ensure the respective departments are operating effectively, reporting openly, and providing value for money.

The Digital Education Revolution Program - National Secondary School Computer Fund is a program delivered under the federal financial relations framework with potential for widespread long-term community benefit. The report suggested that the Department of Education Employment and Workplace Relation's overall administration of the program has been effective, although aspects of monitoring

and evaluation were omitted in the rush to meet the Government's timeline. Based on evidence given by DEEWR it appears likely the program's target will be met so that all students in Years 9 to 12 will have a computer by the start of the 2012 academic year.

However, while the Department may meet the target, the lack of performance indicators aimed at the qualitative aspects of the program and a yet to be finalised evaluation mechanism are significant issues that need addressed. This program is an investment involving federal, state and territory governments. It deserves the full and timely scrutiny of the Parliament and the public to ensure value for money and benefit for students. As such, the Committee recommends DEEWR publicly release in full the findings from the mid-program review scheduled for 2012 within three months of completion.

With $20 billion at stake, the Committee opted to review the report on the Maintenance of the Defence Estate. The Committee was concerned with reports of deteriorating condition of the Defence estate, which includes major bases, historically significant buildings and sites that have significant occupational health and safety issues. The findings of the report indicated that the Department of Defence's management has not been fully effective and that the current funding is not enough to preserve existing assets. The Committee fully supports ANAO's recommendations aimed at improving Defence's management of maintenance of its estate through improvements to maintenance planning and delivery of maintenance services.

During the course of the inquiry, Defence advised the Committee of efforts to incorporate the implementation of the ANAO's recommendations within the wider Defence estate strategy. Defence also noted there were a number of major reviews and new activities to support the implementation of the ANAO's recommendations, though these are in the early stages. To ensure that progress continues, the Committee recommends that following the tabling of this report Defence provide an interim report to the Committee within six months and a full report within twelve months on its progress on implementation of the ANAO's recommendations and the outcomes of the reform and review activities underway.

The final performance report reviewed by the Committee was the management of student visas. By 2009–10 the international education and training sector had grown to be Australia's third largest export industry, but it was also the first year of negative growth in applications for some time. Causes of this downturn included the global financial crisis, negative media coverage, and policy changes. While it is appropriate policy settings that set the tone for the reputation of the Australian education sector, it is ultimately sound management that is the critical enabler of the student visa program.

The Committee welcomed assurances from Department of Immigration and Citizenship (DIAC) and the Department of Education, Employment and Workplace Relations (DEEWR) that positive changes are underway. However, the Committee was concerned to note that a number of reviews and evaluations done across the student visa area over the years have not been finalised or fully implemented. In light of the recent release of the Government's response to two major reviews that impact on the international student visa program, the Baird Review and Knight Review, the Committee has decided to ask for a follow-up report from DIAC and DEEWR on implementation of the recommendations and progress on other matters six months after the tabling of this report.

Overall, this inquiry has demonstrated that Australian Government departments and agencies are well-positioned to continue meeting their financial management obligations. It is also clear that the departments reviewed are making progress in addressing outstanding issues highlighted by the ANAO audits. However, there are still areas of concern, for example: rushed implementation of programs at the expense of whole of project planning; and reviews undertaken at significant cost to the taxpayer that remain either incomplete or only partially implemented.

In closing, the Committee encourages other departments and agencies across the Australian Public Service to learn from the findings of these inquiries. In doing so, the Committee stresses to all agencies the importance of reflecting not only on their own performance but also on the challenges, achievements, and creativity of others - so as to collectively find new and better ways to deliver services to Australians.

I would also like to sincerely thank each Committee member for the non-partisan spirit in which work continues to be done on these inquiries, and the ongoing focus on better public administration for Australians.

Rob Oakeshott MP
Chair

Membership of the Committee

Chair	Mr Rob Oakeshott MP
Deputy Chair	Ms Yvette D'Ath MP

Members

Hon Dick Adams MP	Senator Mark Bishop
Mr Jamie Briggs MP	Senator Helen Kroger
Ms Gai Brodtmann MP	Senator Glenn Sterle
Mr Darren Cheeseman MP	Senator Matt Thistlethwaite
Mr Josh Frydenberg MP	
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List of abbreviations

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ADF	Australian Defence Force
AL	Assessment Level
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
AUASB	Australian Auditing and Assurance Standards Board
CFS	Consolidated Financial Statements
CMS	Comprehensive Maintenance Services
COAG	Council of Australian Governments
DEEWR	Department of Education, Employment and Workplace Relations
Defence	Department of Defence
DEMS	Defence Estate Management System
DER	Digital Education Revolution
DIAC	Department of Immigration and Citizenship
DSG	Defence Support Group

ESOS   Education Services for Overseas Students

Finance   Department of Finance and Deregulation

GEMS   Garrison and Estate Management System

GSS   Garrison Support Services

ICT   Information and Communication Technology

IMF   International Monetary Fund

JCPAA   Joint Committee of Public Accounts and Audit

NBN   National Broadband Network

NOM   Net Overseas Migration

NPA   National Partnership Agreement

NSSCF   National Secondary Schools Computer Fund

RMW   Risk Managed Works

SRP   Strategic Reform Program

VET   Vocational Education and Training

List of recommendations

2 Audits of Financial Statements of Australian Government Entities

Recommendation 1

The Joint Committee of Public Accounts and Audit recommends that the Department of Finance and Deregulation develop options for improved cross-agency and cross-jurisdictional financial reporting as part of the Commonwealth Financial Accountability Review.

3 Digital Education Revolution – National Secondary Schools Computer Fund

Recommendation 2

The Joint Committee of Public Accounts and Audit recommends the Department of Education, Employment and Workplace Relations publicly release in full the findings from the mid-program review scheduled for 2012 within three months of completion.

4   Maintenance of the Defence Estate

Recommendation 3

Due to concerns raised by the Joint Committee of Public Accounts and Audit in regard to implementation timelines, the Committee recommends that following the tabling of this report, the Department of Defence provide updates on the implementation of the ANAO's recommendations as follows:

■   an interim report within six months; and

■   a full report within 12 months.

The reports to the Committee should address each recommendation and demonstrate how the outcomes of the reform, and review activities underway, have contributed to the implementation of the ANAO's recommendations.

5   Management of Student Visas

Recommendation 4

The Joint Committee of Public Accounts and Audit recommends that the Department of Immigration and Citizenship and the Department of Education, Employment and Workplace Relations report back to the Committee in six months from the tabling of this report on:

■   implementation of recommendations (including those of the ANAO, the Knight Review, and the Baird Review);

■   the rectification of the Non-Compliance Notice issues;

■   the effectiveness of the new work arrangements between the Department of Immigration and Citizenship and the Department of Education, Employment and Workplace Relations; and

■   an update on developments with eVisa arrangements and online products, including autogrant rate statistics.

1

Introduction

Background to the review

1.1 The Joint Committee of Public Accounts and Audit (JCPAA) has a statutory duty to examine all reports of the Auditor-General that are presented to the Australian Parliament, and report the results of its deliberations to both Houses of Parliament. In selecting audit reports for review, the Committee considers:

- the significance of the program or issues raised in audit reports;

- the significance of the audit findings;

- the arguments advanced by the audited agencies; and

- the public interest of the report.

1.2 Upon consideration of 31 audit reports presented to Parliament by the Auditor-General between November 2010 and May 2011, the Committee selected four reports for further scrutiny at public hearings.

1.3 The audit reports reviewed by the JCPAA are listed below:

- Audit Report No.22 2010–11, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010;*

- Audit Report No.30 2010–11, *Digital Education Revolution Program – National Secondary Schools Computer Fund;*

- Audit Report No.41 2010–11, *Maintenance of the Defence Estate; and*

- Audit Report No.46 2010–11, *Management of Student Visas*.

1.4   The public hearings for the reports were held on:

■ 14 September 2011 (Audit Report No.22);

■ 21 September 2011 (Audit Report No.41);

■ 12 October 2011 (Audit Report No.46);

■ 2 November 2011 (Audit Report No.30).

1.5   A list of witnesses who appeared at the public hearings is at Appendix A.

The Committee's report

1.6   This report of the Committee's examination draws attention to the main issues raised at the respective public hearings. Where appropriate, the Committee has commented on unresolved or contentious issues, and has made recommendations.

1.7   The Committee's reports is structured as follows:

■ Chapter 2 - Audit Report No.22 2010-11, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010*;

■ Chapter 3 - Audit Report No.30 2010-11, *Digital Education Revolution Program – National Secondary Schools Computer Fund*;

■ Chapter 4 - Audit Report No.41 2010-11, *Maintenance of the Defence Estate*; and

■ Chapter 5 - Audit Report No.46 2010-11, *Management of Student Visas*.

1.8   The following appendices provide additional information:

■ Appendix A – List of public hearings and witnesses

■ Appendix B – List of submissions

■ Appendix C – Department of Immigration and Citizenship: Finalised Non-Compliance Notices at 14 October 2011

■ Appendix D - Department of Immigration and Citizenship and Department of Education Employment and Workplace Relations strategic student visa policy group guidelines

1.9   A copy of this report is available on the Committee's website at www.aph.gov.au/house/committee/jcpaa/reports.htm.

2

Audit Report No.22 2010–11

Audits of Financial Statements of Australian Government Entities

Introduction

2.1   Financial statement audits are an independent examination of the financial accounting and reporting of public sector entities undertaken to provide reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error. Audit procedures include examination of the entity's records and its internal control, information systems, and statutory disclosure requirements.[1]

2.2   The Australian National Audit Office (ANAO) tables two reports annually addressing the financial statement audits. In addition to the year-end report[2], an interim report[3] reviews internal controls to assess entities' abilities to prepare complete and accurate information for financial reporting. This interim stage provides agencies with an opportunity to address emerging issues prior to the final audit.

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1   ANAO Audit Report No. 22 2010–11, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010*, p. 36.

2   For example, ANAO Audit Report No. 22 2010–11, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010.*

3   For example, ANAO Audit Report No. 50 *Interim phase of the Audit of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2010.*

2.3   Consistent with results of recent years, the ANAO found agencies made good progress addressing issues raised in the interim report, leading to positive year-end results. The audit opinions on all 255 Australian entities' financial statements were unqualified, and the number of significant and moderate audit findings decreased. [4]

2.4   Taking this into consideration, the Committee decided to use this inquiry to focus on the broader financial framework, financial reporting and auditing, and the underlying standards, rather than individual entity audit results.

Financial statements

2.5   The preparation of audited financial statements in compliance with the Finance Minister's Orders is a key element of the financial management and accountability regime applicable to Australian Government entities. The Acts underpinning the reporting and auditing framework include:

- *Financial Management and Accountability Act 1997;*

- *Commonwealth Authorities and Companies Act 1997*; and

- *Auditor-General Act 1997.*

2.6   The key elements of the Australian Government's financial reporting and auditing framework are outlined in Appendix 2 of the ANAO Audit Report No. 22.

2.7   In addition to demonstrating the financial health of an individual entity, accurate financial statements also feed into the Australian Government's Consolidated Financial Statements (CFS). The ANAO describes the CFS as a 'general purpose financial report consolidating the financial activities and financial position of all agencies, authorities and other entities controlled by the Commonwealth Government.[5] The CFS provides an indicator as to whether the Government is operating at a sustainable level.

Accounting and auditing framework

2.8   The Australian Government's financial reporting framework is based, in large part, on the Australian Accounting Standards Board (AASB) standards. These standards are in turn based on the International Financial Reporting Standards issued by the International Public Sector

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4   ANAO Audit Report No. 22 2010–11, pp. 15–16.

5   ANAO Audit Report No. 22 2010–11, p. 258.

Accounting Standards Board. Additional standards are prepared by the AASB to address public sector reporting.[6]

2.9   The Auditor-General has been a member of the AASB since 2009. A senior Department of Finance and Deregulation representative has observer status on the AASB, and is also a member of the International Public Sector Accounting Standards Board.

2.10   The Department of Finance and Deregulation (Finance) is responsible for the Commonwealth's financial framework and reporting. This includes preparation of guidance material to ensure consistency of accounting policy choices across government entities where Australian Accounting Standards allow choices. Consistency ensures comparability of financial reports across entities and facilitates the preparation of the CFS.

2.11   The ANAO's auditing framework is based on standards developed by the Australian Auditing and Assurance Standards Board (AUASB), which in turn are based on International Auditing Standards.

Future developments in the public sector reporting framework

2.12   The audit report noted ongoing developments in accounting and auditing frameworks and standards continue to have an impact on the financial reporting responsibilities of public sector entities and on the ANAO's auditing methodology.

2.13   Recent developments by the AASB include: differential financial reporting — reduced disclosure requirements; and relief from consolidated financial reporting for certain entities with a not-for-profit parent entity. The ANAO notes harmonisation of accounting standards is progressing with continuing convergence between the Australian and New Zealand accounting standards, as well as major projects underway in the international sphere.[7]

2.14   According to the ANAO, the implementation of recent changes made by the AUASB to Australian Auditing Standards enhances their quality and maintains uniformity with International Auditing Standards. However, they note the revisions have led to a significant increase in the number of mandatory requirements, and as such will lead to some increase in audit costs. These costs are likely to be proportionately greater for smaller audits.[8]

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6   ANAO Audit Report No. 22 2010–11, p. 20.

7   ANAO Audit Report No. 22 2010–11, pp. 22–26.

8   ANAO Audit Report No. 22 2010–11, pp. 20–27.

The ANAO audit[9]

Audit objective

2.15   The report provides the results of the audits of 2009–10 financial statement of Australian Government entities, ordered by portfolio, and the Consolidated Financial Statement. The report also outlines developments in the public sector accounting and auditing.

Audit findings[10]

2.16   All 255 auditors' reports issued, including for the CFS, were unqualified, indicating that the financial statements are fair and true. Two auditors' reports contained reference to 'Other Legal and Regulatory requirements', relating to breaches of section 83 of the Constitution.[11]

2.17   In addition to the continuing trend of unqualified audits, there was also a significant reduction in the number of significant and moderate audit findings. The ANAO also noted entities have taken advantage of the opportunity to rectify matters raised in the interim audit phase.

2.18   However, while most entities met the financial statement preparation timeline, a number continued to experience difficulty in submitting audit cleared information to Finance within three months of the end of financial year.

The Committee's review

2.19   The Committee held a public hearing on Wednesday 14 September 2011, with the following witnesses:

- Australian National Audit Office; and

- Department of Finance and Deregulation.

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9   ANAO Audit Report No. 22 2010–11, p. 43.

10   ANAO Audit Report No. 22 2010–11, p.p. 15–16.

11   Australian Taxation Office and the Productivity Commission. See ANAO Audit Report No.22 2010–11, p. 41.

2.20   The Committee took evidence on the following issues:

- Australian Government financial reporting
  ⇒ individual entities (including specific evidence in regard to the Australian Taxation Office)
  ⇒ Commonwealth financial reporting

- managing liabilities
  ⇒ superannuation
  ⇒ Australian Public Service leave balances

- the public sector reporting framework
  ⇒ international comparisons
  ⇒ comparability of Australian Government data
  ⇒ implementation of new standards
  ⇒ impact on small agencies

- transparency
  ⇒ the Budget versus financial statements
  ⇒ cross-agency reporting
  ⇒ auditing of Commonwealth funding to states and territories.

Australian Government financial reporting

2.21   In the report, the ANAO reaffirmed the importance of the audits of Australian Government financial statements, both of individual entities and the Consolidated Financial Statements, as a means of determining effective financial management. The report also acknowledged the significant investment of time and resources committed by the ANAO and Australian Government entities in the preparation and audit of financial statements.[12]

Individual entities

2.22   In his opening statement the Auditor-General noted the ANAO devotes about 60 per cent of agency resources to the critically important role of 'providing assurance to the parliament that the Australian Government and public sector entities are correctly reporting their financial position'. Further, the Auditor-General noted the continued improvement in individual government entity reporting processes, which he contributed to

12   ANAO Audit Report No. 22 2010–11, p. 13.

the sustained efforts toward the implementation of accrual accounting and reporting.[13]

2.23   In response to the opening statement, the Committee noted that financial reporting arrangements have been in place for some time, yet Audit Report No. 22 2010–11 commented on the potential for increased errors and resources caused by tight completion requirements or rushed preparations.[14] The Committee asked for evidence of any occurrences and what mitigating steps were being taken to limit this problem.

2.24   The Auditor-General explained that there are controls around the audit process, including the need for each chief executive to sign off an agency's financial statements. However, he did note that on occasion an agency may work to a self-imposed deadline risking the integrity of the financial statements.[15] Both the ANAO and Finance agreed that the message to agencies was while it is a positive that agencies were driven by timely completion, the focus should be on preparing accurate financial statements.[16]

Australian Taxation Office

2.25   The ANAO reported an audit finding against the Australian Taxation Office (ATO) with a reference to breaches of section 83 of *The Constitution* under 'Other Legal and Regulatory requirements'.[17] The Committee asked for further details on the 604 incorrect payments making up these breaches and what triggered awareness of the breaches.

2.26   The Auditor-General advised that in addition to undertaking audits in accordance with Australian auditing standards, the ANAO also responds to requests from parliament (including those from the Joint Committee of Public Accounts and Audit) to look at matters of importance for public entities. One such area is ensuring compliance with section 83 of *The Constitution*, which requires an agency to spend within its authorised appropriation.[18]

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13   Mr Ian McPhee, Auditor-General, Australian National Audit Office, *Committee Hansard*, Canberra, 14 September 2011, p.1.

14   ANAO Audit Report No. 22 2010–11, pp. 43–46.

15   Dr Stein Helgeby, Deputy Secretary, Department of Finance and Deregulation, *Committee Hansard*, Canberra, 14 September 2011, p. 2.

16   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, pp. 1-2.; and Dr Stein Helgeby, Deputy Secretary, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 2.

17   ANAO Audit Report No. 22 2010–11, p. 246.

18   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 5.

2.27   The ANAO indicated, in this case, they were satisfied that the ATO identified the breaches during the Certificate of Compliance process, sought legal advice and alerted the ANAO. The Auditor-General considered these breaches 'nothing other than inadvertent overpayments', most of which had been rectified.[19]

Commonwealth financial reporting

2.28   With Finance responsible for Australian Government financial reporting, the Committee was interested in whether the department has been meeting published reporting standards in terms of timeliness of monthly and end of year reporting. Finance informed the Committee that they have a key performance indicator for timeliness of monthly financial reporting, with results published in Finance's annual report, noting:

> …there have been some years where it has been a little bit harder to achieve that target than others… While our key performance indicator kind of blends everything into a statistical average, in many months we achieve it fairly easily and in other months it is a bit more problematic.[20]

Managing liabilities

2.29   Reviewing the Australian Government's balance sheet, the ANAO noted that the 2009–10 Consolidated Financial Statement reported a $68.6 billion decrease in the net worth position of the Government from the 2008–09 position. This was attributed to the increase in liabilities being significantly greater than the increase in assets. Contributing to the increase in liabilities was a $16.5 million increase in public service superannuation obligations.[21]

Superannuation liabilities

2.30   Superannuation liability was also raised by the ANAO as a significant issue for Finance's 2009–10 financial statement audit.[22] Notably because the unfunded superannuation liability is based on a set of complex

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19   Mr McPhee, and Mr Michael Watson, Group Executive Director, ANAO, *Committee Hansard*, Canberra, 14 September 2011, pp.5–6.

20   Dr Helgeby, Deputy Secretary, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 8.

21   ANAO Audit Report No. 22 2010–11, pp. 33–34.

22   Finance is the administrator of the Australian Government's superannuation schemes.

assumptions, and continues to grow as members' employment tenure and wage increases.[23]

2.31   The Committee asked about the accounting treatment of the superannuation liability, and how the unknown amount and timing of the payment obligation is managed.

2.32   ANAO confirmed Finance's view that the full liability is accounted for and is underpinned by regular actuarial assessment. The Auditor-General went on to explain the purpose of the Future Fund as partially offsetting the Government's superannuation liability. Beyond this, he indicated the liability is bundled in with the rest of the liabilities, and offset by the many Commonwealth assets.[24]

2.33   The Auditor-General also noted the benefits of the Australian Government's use of accrual accounting. This increased the visibility of liabilities on financial statements brought the issue into focus, and put Australia on the 'right path', compared to those countries that are still only accounting for the annual superannuation outflows.[25]

Annual leave liabilities

2.34   Other liabilities, such as leave entitlements, may be more easily accounted for and effectively managed on a yearly basis than superannuation, yet still present an ongoing challenge for agencies. The audit report noted that the Attorney-General's department liabilities had increased due in part to employee leave provisions.[26]

2.35   The Committee asked how government agencies were managing leave liabilities, noting that a lot of effort had gone toward reducing leave banks. Additionally, while the Committee accepted Finance's advice that leave is to a certain extent managed at the agency level[27], there was interest in whether there was any mechanism for whole-of-government oversight.

2.36   The Auditor-General responded to the question in two parts. First, Mr McPhee advised that leave liabilities are being properly accounted for. He then moved to explain the actions individual agencies may take to address management of leave liabilities, using the ANAO as an example. The ANAO enterprise agreement includes reference to the annual leave

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23   ANAO Audit Report No. 22 2010–11, pp. 149–150.

24   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 2.

25   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, pp. 2–3.

26   ANAO Audit Report No. 22 2010–11, p. 65.

27   Mr Peter Gibson, Assistant Secretary, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 3.

cap and remedies for those who are holding excess leave. [28] Finance concurred, and noted that they used a similar system.[29]

2.37   ANAO felt there were some agencies that were not as strong in the area of leave management. However, Finance did not consider there were 'any indications of inherent problems' at the broader level.[30]

Public sector reporting framework

2.38   In the report, the ANAO noted that 'at the international level, work continues on new conceptual frameworks for financial reporting so as to provide a sound base for the future development of accounting standards'.[31] The AASB closely monitors these developments, incorporating relevant changes. During 2009–10, a new format for the main statement of financial performance was released, along with enhanced disclosures for the fair value of financial instruments.[32]

2.39   In light of the ongoing international financial instability, the Committee expressed an interest in the robustness of the Australian Government's financial reporting system, and Australia's international standing.

International comparison

2.40   In his opening statement, the Auditor-General commented on the importance of transparency in financial reporting, as demonstrated by the recent, and ongoing, international events:

> Recent events in Europe have shown that transparency in financial reporting by government is more important than ever to properly inform their stakeholders of government revenues, expenses, cash flows, and financial position, and to allow assessments to be made of the capacity of governments to meet the cost of current policies and new policies.[33]

2.41   Finance drew the Committee's attention to the Sovereign Fiscal Responsibility Index 2011[34]. While American-centric, this report provides

28   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 3.

29   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 3.

30   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 3.

31   ANAO Audit Report No. 22 2010–11, p. 14.

32   ANAO Audit Report No. 22 2010–11, p. 20.

33   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 1.

34   Produced by Stanford University under the guidance of Comeback America Initiative CEO <http://siepr.stanford.edu/system/files/shared/documents/policybrief_04_2011.pdf> - the report lists Australia as first in the overall Sovereign Fiscal Responsibility Index rankings.

independent analysis suggesting that Australia's fiscal position is very strong relative to the other 33 major industrialised nations reviewed in the study.[35]

2.42   The Committee noted that the international circumstances have highlighted comparability issues. The Committee was interested in further detail on how Australian accounting standards compared with international standards.

2.43   Finance confirmed the G20's push toward improved international standards, noting that it is Finance's view that the Australian standards are toward the 'top end' of best practice. Finance reconfirmed that the Australian standards are based on the international standards. Further, Finance indicated the G20 is advocating a move toward global application of the international standards.[36]

2.44   When considering these international organisations, the Committee asked what assurance processes the International Monetary Fund (IMF) has in place to ensure comparability of data provided to them by various countries.

2.45   Finance explained IMF data is constructed on a statistical basis, reflecting an economic view of the world. Countries producing data for the IMF, including Australia, are governed by a set of standards, which is translated into the system of national accounts. The Australian Bureau of Statistics (ABS) consolidates the data and produces the national accounts.

2.46   Finance also advised that the 'IMF or one of its bodies' periodically undertakes country visits to ensure the ABS processes are consistent with the IMF framework.[37]

2.47   In regard to the comparability of data published by the IMF and the Australian Government's financial statements, Finance indicated that while 'different standards apply to some components' they are in large measure comparable.[38]

Comparability of Australian Government data

2.48   The Committee questioned Finance on the comparability of Australian Government financial data and how it is reconciled. Finance noted that over the past decade there have been significant moves to 'harmonise

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35   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 6.
36   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 3.
37   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 7.
38   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 7.

these things', and that there are now Australian accounting standards which 'require reporting on a basis which essentially tries to reconcile all these differences'. [39]

2.49   Finance summarised the process of production for both the ABS Government Finance Statistics and the Australian Government financial statements, noting that they are broadly comparable.

> They are reconcilable to each other and …to the frameworks within which they are constructed…
>
> Harmonisation took a very large step about two years ago, with the adoption of a particular accounting standard, which requires reporting on a basis, which essentially tries to reconcile all of these differences. [40]

2.50   Finance explained that typically in the general government accounts section in the Budget papers there would be a disclosure of differences between what is being published and the relevant standard. [41]

Implementation of new standards

2.51   Noting the accounting and auditing framework developments outlined in the ANAO report[42], the Committee asked how government agencies are progressing to ensure that their reporting adheres to newly introduced standards. Finance agreed with the Committee's comment that it takes 'two or three years' for full implementation of new standards. [43]

2.52   Finance considers that while some of the standards 'present challenges because they may require additional data collection or they may involve complex concepts', overall implementation across agencies is 'reasonably good'. Finance provides a range of assistance measures to agencies including guidance material and training on both the content and the implication of the standards. [44]

2.53   The Auditor-General commended the elevation of the position of the Chief Executive Officer within many agencies to that of a Senior Executive Officer, often either at the Deputy Secretary or First Assistant Secretary

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39   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 7.
40   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 7.
41   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 7.
42   ANAO Audit Report No. 22 2010–11, pp. 20-22.
43   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 5.
44   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 5.

level. Mr McPhee considers that this has 'provided serious executive focus on not only the business but the requirements of standards'.[45]

Impact on small agencies

2.54   In 2009–10, the AASB implemented a two-tier differential reporting regime[46] that provides for reduced disclosure requirements for the majority of reporting entities. In the audit report, the ANAO support the differential reporting regime, suggesting it is an opportunity to reduce administrative workloads and make financial reports easier to read, yet still meeting the needs of Parliament and providing sufficient transparency.[47]

2.55   The Committee asked for further information on the potential benefits for small entities if the reduced reporting regime was implemented, and also whether the changes would affect the robustness of the financial statements.

2.56   Finance and the ANAO agreed that the changes appear to make sense and address the ongoing complaints from small agencies about the burdens imposed with the complexity and detail required for agency financial statements. However, both indicated that there was merit in further scrutiny of the regime, and its suitability for the Commonwealth, before a policy decision is made.[48]

2.57   In responding to the question of robustness, the Auditor-General went on to explain that:

> The actual numbers, the recognition and measurement of the transactions would be the same as has traditionally has been done. The reduced disclosure regime is just to try and reduce the amount of information included in the notes to the financial statement. The judgment has been made by the Australian Accounting Standards Board as to where they believe—in some cases, the information is not so significant in the small entities as to require disclosure.[49]

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45   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p.5

46   ANAO Audit Report No. 22 2010–11, p. 22. Federal, state and territory governments are in the first tier. However, entities controlled by these governments and all universities may opt for either tier, subject to the requirements of their regulators.

47   ANAO Audit Report No. 22 2010–11, pp. 22–23.

48   Mr McPhee, ANAO and Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, pp. 7–8.

49   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 8.

2.58   While acknowledging the final decision rests with the Finance Minister, the Auditor-General expressed support for Finance's investigation of the benefits of the reduced reporting regime, particularly for smaller agencies. He noted for these agencies it may help alleviate the burden and significant cost of preparing financial statements.[50]

Transparency

The Budget versus financial reports

2.59   Using the National Broadband Network (NBN) as an example, the Committee asked for an explanation as to why some government activities are not included in the Budget, but are reported in the end-of-year financial reports.

2.60   Finance explained that for government and statistical purposes all the organisations that are controlled by the government fall into three sectors which comprise the general government sector and two corporation sectors. The Budget is only focused on measuring the impact of the government on the economy, which is defined by the general government sector. [51]

2.61   The NBN is a public corporation, and therefore not included in the aggregate budget numbers. Instead, they are presented as government investments identified in the Budget papers as 'investments in other government bodies'.[52] However, Finance also noted that any equity injection the Government put into the NBN would be accounted for in the general government sector.[53]

2.62   The Auditor-General added to Finance's comments, advising that while the Budget papers relate largely to the general government sector transactions, the Australian Government consolidated financial statements represent the totality of the Australian government's activities, including all corporations. He summarised that 'you have to add them all together to get to the Government's full accounts position'.[54]

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50   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 8.
51   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, pp. 6–7.
52   Mr Gibson, Finance, *Committee Hansard*, Canberra, 14 September 2011, pp. 6–7.
53   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 5.
54   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 7.

Cross-agency reporting

2.63   In addition to the focus on agency-specific matters, the ANAO also takes into account relevant cross-agency performance audits to inform the audit coverage of an entity's financial statements. An instance in the 2009-10 financial year was the cross-agency performance audit of the Home Insulation Program.[55] The Committee commented on this apparent trend toward whole-of-government service delivery, and asked what guidelines are in place in regard to reflecting cross-agency arrangements in the financial statements.

2.64   The Auditor-General explained the current system whereby, in accordance with legislation, each secretary or agency head is responsible for accounting for their part of any obligations incurred as a result of a whole-of-government initiative within their own agency's financial statements. While it will always be necessary to maintain the 'silo approach', he noted that in recent reports, the ANAO has been raising the need for better reporting across government, particularly in light of the Council of Australian Governments' agreements.[56]

2.65   Referring to the ANAO's recent work, including an audit report on effective cross-agency agreements[57], Finance agreed there is a need to make the arrangements more transparent, at least in terms of reporting to Parliament.

> At the moment, reporting to parliament is typically done through portfolio or departmental structure. It goes through the department's or agency's annual report and through the portfolio budget statement, which, by its definition, takes a portfolio focus. We think there might be some things that could be done to make the cross-read between those documents easier to understand. That is an area where we intend to do some work going forward as to how they relate to each other.[58]

Auditing of Commonwealth funding to states and territories

2.66   Further to the discussion on reporting, the Committee asked what sort of auditing is done for Commonwealth funding of state projects to ensure

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55   ANAO Audit Report No. 22 2010-11, p. 37 and ANAO Audit Report No. 12 2010–11 *Home Insulation Program*.

56   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, pp. 5–6.

57   Audit Report No.41 2009–10 Effective Cross-Agency Agreements, available at <http://www.anao.gov.au/~/media/Uploads/Documents/2009%2010_audit_report_41.pdf>.

58   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 6.

value for money outcomes for the Commonwealth. The Committee used a hypothetical national highway project to illustrate their concerns.

2.67   The Auditor-General agreed this is a contemporary issue, and went on to outline the expectations that agencies and departments undertake a risk assessment, and then develop a monitoring and reporting plan to ensure the Commonwealth is ultimately getting value for money. In the case of a highway, this would include reports from the state on progress of the road against the schedule and costs. He also stressed the importance of on-the-ground inspections to confirm statements in written reports.[59]

2.68   While the Auditor-General supports the Committee's earlier recommendation[60] to increase the ANAO's ability to audit Commonwealth funding agreements made with states and territories, he expressed the view that agencies and departments need to take responsibility for ensuring the agreements put in place give them sufficient project oversight.[61]

2.69   The Committee asked for Finance's view on the existing arrangements for agreements between the Commonwealth and states/territories, and specifically inquired as to whether there are systems in place to 'catch the projects where there should be concerns'. Finance noted they are not aware of any systemic issues and these agreements are generally 'subject to quite a degree of scrutiny', summarising that, 'broadly speaking the system of decision making, agreement setting, monitoring and audit is a robust system'.[62]

Committee comment

2.70   The Committee notes the considerable work Australian Government entities, in cooperation with the ANAO, devote to preparing accurate financial statements, generally in a timely manner. The Committee welcomed the positive audit trend continuing this year, with a reduction in significant issues and all audit reports issued unqualified.

2.71   This being the case, the Committee's focus during the hearing was to ensure the underlying framework was sound and will continue to support Australia's international positioning as a well respected financial manager.

59   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 4.
60   Recommendation 10, *JCPAA Report 419 - Inquiry into the Auditor-General Act 1997.*
61   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 14 September 2011, p. 4.
62   Dr Helgeby, Finance, *Committee Hansard*, Canberra, 14 September 2011, p. 5.

2.72   The Committee accepts and appreciates the assurances provided by
        Finance and the ANAO regarding the robustness of the financial
        framework and Australia's influence and esteem in the international
        arena. Further, the Committee notes the support and guidance they
        provide to entities to assist them in meeting their financial reporting
        obligations and incorporating new accounting standards into agency
        processes.

2.73   Transparency in reporting to Parliament and the ability to demonstrate
        value for money to the people of Australia are fundamentally important to
        this Committee. The Committee considers that the current visibility for
        programs delivered across agencies or through state/territory agreements
        is insufficient.

2.74   The Committee also continues to hold the position that the
        Auditor-General should be able to scrutinise all funding agreements
        between the Commonwealth and other levels of Government.

2.75   The Committee acknowledges that Finance and ANAO are considering
        how to improve financial reporting to provide increased visibility across a
        whole project rather than the current portfolio approach. However, this
        work seems to be very much at the conceptual stage.

2.76   Noting that the Minister for Finance and Deregulation announced that
        Finance has commenced a major review—Commonwealth Financial
        Accountability Review—the Committee makes the following
        recommendation.

Recommendation 1

**The Joint Committee of Public Accounts and Audit recommends that
the Department of Finance and Deregulation develop options for
improved cross-agency and cross-jurisdictional financial reporting as
part of the Commonwealth Financial Accountability Review.**

3

Audit Report No. 30 2010-11

Digital Education Revolution – National Secondary Schools Computer Fund

Introduction

3.1   The Digital Education Revolution (DER) program is a major Government initiative. According to the Department of Education, Employment and Workplace Relations (DEEWR), the program aims to contribute sustainable and meaningful change to teaching and learning in Australian schools that will prepare students for further education, and training, and to live and work in a digital world.[1]

3.2   The main component of the $2.4 billion DER program was the National Secondary Schools Computer Fund (NSSCF). The fund was established to provide $1.4 billion for information and communication technology (ICT) equipment for all secondary schools with students in Years 9 to 12.[2]

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1   DEEWR, Digital Education Revolution, <http://www.deewr.gov.au/Schooling/DigitalEducationRevolution/Pages/default.aspx>, accessed on 4 November 2011.

2   ANAO Audit Report No. 30 2010-11, *Digital Education Revolution – National Secondary Schools Computer Fund*, p. 13.

3.3   The DER program, as approved in 2007, did not provide for the costs of technical training and support, maintenance of the computers and infrastructure support. The Council of Australian Governments (COAG) was approached to meet these costs but did not agree to provide the funding. A review into the on-costs of the computers funded through the NSSCF was undertaken (*Review of Legitimate and Additional Financial Implications of the National Secondary Schools Computer Fund*[3]) and subsequently an additional $807 million was allocated for these costs.[4]

3.4   Two other important supporting components were identified:

- the high speed broadband connections to schools ($100 million); and

- ICT professional development for teachers and school leaders ($40 million).[5]

3.5   While maintaining overall policy responsibility, DEEWR adopted a partnership approach with state and territory education departments and Block Grant Authorities (bodies representing non-government schools) for delivery.[6]

National Secondary Schools Computer Fund[7]

3.6   As the major component of the DER, the NSSCF's implementation was given first priority among the components of the DER program. The objective of the NSSCF is to achieve a computer to student ratio of 1:1 for all Australian students in Years 9 to 12 by 31 December 2011, and sustain that ratio through to 2013–14.

3.7   NSSCF funding was to be used by schools, or education authorities on their behalf, to provide for new information and communications technology (ICT) equipment for secondary schools with students in Years 9 to 12. As an incentive to obtain value for money, any savings made on individual computers were able to be applied to ancillary ICT equipment.

3.8   The Australian Government committed to opening the first application round[8] of the NSSCF within 100 days of being sworn into office, and

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3   A copy of the report is available on DEEWR's website at <http://www.deewr.gov.au/schooling/DigitalEducationRevolution/Computerfund/Documents/TheGrimesReview.pdf>.

4   ANAO Audit Report No. 30 2010-11, p. 33.

5   ANAO Audit Report No. 30 2010-11, p. 13.

6   ANAO Audit Report No. 30 2010-11, pp. 13-14.

7   ANAO Audit Report No. 30 2010-11, pp. 14-15.

reached agreement with education authorities to conduct an audit of ICT in their schools so that initial funding could be directed to where it was most needed and where there was capacity to use it effectively.

Funding agreements[9]

3.9   For the three applications based funding rounds of the NSSCF, the Government entered into funding agreements with education authorities to provide funding for successful applicant schools. Funding was provided upfront as a lump-sum, subject to education authorities meeting defined terms and conditions. One of these conditions is to report to DEEWR on a six monthly basis on schools' progress in the purchase and installation of computers.

3.10   The DER program is now being delivered under the federal financial relations framework, including through the National Partnership Agreement (NPA) on the Digital Education Revolution. The NPA sets out high level governance arrangements for the delivery of the program, including: objectives, outcomes and outputs; roles and responsibilities; and performance benchmarks and reporting.

Program progress

3.11   At the time of the report, three funding rounds had been completed with 268,000 computers installed. In Round 1, 97 per cent of schools achieved the first round objective of raising the computer to student ratio of 1:2 and in Rounds 2 and 2.1, 80 per cent of schools achieved the 1:2 ratio in advance of the March 2011 deadline. The next deadline, which is for the completion of installation to meet the 1:1 ratio, has been extended to early 2012 to coincide with the start of the new school year.[10]

3.12   At the 2011-12 Supplementary Senate Estimates hearing, DEEWR provided an update on implementation indicating that as at 30 June 2011, 589,879 computers had been installed in secondary schools with Years 9 to 12, representing 75 per cent of the computers need to reach the

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8   According to the ANAO's report, Round 1 funding agreements provided education authorities two years for schools to achieve a computer to student ratio of 1:2. Further rounds were then undertaken to bring schools up to the 1:1 ratio by the start of the 2012 school year.

9   ANAO Audit Report No. 30 2010-11, pp. 15-16.

10   ANAO Audit Report No. 30 2010-11, pp. 17-18.

1:1 ratio. DEEWR also advised the Estimates Committee that 75 per cent of the budgetary element had been provided to education authorities.[11]

3.13   The ANAO reported that the survey of school principals indicated the NSSCF was having a positive effect on student access and use of computers, and engagement and preparation for a digital world. The program had been a catalyst for modernisation and integration of ICT infrastructure in the secondary school sector.[12]

Focus of the review

3.14   The ANAO considered the program across four major themes:[13]

- Determining Need and Assessing Capacity, examining DEEWR's administration of the NSSCF preliminary survey of computers in schools, and its oversight of the NSSCF application process established to assess schools' capacity to deploy ICT equipment.

- Establishing Delivery Arrangements, examining DEEWR's establishment and management of agreements underpinning the delivery of the DER program.

- Calculating and Releasing Payments, examining DEEWR's administration of DER program payments to education authorities.

- Monitoring and Reporting Program Performance, examining the monitoring and reporting arrangements for the DER program (including the perspective of school principals on program progress and achievements), and the Department's role in establishing evaluation arrangements for the DER program as a whole.

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11   Ms Bloor, DEEWR, Senate Education, Employment and Workplace Relations Committee Hansard, Canberra 20 October 2011, pp. 57-58.

12   ANAO Audit Report No. 30 2010-11, p.18.

13   ANAO Audit Report No. 30 2010-11, p.38.

The ANAO audit

Audit objective

3.15   The objective of the audit was to assess the effectiveness of DEEWR's administration of the Digital Education Revolution program's National Secondary Schools Computer Fund component. The ANAO assessed whether DEEWR: established sound administrative and payment arrangements consistent with government policy; properly managed administrative and payment arrangements; and effectively monitored and reported on delivery and outcomes.

Overall audit conclusion[14]

3.16   The ANAO found overall DEEWR's administration of the DER program has been effective in supporting progress through a partnership approach towards the National Secondary Schools Computer Fund's objective of increasing the computer to student ratio for students in Years 9 to 12. Nevertheless, the ANAO considered that there were some aspects of the Department's oversight of implementation that could have been strengthened.

3.17   DEEWR worked with education authorities to collect preliminary survey data of computers in schools as a basis for allocating application round funding, and required education authorities to verify and provide assurances about the accuracy of the data. However, the ANAO noted that DEEWR did not perform simple checks on the data to provide assurance over data quality.

3.18   Further, ANAO found that unlike agreements with government education authorities, agreements with the non-government sector did not include a requirement for annual acquittal of the use of funds, nor reporting on education authorities' or schools' on-going investment in schools' ICT.

3.19   More broadly, the ANAO considered that establishing one or two intermediate progress milestones for education authorities, based on their respective implementation plans, would have assisted DEEWR and stakeholders to better gauge progress towards the 1:1 target ratio. It would also have allowed for identification of any delivery problems sufficiently early to allow remediation.

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14   ANAO Audit Report No. 30 2010-11, pp. 17-20.

ANAO recommendations[15]

3.20   The ANAO made three recommendations aimed at improving DEEWR's administration of the NSSCF, relating to: strengthening agreements with non-government education authorities; improved performance indicators; and increasing assurance over achievement through audit. DEEWR agreed with all three recommendations.

Table 3.1   ANAO Audit Report No. 30 2010-11

1.	The ANAO recommends that DEEWR establish for future Digital Education Revolution program funding agreements, an obligation for non-government education authorities to provide an annual acquittal of program funds, including an independent audited statement that the funding was expended for the purpose of achieving the deliverables and performance benchmarks in accordance with the agreement.
	DEEWR response: *Agreed*
2.	The ANAO recommends that, in order to strengthen external reporting and help steer program direction, DEEWR establish a balanced set of Portfolio Budget Statements key deliverables and performance indicators to measure the effectiveness of the Digital Education Revolution program.
	DEEWR response: *Agreed*
3.	The ANAO recommends that DEEWR consult with education authorities to design and conduct an audit of a sample of schools funded under Digital Education Revolution program, in early 2012 to assist in: a) providing assurance on the accuracy of information reported by education authorities on computer installations; b) confirming whether the schools have achieved the 1:1 computer to student ratio; and c) identifying any reasons for schools not achieving the 1:1 computer to student ratio, including any funding deficiencies.
	DEEWR response: *Agreed*

The Committee's review

3.21   The Committee held a public hearing on Wednesday, 14 October 2011 with the following witnesses:

- Australian National Audit Office; and

- Department of Education, Employment and Workplace relations.

3.22   As this program is in its final stages, the Committee focused on the appropriateness of the key performance indicators and whether evaluation to assess educational outcomes has been adequately addressed. In addition, the Committee wanted to ensure the program had delivered

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15   ANAO Audit Report No. 30 2010-11, pp. 27-28.

value for money and that lessons learned had been implemented across new programs.

3.23   The Committee took evidence on the following issues:

- implementation of recommendations

- early program challenges

- procurement

  ⇒ value for money

  ⇒ purchasing decisions

  ⇒ ICT supporting infrastructure

  ⇒ additional fees

- data accuracy

- progress on computer implementation

- program monitoring and evaluation

  ⇒ performance indictors

  ⇒ program evaluation.

Implementation of ANAO recommendations

3.24   As noted above, the ANAO's report contained three recommendations aimed at improving the administration of the NSSCF. Referencing these in his opening statement, the Auditor-General outlined the report findings which suggested that DEEWR's administration of the program 'had been effective in supporting progress through a partnership approach towards the computer fund's objective of increasing the computer-to-student ratio'. However, the Auditor-General also noted the report found that 'there were aspects of the Department's oversight that could have been strengthened'.[16]

3.25   In response to the statement made by the Auditor-General, DEEWR noted the ANAO's valuable contribution in the continuous improvement of administrative processes. DEEWR also advised that they consider that the first two recommendations made by the ANAO have been fully

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16   Mr Ian McPhee, Auditor-General, Australian National Audit Office, *Committee Hansard*, Canberra, 2 November 2011, p. 1.

implemented, with the third relating the 2012 calendar year to be fully implemented in due course.[17]

3.26   The Committee asked DEEWR for further detail on the implementation of each of the three recommendations.

Implementation of Recommendation No.1

3.27   In response to the ANAO's recommendation to strengthen future program funding agreements with non-government education authorities, DEEWR noted that:

> …since the audit report… the basis of the program has changed to that of a national partnership. However, under the DER funding agreements, which are part of the national partnership arrangements, non-government education authorities are, in fact, required to submit six-monthly progress reports, outlining their progress to reach a computer-to-student ratio of one to one by the end of 2011. All non-government education authorities have complied with these requirements, and the most recent progress report was received by us on 15 July 2011.[18]

Implementation of Recommendation No.2

3.28   The second recommendation suggested establishing a balanced set of portfolio budget statements key deliverables and performance indicators to measure the effectiveness of the program.[19]

3.29   DEEWR considered they have fully responded to this recommendation with the inclusion of additional information in the *2011-12 DEEWR Portfolio Budget Statement* (PBS). The key performance indicators listed in the PBS are:

- number of schools assisted; and

- number of computers installed.[20]

17   Dr Evan Arthur, Group Manager, National Schools and Youth Partnerships Group, Department of Education, Employment and Workplace Relations, *Committee Hansard*, Canberra, 2 November 2011, pp. 1-2.

18   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 2.

19   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 2 November 2011, p. 1.

20   The *2011-12 DEEWR Portfolio Budget Statement* is available at <http://www.deewr.gov.au/Department/Budget/Documents/20112012/2011-2012_DEEWR_PBS_04_Outcome_2.pdf , pp.66-67>.

Implementation of Recommendation No.3

3.30   The third ANAO recommendation suggested action to be taken in early 2012 aimed at increasing assurance over schools' achievement of the computer-to-student ratio of one-to-one through an audit of a sample of schools.[21]

3.31   According to DEEWR, this recommendation is being advanced as part of the overall evaluation strategy for the fund. A mid-program review is planned in 2012 to cover a number of aspects and 'will incorporate an audit in conformance with the recommendations of the Audit Office'.[22]

Early program challenges

3.32   The ANAO provided commentary on a significant funding issue arising from the rush to meet the Government's 100 day commitment, whereby the on-costs associated with the deployment and support of the computers had not been agreed. The Government initially thought that states and territories would cover these costs, however, the COAG did not endorse the proposal. Dr Paul Grimes, then Deputy Secretary of the Department of Finance and Deregulation, was appointed to undertake a review to determine the full costs of computers funded through the NSSCF.[23] Following the conclusion of the review and agreement from COAG, the Government announced a further $807 million in funding for the program.[24]

3.33   In trying to determine why these costs were not agreed as part of the initial funding announcement, the Committee asked what advice the Department had given to the Government prior to the first COAG meeting.

3.34   Noting that the audit canvassed these events in detail, and are otherwise on the public record, Dr Evan Arthur, Group Manager, National Schools and Youth Partnerships Group, provided a historical account as follows:

> Immediately after the election of the Rudd government, there was a COAG meeting which agreed to the rollout of the computers, but there was a reservation, as I recall, in terms of funding of the

21   Mr McPhee, ANAO, *Committee Hansard*, Canberra, 2 November 2011, p. 1.

22   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, pp. 1-2.

23   A copy of Dr Grimes' report on the *Review of Legitimate and Additional Funding Implications of the National Secondary School Computer Fund* can be accessed at http://www.deewr.gov.au/Schooling/DigitalEducationRevolution/Documents/ReviewofLegitimateandAdditionalFinancialImplicatio.pdf.

24   ANAO Audit Report No. 30 2010-11, pp. 32-33.

> legitimate additional costs. At a subsequent COAG meeting…the
> Commonwealth agreed that it would meet legitimate additional
> costs for installation of the computers. …A process was then
> agreed by which we would quantify what those legitimate
> additional costs were. That was the process which was managed
> by Dr Grimes. … On receipt of the Grimes report, the Government
> decided to accept the quantification of the costs contained within
> the Grimes report.[25]

3.35   Additional questions on this matter were taken by the Department on
        notice. The Department's response to the Committee had not been
        provided at the time of the publication of this report.

3.36   In regard to the overall program rollout, DEEWR asserted that beyond the
        initial disagreement over funding for on-costs, there have been 'no
        substantive difficulties within the administration of the program'. While
        over the course of the program questions have arisen, DEEWR consider
        these 'have all been handled in an entirely cooperative way'. [26]

3.37   DEEWR reinforced their view of the program's successful progress with
        the advice that 'at no point has the program failed to meet its timetable of
        pre-existing commitments'.[27]

Procurement

Value for money

3.38   The ANAO noted the concept of 'value for money' was raised by the
        Government at the very early stages as an expectation of this program.
        Following consultation with central agencies, a unit price of $1000 per
        computer was established. By way of example, the ANAO report
        explained that based on this unit price, a school requiring 10 computers
        would receive $10,000 in application round funding.[28]

3.39   Taking into account the highly competitive ICT market in Australia, the
        ANAO report noted DEEWR encouraged government education
        authorities to undertake centralised purchasing processes for schools to
        achieve maximum purchasing power.[29]

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25 Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 5.
26 Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 3.
27 Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 3.
28 ANAO Audit Report No. 30 2010-11, pp. 83-84.
29 ANAO Audit Report No. 30 2010-11, pp. 83-84.

3.40   The ANAO found the DEEWR approach to encouraging value for money was generally sound. The option to use residual funding for complementary ICT equipment provided flexibility for education authorities and schools as well as a strong incentive to achieve value for money.[30]

3.41   The Committee asked DEEWR for their view on this policy and whether they would consider using this type of mechanism, or a similar refined version, for future programs.

3.42   In regard to the current program, DEEWR commented that rather than micromanage expenditure of funds at school level, this policy decision allowed flexibility to apply the funds to a range of complementary purposes.[31]

3.43   The second part of the question relating to further promulgation of this policy was put on notice. The Department's response to the Committee had not been provided at the time of the publication of this report.

Purchasing decisions

3.44   Noting the flexible arrangements, the Committee asked DEEWR whether any data was being collected identifying school ICT purchasing decisions. The Committee was interested in the overall benefit being realised by students. This included whether schools are providing laptops and if so, are these being made available to students outside of school hours.

3.45   According to DEEWR, the majority of deployments have been Netbooks. However, some schools elected to install desktops and there has been an emerging trend toward investment in slates (iPads or similar). Overall, a very wide range of choices have been made, depending on both end-user requirements and the procurement model used.[32]

3.46   DEEWR advised that a range of procurement and deployment models have been established by state and territory education authorities, and that these models in turn go some way in determining the options available to schools.[33]

3.47   DEEWR used the following examples to demonstrate the different approaches taken:

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30   ANAO Audit Report No. 30 2010-11, pp. 78-79.

31   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 9.

32   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 3.

33   Dr Evan Arthur, Department of Education, Employment and Workplace Relations, *Committee Hansard*, Canberra, 2 November 2011, p. 3.

- Using a centralised model, the NSW education department made definitive technology choices. These were then made available for deployment to NSW government schools. The NSW program provides a laptop to each Year 9 student at the start of the year, which they can access at all times and keep until they leave school. [34]

- Victorian government schools have been allowed a self-management approach. Schools have been able to make their own technology decisions, as well as whether computers are made available to students outside of school hours. This is also largely the case for independent schools.[35]

3.48   The ANAO's report provides additional information with two case studies outlining the alternate models adopted by the NSW and Victorian education departments. [36]

ICT supporting infrastructure

3.49   DEEWR claimed that the DER program 'has also made significant changes to the ICT environment within schools'. Having an easily accessible, supporting network in place is a precondition of effective use of technology in education. According to DEEWR, this has been achieved as a result of the one-off funding injection for on costs.[37]

3.50   The Department took questions on notice from the Committee in regard to the ICT supporting infrastructure. Specifically:

- whether any policy work been done or proposed to be done on the nine-year rollout of the National Broadband Network; and

- regarding the school hub, whether any policy work on that becoming a community hub for internet technology and ICT improvements more generally.

The Department's response to the Committee had not been provided at the time of the publication of this report.

Additional fees

3.51   The Committee noted that in recent months there have been a number of media articles claiming that parents of students in Queensland schools are

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34   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 3.
35   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 3.
36   ANAO Audit Report No. 30 2010-11, pp. 123-124.
37   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 4.

required to pay additional fees for laptop computers provided under the NSSCF.[38] The Committee asked DEEWR to respond to these claims, and advise whether those fees are in any way associated with the DER program or any deficiencies in the NSSCF?

3.52   DEEWR refuted the reports, stating:

> …there is a very clear position from the governments on this issue, which is that there should not be any fees associated with the provision of computers funded by the Commonwealth. The Commonwealth, as a result of the COAG agreements … is… meeting the total cost of ownership of the device for four years.[39]

3.53   However, DEEWR noted that the Commonwealth Government has 'no role in restricting the choices schools make and how they fund their activities'. Expanding on this DEEWR commented on three situations in which schools may be charging parents:

- if the school wishes to buy devices which are more expensive than the notional price funded under the NSSCF;

- to cover costs of providing computers to students in years other than Years 9 to 12; or

- to support the school's own sustainment of the computers that they had in place at the time that the fund was introduced in 2008.[40]

3.54   Further, DEEWR explained that if the fees are to fund the school's ongoing maintenance of computers outside those provided under the NSSCF (either prior to the establishment of the fund or to years other than Years 9 to 12), the Commonwealth could not prevent that, but there is a stipulation that it has to fully discussed and with the agreement of the parent body.[41]

3.55   DEEWR considers that where appropriate consultation has taken place, it would be unreasonable for the Commonwealth Government to interfere with a school's internal economy beyond stipulating that 'there should be

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38   For example: T Chilcott, 27 October 2011, Parents pay for 'free laptops' in Queensland as schools charge computer levy, *Courier Mail*, <http://www.couriermail.com.au/news/technology-old/you-pay-for-free-laptops/story-e6frep1o-1226177767730> accessed 4 November 2011.

39   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 4.

40   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 4.

41   Ms Rhyan Bloor, Branch Manager, Department of Education, Employment and Workplace Relations, *Committee Hansard*, Canberra, 2 November 2011, p. 4.

no components of those fees which are a cost associated with the provision of the Commonwealth computers'.[42]

3.56   Further to DEEWR's first point that some school's may charge fees in order to provide computers with higher specifications, the Committee wanted to confirm that the NSSCF notional price provided for technology of a suitable level for activities being undertaken in classrooms.

3.57   DEEWR's response confirmed that the funding envelope provided caters for a 'very highly capable device'. DEEWR noted that as the devices are universally sourced from overseas, the appreciation of the Australian dollar has also been of benefit. DEEWR did note that some schools may have elected to purchase more expensive computers to support speciality software for classes such as music or graphic design. [43]

Data accuracy

3.58   The ANAO report noted the importance of effective and timely identification of need and capacity to support the program's roll-out. To meet the Government's '100 day commitment' DEEWR moved quickly to develop and distribute a preliminary survey. On 18 January 2008, education authorities were advised that completed surveys were due back to DEEWR by 7 February 2008. DEEWR acknowledged the rushed timeframe.[44]

3.59   The ANAO reported that there were 460 instances (16 per cent of 2929 schools) where schools had provided anomalous data. However, they also noted that for the majority of these instances, the size of data discrepancies was in the vicinity of 10 computers. The ANAO's report suggested where data discrepancies exceeded 10 computers, DEEWR could have asked education authorities to review and confirm or amend data provided.[45]

3.60   Noting the historical issues with data discrepancy, the Committee asked what assurances DEEWR could give that the data provided in the 2012 planned review will be accurate.

3.61   DEEWR acknowledged the suggestions in the ANAO report regarding mechanisms to improve data collection. However, DEEWR stated that they 'do not have information that there are discrepancies in the data'. DEEWR explained that in order to make decisions on funding only two

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42   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 4.

43   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, pp. 4-5.

44   ANAO Audit Report No. 30 2010-11, p. 40-41.

45   ANAO Audit Report No. 30 2010-11, p. 49.

sets of figures were used from the data collected. These figures were then put through a number of iterative checks with education authorities to confirm their veracity.[46]

3.62   Following DEEWR advice on the accuracy of data, the Committee sought to confirm whether the number of computers to be provided to schools was based on the number of students as at the end of the 2007 school year or the beginning of the 2008 academic year.

3.63   DEEWR advised that the figures were taken from the annual Commonwealth census data on the number of students in the Australian school system. DEEWR noted that some schools may have considered the figures to be not entirely accurate, but that overall within this '$2 billion-plus program' there has been evidence of 'significant savings in the price paid for equipment', with increase purchasing capacity as a result of exchange rate movement. In summary, DEEWR stated:

> There are more than enough dollars provided in this program for any issues around the margins of those figures to be addressed.[47]

Installation progress

3.64   The ANAO found that educational authorities had reported solid progress on the installation of computers. Most recently, at the 2011-2012 Supplementary Budget Estimates hearings held on 20 October 2011, DEEWR advised that at the last formal reporting date of 30 June 2011, installation was on target at 75 per cent. According to DEEWR 'educational authorities have publicly stated and repeated assurances to the Department and the Government that they will meet the time frames'.[48]

3.65   In relation to the installation figure of 75 per cent, the Committee asked if this meant the computers were delivered to schools and operational. Further, noting that the 30 December 2011 target has been extended to early 2012, the Committee asked DEEWR to predict when all computers will have been installed.

3.66   DEEWR confirmed that the 30 June 2011 figures were for computers that had been delivered and were operational. In regard to all computers being in place and functioning to bring the student to computer ratio to 1:1 for

46   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 6.

47   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 7.

48   Ms Bloor, DEEWR, *Senate Education, Employment and Workplace Relations Committee Hansard*, Canberra 20 October 2011, pp. 57-58.

Years 9 to 12, DEEWR advised that they expect students to have their computers at the start of the new school year.[49]

3.67   The Committee asked whether more recent data on the progress of installation was available. The Member for Lyne commented that in October 2011 there appeared to have been a 'flood of computers land' in his electorate.[50]

3.68   DEEWR advised the Committee that while they do have more recent information, a decision had been taken by the Government that 'it would only publish information derived from the six monthly consolidated reports from all education authorities'.[51]

Program monitoring and evaluation

Performance indicators

3.69   The ANAO report notes the NPA sets out high level governance arrangements for the delivery of the program, including performance benchmarks (KPIs), but these primarily relate to computer installation. The ANAO noted the difficulties of evaluating a 'multi-jurisdictional program focused on changing teaching and learning in schools'.[52]

3.70   The Committee acknowledged DEEWR's implementation of the ANAO's Recommendation No.2, but noted these were quantitative measures that don't provide an indication of whether the program is meeting the stated objective of preparing students for the digital world.

3.71   The Member for Robertson commented on the important social benefits being achieved in her electorate as a result of the program:

> I do not know that you [DEEWR] get to see the faces of the students who receive them or to knock on doors and have a mother come to you and say, "My son has changed his whole attitude to education because this is the first new thing he has ever had in his life". That is the sort of testimony to this program that I have experienced in my electorate and particularly in the suburb of Kariong where many families have been very advantaged by

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49   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 5.

50   Mr Robert Oakeshott, Member for Lyne and Chair of the JCPAA, *Committee Hansard*, Canberra, 2 November 2011, p. 2.

51   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 2.

52   ANAO Audit Report No. 30 2010-11, p. 25.

this. Their kids have got the advantages they need to progress into the future.[53]

3.72   The Committee asked DEEWR if any KPIs are being developed to indicate that students are significantly improving their performance across a range of subject areas because of their engagement with new technologies.

3.73   DEEWR noted that 'technology is only a means to an end'. In support of this statement, DEEWR drew the Committee's attention to the documented outcomes the Department developed for the program, which focus on educational outcomes rather than the provision of computers.[54]

3.74   Further, DEEWR contended as there are multiple inputs into 'good or bad educational outcomes', it is extremely difficult to isolate the influence of a single factor, in this case technology. DEEWR referred to high-level studies by the former British Government agency, Becta[55] into the correlation between introduction of technology and results. While the results appeared positive, DEEWR cautioned overemphasise on Becta's findings in a 'very fraught methodological area'.[56]

3.75   The Committee referred DEEWR to a recent article in the Courier Mail[57] where the significant improvement in NAPLAN results of the Doomadgee State School was in part attributed to ICT. The Committee suggested tools such as NAPLAN may be able to provide the longitudinal work.

53   Ms Deb O'Neill MP, Member for Robertson, *Committee Hansard*, Canberra, 2 November 2011, p. 7.

54   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 7.

55   Becta was a UK government agency tasked with ensuring the effective and innovative use of technology throughout learning. Becta closed on 31 March 2011. The Department for Education and Department for Business, Innovation and Skills will continue key areas of Becta's work. For further details see: http://www.education.gov.uk/aboutdfe/armslengthbodies/a00192537/becta

56   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 7.

57   T Chilcott, 'Doomadgee State School produces stunning NAPLAN results thanks in part to technological advancements in teaching' *Courier Mail* 15 September 2011 <http://www.couriermail.com.au/news/queensland/doomadgee-state-school-produces-stunning-naplan-results-thanks-in-part-to-technological-advancements-in-teaching/story-e6freoof-1226137211426> viewed 4 November 2011.

3.76   DEEWR noted that a number of studies have identified the dominant variables influencing results as principals, leadership and teaching quality.[58] Offering a personal perspective Dr Arthur commented:

> … if you combine those strengths with the kind of potential that technology offers, I personally am sure that you can get exceptionally good results from that. I am just being cautious in the sense that I would not want to claim that we can demonstrate that to a level of proof which would satisfy academic peer review rigour.[59]

3.77   In summary, DEEWR advised they understand the importance of the issue and are continuing work in this area.[60]

3.78   Noting DEEWR's response, the ANAO drew the Committee's attention to chapter five of the ANAO's report, which outlines the longitudinal study being undertaken by the NSW Department of Education and Training in partnership with the University of Wollongong. The study is 'looking at issues and effects from the program in relation to pedagogy, student engagement and outcomes'.[61] The ANAO report suggests DEEWR leverage of this work.[62]

3.79   DEEWR advised that in their six-monthly reports education authorities are required to report on the four themes developed at the commencement of the program: the installation of computers, leadership, teacher capability and digital resources. Respondents are also asked to provide case studies 'that can be used and built on in the evaluation of good practice in the classroom'.[63]

Program evaluation

3.80   According to the ANAO's report, the timetable for the implementation of the DER program led to a focus on key administrative activities, leaving the development of an evaluation framework to be considered later following completion of more detailed program planning. At the time of the ANAO audit a final evaluation framework had not been released. The ANAO concluded that 'earlier investment in evaluation methodologies

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58   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 9.

59   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 9.

60   Dr Arthur, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 9.

61   Mr Mark Simpson, Acting Executive Director, Performance Audit Services Group, ANAO, *Committee Hansard*, Canberra, 2 November 2011, p. 8.

62   ANAO Audit Report No. 30 2010-11, p. 122.

63   Ms Bloor, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 8.

and associated data as the program evolved would have provided a stronger foundation for measuring the impact of the DER program'.[64]

3.81   DEEWR informed the Committee that an evaluation strategy has been developed in consultation with the Commonwealth, state and non-government authorities, and the Australian Information and Communications Technology in Education Committee[65]. DEEWR advised it has been agreed that the evaluation will:

- pick up mechanisms that are qualitative as well as quantitative;

- comprise a mid-program review in 2012 which will also go to addressing the audit recommended by the ANAO; and

- occur over time to look at aspects that contribute to education outcomes.[66]

3.82   DEEWR also advised the Committee that they are in the process of identifying a service provider to undertake the mid-program review and the audit in 2012.

3.83   Referring back to the program objective to 'prepare students for further education, and training, and to live and work in a digital world', the Committee was interested in what efforts had been made to engage the 'digital world'. More specifically, the Committee wants to be sure that the skills being developed as a result of the DER meet the requirements of post-secondary education providers (universities as well as the vocational and education training sector) and potential employers.

3.84   Beyond the schools and education authorities, the Committee asked if any consultation had been undertaken with these post-secondary stakeholders in terms of helping to identify performance indicators that would demonstrate that there has been some development in technology capability of the students.

3.85   The Department undertook to respond to this question on notice. The Department's response to the Committee had not been provided at the time of the publication of this report.

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64   ANAO Audit Report No. 30 2010-11, p. 25.

65   The Australian Information and Communications Technology in Education Committee's (AICTEC) website states the group is a national, cross-sectoral committee responsible for providing advice to all Australian Ministers of Education and Training on the economic and effective utilisation of information and communications technologies in Australian education and training and on implementation of the Digital Education Revolution.

66   Ms Bloor, DEEWR, *Committee Hansard*, Canberra, 2 November 2011, p. 9.

Committee comment

3.86   Overall, the Committee acknowledges that despite the early challenges, DEEWR has managed the program effectively to meet announced implementation timeframes. In other areas, such as KPIs and evaluation, the Committee believes DEEWR could have done more.

3.87   In particular, the Committee does not agree with DEEWR that the ANAO's Recommendation No.2 regarding performance indicators has been fully implemented. The Committee acknowledges the difficulties associated with measuring high level qualitative achievements as a result of individual programs, such as DER's stated aim 'to contribute sustainable and meaningful change to teaching and learning in Australian schools'.

3.88   However, the Committee considers that if such high level aims are to be stated then it is reasonable to expect that a corresponding system of measurement be developed. If this cannot be done in full efforts should be made to develop indicators toward the high level outcome for the program, even if they only provide a partial gauge of the programs contribution. Given the size of the funding allocated to the DER program the Committee considers efforts in this regard even more important.

3.89   To assist with improved performance measurement, the Committee agrees with the ANAO's comments in their report that there is merit in DEEWR leveraging off the evaluation work of state and territory education authorities. However, the Committee feels that DEEWR should go beyond this and also develop relationships with appropriate research bodies to study the program's qualitative achievements. Such bodies could include universities and other peak representative organisations in the education sphere.

3.90   Further, the Committee concurs with the ANAO's advice that the evaluation mechanisms should be developed at the start of a program. While accepting that the initial '100 day' timeline placed pressure on the Department, the Committee contends that DEEWR could have leveraged previous program experience to produce an evaluation model earlier. The Committee notes that DEEWR has more recently been working with stakeholders to develop an evaluation strategy, but remains concerned that some arrangements are still being decided so close to the deadline for the full implementation of the computer roll-out.

3.91   The Committee was concerned with the suggestion in the ANAO's report that the initial payment acquittal arrangements did not adequately protect

the Australian Government's interests. The Committee acknowledges DEEWR's advice that this matter has been rectified following the move to the National Partnership Agreement on the Digital Education Revolution. The Committee trusts that the Department has learnt from this and has processes in place that ensure stronger future program funding agreements that include appropriate and timely acquittal mechanisms.

3.92   In terms of DEEWR's procurement strategy, the Committee commends the Department's initiative to encourage flexibility and value for money by allowing any residual funding to be applied to complementary ICT. The Committee would like to see this type of thinking applied to suitable similar programs across Government.

3.93   Ten questions on notice were submitted to DEEWR. While acknowledging the limited timeframe for responses, the Committee is nonetheless disappointed that no responses had been received at the time of report finalisation. The Committee had a particular interest in obtaining answers to the questions on the broader reach of the program, for example:

■ the critical area of professional development for teachers to ensure they are able to maximise the potential of computers and complementary ICT in classrooms;

■ engagement with post-secondary stakeholders to establish the skills expected to be required by students upon leaving secondary school; and

■ with the increase of ICT infrastructure and complementary technology in classrooms, the possibility of access to facilities by the community.

3.94   The Committee notes that there are a number of DEEWR initiatives underway to boost schools' ICT infrastructure and capacity to use the technology, as well as a sizeable program administered by the Department of Broadband, Communication and the Digital Economy (DBCDE) to integrate the benefits of the National Broadband Network[67]. There are also many state and territory programs, such as the Connected Classrooms program in NSW. The Committee emphasises the importance of leveraging investments in computers or infrastructure to ensure classrooms a fully networked, and is encouraged to see initiatives towards this end. Ensuring that classrooms are as connected as possible is essential to maximise the educational outcomes for our children into the future.

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67   Details of the NBN-enabled Education and Skills Services program are available at http://www.dbcde.gov.au/digital_economy/programs_and_initiatives/nbn-enabled_education_and_skills_services_program.

3.95   With this combined multi-billion dollar investment across government agencies and levels of governments, the Parliament and the public are entitled to be informed of the progress and outcomes in a timely manner. Therefore, the mid-program review should be made public soon after its completion. It is also important that there is comprehensive and transparent reporting of the program as a whole. The Committee therefore reemphasises the comments and recommendation made in Chapter 2 of this report - that more work needs to be done on improved cross-agency and cross-jurisdictional financial reporting as part of the Commonwealth Financial Accountability Review.

Recommendation 2

The Joint Committee of Public Accounts and Audit recommends the Department of Education, Employment and Workplace Relations publicly release in full the findings from the mid-program review scheduled for 2012 within three months of completion.

4

Audit Report No. 41 2010–11

Maintenance of the Defence Estate

Introduction[1]

4.1   The Defence estate is the largest land holding in Australia, with land, buildings and infrastructure being valued at $20.2 billion. The estate consists of some 394 Commonwealth-owned properties, 72 of which are major bases.[2] In addition to bases, the estate includes training areas and ranges, research facilities and office accommodation to support the Australian Defence Force (ADF) capability.

Condition of the estate and the reform agenda

4.2   Estimates indicate that the remaining useful life of Defence facilities has fallen from 22 years in 2001, to 17 years in 2009. The Defence Budget Audit (Pappas Report) highlighted the need for further change to the estate observing that it was an ageing, complex and costly historical legacy, in which investment for maintenance had been decreasing since the 1980s.[3]

4.3   While the Government did not accept a number of key recommendations from the Pappas Report, the Department of Defence (Defence) was asked

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1   The following information is taken from ANAO Audit Report No. 41 2010–11, *Maintenance of the Defence Estate*, pp. 11–14 and pp. 25–33.

2   Department of Defence, *Defence Annual Report 2009–10 Volume 1*, Canberra, pp. 227–228. Buildings and infrastructure are valued at $15.7 billion.

3   Department of Defence, *2008 Audit of the Defence Budget*, Canberra, pp. 240–241.

to undertake further base consolidation work.[4] The Base Consolidation Review was to be completed by mid 2011 to develop proposed changes to the estate over a 25 to 30 year period. Consolidation options are being developed through the implementation of larger strategic plans and reform agendas such as the Defence White Paper 2009[5] and the subsequent Strategic Reform Program (SRP), announced in 2009.[6]

Strategic Reform Program

4.4   The objective of the SRP is to reform Defence while delivering Defence savings of $20 billion over ten years, to 2019. Under this program, there are eight savings and eight non-savings streams. While the Defence estate is designated as one of the non-saving streams, estate maintenance is classified as a saving stream. With these arrangements, Defence is expected to save $500 million from the estate maintenance budget over the ten years—a $50 million reduction per year of the estate from the estate maintenance budget.[7]

Planning and delivery arrangements for estate maintenance

4.5   Within Defence, the Defence Support Group (DSG) is responsible for estate maintenance, including managing the strategic planning of the estate into the future.

4.6   In 2000, Defence fully outsourced estate maintenance by introducing the Comprehensive Maintenance Contracts. Since then, the original contracts have been replaced by the Comprehensive Maintenance Services (CMS) contracts. The main components of work undertaken through CMS contracts involve:

- reactive maintenance—unplanned maintenance on buildings, facilities and fixed plant and equipment;

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4   The Pappas Report recommended that Defence move to the smallest number of super-bases consistent with the strategic requirements and the 'raise, train, sustain' mission of the three Services over the next 20 to 30 years.

5   The White Paper noted the importance of environmental management as an aspect of sustainability of the Defence estate. Defence is required to identify, conserve and protect its heritage assets under the *Environmental Protection and Biodiversity Conservation Act 1999*.

6   ANAO Audit Report No. 41 2010–11, pp. 28–29.

7   ANAO Audit Report No. 41 2010–11, p. 12.

- planned general estate works—these are called Risk Managed Works,[8] which involve larger remediation works for buildings or facilities that must be planned and have an approved business case; and

- regular scheduled maintenance for fixed plant and equipment.[9]

4.7   These contracts are managed by DSG and are organised across DSG's previous 12 region structure.[10] In 2009–10, Defence made an estimated total of $461.5 million in payments to CMS contractors.[11]

Base Services contract

4.8   Defence is currently introducing a new type of contract, the Base Services contract. This contract was developed to cover the services of both the CMS contracts and the Garrison Support Services (GSS) contracts.

4.9   In 2008, Base Services contracts were introduced in North Queensland and Tasmania. A pilot was introduced as part of the North Queensland Base Services contract to enable the prime contractor to utilise 'in-house' or contracted labour directly, for works of low value. With this feature, services are delivered under fixed fee arrangements, removing individual invoicing requirements for low value works.[12]

The ANAO audit

Audit objective and approach[13]

4.10   The objective of the audit was to examine the effectiveness of the management of maintenance of the Defence estate, taking particular account of the planning and delivery aspects.

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8   Risk Managed Works are used by Defence to prioritise and manage its planned general estate works.

9   ANAO Audit Report No. 41 2010–11, pp. 12–13.

10 DSG now has five regions across Australia, namely Central and Western Australia, Queensland, Northern New South Wales, Southern New South Wales, and Victoria-Tasmania. Given the new structure, the former 12 regions will be referred to as sub-regions within this report.

11 An additional $20.1 million was spent in 2009–10 on airfield maintenance, managed centrally by DSG.

12 ANAO Audit Report No. 41 2010–11, pp. 12–13.
    Services provided under the GSS contracts include, among others: grounds maintenance, access control, accommodation management, hospitality and catering and cafeteria services.

13 The following information is taken from Audit Report No. 41 2010–11, pp. 34–35.

4.11   In relation to the planning and delivery of estate maintenance, the audit examined: Defence's policies, procedures, processes and support tools; and services provided to Defence by private sector firms. Defence's contract management matters and systems used to maintain information related to estate maintenance were not a point of focus in the audit.

4.12   The Australian National Audit Office (ANAO) assessed whether Defence:

- has established a sound administrative and management framework to support estate maintenance (including roles and responsibilities, oversight, reporting, guidance and training); and

- has applied appropriate processes, resources, performance measures and tools in the planning and delivery of estate maintenance.

Overall audit conclusion[14]

4.13   The ANAO concluded that when considered as a separate function, Defence's management of estate maintenance had not been 'fully effective'. The audit outlined a number of changes considered integral to robust infrastructure maintenance approaches that Defence would benefit from having in place:

- authoritative, longer-term plans for the estate; and

- condition assessments of estate facilities and infrastructure.

4.14   The ANAO recognised that maintaining the $20.2 billion Defence estate is a 'major undertaking' and that Defence is faced with the ongoing challenge of providing 'sufficient funding' for estate maintenance. One of the features of Defence's environment is the need to accommodate competing funding demands—satisfying both the ADF's current needs alongside necessary developments to meet future needs.

4.15   Taking into account Defence's planning for its maintenance program, the ANAO observed that current funding for estate maintenance is 'insufficient to preserve existing assets'.

4.16   Regarding the delivery of estate maintenance services, the ANAO found Defence's performance mixed, noting Defence's advice of initiatives being pursued to improve delivery in the longer-term.

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14   The following information is taken from Audit Report No. 41 2010–11, pp 14–16.

Planning

4.17   The ANAO described two fundamentals for the effective allocation of resources to estate maintenance:

■ a long term plan for the composition of the estate; and

■ maintenance plans informed by reliable condition assessments of estate assets.[15]

4.18   The audit found that while Defence completed work to provide a longer-term plan for Defence base and training area requirements, current estate maintenance plans do not 'have the benefit of such longer-term plans for the estate'.[16] Additionally, the ANAO concluded that Defence's maintenance planning would benefit from including more robust information on the expected future usage of particular buildings and facilities.

4.19   The ANAO identified further specific improvements to estate maintenance planning through Defence's 'Risk Managed Works'. Priorities for Risk Managed Works are set through Infrastructure Appraisals, which categorise buildings and structures based on their contribution to Defence capability. The works identified are then prioritised using Defence's planning priority rankings.[17] The audit identified that the annual priority setting approach[18] for Risk Managed Works, coupled with the restricted level of funding for estate maintenance resulted in numerous Defence facilities not receiving sufficient maintenance work for their continued preservation.[19]

4.20   The ANAO identified that Defence's assessment and prioritisation process would be enhanced by:

> …having condition assessments undertaken by technically
> qualified staff and by presenting that material to decision makers,
> along with information related to usage, contribution to Defence
> capability, and legislative requirements. In addition, estate
> maintenance plans would be improved by being consistently

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15   ANAO Audit Report No. 41 2010–11, p. 14.

16   ANAO Audit Report No. 41 2010–11, p. 18 and pp. 64–65.

17   For more details on the priority rankings to determine buildings' contribution to Defence capability and how priority works are then determined, see Audit Report No. 41 2010–11, pp. 84–87.

18   This approach is heavily focused on maintaining significant Defence operational capabilities. For example, occupational health and safety works are given highest priority, while asset preservation receives third priority.

19   ANAO Audit Report No. 41 2010–11, p. 18.

informed by condition assessments of engineering services…at bases.[20]

Heritage issues

4.21   Heritage issues were raised as a point of concern in the audit, as the ANAO found that Defence was unaware of the exact number of buildings affected by heritage legislation. The audit highlighted that these issues add complexity to and impact on Defence's longer term approach to estate maintenance. The ANAO outlined the merit of Defence putting in place an 'approved way forward for heritage sites' to assist Defence in determining funding levels consistent with the future use of the estate.[21]

Funding

4.22   Funding issues were also raised by the ANAO in its examination of Defence's maintenance planning. Based on Defence's data, the ANAO highlighted a funding shortfall of approximately $500 million (over 2011-14) to effectively maintain the existing estate.[22]

4.23   The ANAO concluded that having a 'longer-term plan for the estate and an approved way ahead for heritage sites' would assist Defence to determine a level of funding for estate maintenance which is 'consistent with its approved future use'.[23]

Delivery[24]

4.24   The ANAO found Defence's performance in delivering estate maintenance under existing CMS contracts was mixed. The ANAO examined four of the 12 sub-regions and identified that:

- two were performing acceptably; and

- two were not performing acceptably, particularly in the delivery of the Risk Managed Works program.

4.25   In light of these findings, the audit stated that it was timely for Defence to re-examine the arrangements in-place to deliver estate maintenance services. The ANAO identified that Defence's work in this area should:

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20   ANAO Audit Report No. 41 2010–11, p. 15.
21   ANAO Audit Report No. 41 2010–11, pp. 17–18.
22   ANAO Audit Report No. 41 2010–11, p. 15.
23   ANAO Audit Report No. 41 2010–11, p. 65.
24   The following information is taken from ANAO Audit Report No. 41 2010–11, pp 15–16.

> …include a focus on the outputs Defence requires and identifying improvements in maintenance delivery arrangements to provide better value for money.[25]

4.26   The ANAO also advised Defence to implement a 'formal change management approach' to effectively introduce its revised delivery and contractual arrangements.

ANAO recommendations[26]

4.27   The ANAO made two recommendations aimed at improving Defence's management of the maintenance for its estate.

Table 4.1   ANAO recommendations, Audit Report No. 41 2010–11

1.	To improve planning for estate maintenance, the ANAO recommends that Defence:
	(a) bases its estate maintenance planning on technical assessments of the condition of facilities and their usage, as well as continuing to take into account contribution to Defence capability and legislative requirements;
	(b) undertakes periodic assessments of the condition of engineering services at bases and ranges and proposes any necessary maintenance or alternative remedial action; and
	(c) having regard to up-to-date data on the condition and usage of its buildings and infrastructure, as well as its overall priorities, reassesses the level of funding allocated to maintain the estate in an economic manner.
	Defence response: *Agree.*
2.	To improve the delivery of maintenance services, the ANAO recommends that the approach to estate maintenance delivery be reviewed to focus on the outputs that Defence requires, and that Defence:
	(a) undertakes work to develop an improved contracting model for the delivery of estate maintenance, including Risk Managed Works, for the next round of contracts;
	(b) considers building on its initiatives to have prime contractors undertake low cost general estate works themselves, and separating Risk Managed Works between those best undertaken by the prime contractors and those best delivered as mid level capital works; and
	(c) develops a change management plan to support the implementation of revised delivery and contracting arrangements.
	Defence response: *Agree.*

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25   Audit Report No. 41 2010–11, p. 16.
26   ANAO Audit Report No. 41 2010–11, pp. 21–22.

The Committee's review

4.28   The Joint Committee of Public Accounts and Audit (JCPAA) held a public
        hearing on Wednesday 21 September 2011, with the following witnesses:

- Australian National Audit Office; and

- Department of Defence.

4.29   The Committee took evidence in the following areas:

- the implementation of ANAO recommendations:
  - ⇒ Defence's planning for estate maintenance, including its
      Infrastructure Appraisal process and condition assessments of
      engineering services; and
  - ⇒ Defence's delivery of estate maintenance, including the contracting
      model to deliver estate maintenance.

- the Strategic Reform Program—savings and non-savings streams; and

- systems support—the Garrison and Estate Management System,
  including its importance in supporting the new harmonised health and
  safety requirements.[27]

4.30   The Committee was interested in Defence's strategy and timeline to
        implement the ANAO's recommendations and in particular, how the
        implementation of the recommendations fit within the wider Defence
        estate strategy—Force 2030.

Implementation of ANAO recommendations

4.31   The ANAO made two recommendations to Defence aimed to improve the
        Department's planning of estate maintenance and its delivery of
        maintenance services.

4.32   Defence agreed with the ANAO's recommendations and are working on
        an 'approach and a process' for implementation. Defence advised the
        Committee that it will 'embed' its activities to execute the ANAO's
        recommendations into 'the governance for the Defence estate'. Defence
        informed the Committee that the broader estate strategy is close to being

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27   These requirements are part of the *Model Work Health and Safety Act*, which is discussed in
     more detail as part of this section.

finalised and that it draws on material already available, such as the White Paper, which identifies five principles linked to basing of Defence.[28]

4.33   Mr Simon Lewis, Deputy Secretary Defence Support informed the Committee of his position as chair of the Defence Estate Performance and Investment Committee. Mr Lewis outlined that the committee's deliberations on the condition of the estate:

> …will draw on these recommendations very specifically to help make choices about how we allocate scarce dollars.[29]

4.34   Defence advised that while it had a 'widely dispersed and ageing estate', the Department is also investing heavily to review parts of the estate (with over $1 billion invested in its capital program). Defence identified the challenge of consolidating the estate with new investment facilities sitting alongside aged facilities and recognised the need for an overarching management program.[30]

4.35   Following these comments, the Committee suggested that in an 'environment of rationalisation' a difficult part of Defence's decision-making must be 'political management and expectation management at a community level'. The Committee asked Defence how it would engage with these complicated issues.

4.36   Defence replied that while undoubtedly it is a challenge to re-shape the defence forces, noting the impact of 'local politics', they have been scoping options for a rationalised estate footprint. This work on estate consolidation is being fed into processes for the Defence Force Posture Review.[31]

Defence's planning for estate maintenance

4.37   The ANAO assessed that Defence's approach to estate maintenance planning was not 'fully effective' and recommended that Defence improve its planning for estate maintenance through a series of activities, including:

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28   Mr Simon Lewis, Deputy Secretary, Defence Support, Department of Defence, *Committee Hansard*, Canberra, 21 September 2011, pp. 2–3.

29   *Committee Hansard*, Canberra, 21 September 2011, p. 3.

30   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 3.

31   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 3.

     The Force Posture Review was announced on 22 June 2011 by the Minister for Defence Stephen Smith. The Review is to assess whether the Australian Defence Force is 'correctly geographically positioned to meet Australia's current and future strategic challenges'. For more information see Department of Defence website
     <http://www.defence.gov.au/oscdf/adf-posture-review/>

- using technical assessments of facilities' condition and usage to form the basis of estate maintenance planning;

- undertaking assessments of the condition of engineering services at bases and ranges and proposing any necessary maintenance or alternative remedial action; and [32]

- using up-to-date data on the condition of the estate, to 'reassess the level of funding allocated to maintain the estate in an economic manner'. [33]

4.38   The Committee asked what steps Defence had taken to implement the ANAO's recommendation and how this work was associated with Defence's broader reform activities.

Infrastructure Appraisal process

4.39   Defence outlined that it was investing in more work to gain a better 'understanding of the current standard of infrastructure' across the estate. Specifically, the Department was conducting a review of its Infrastructure Appraisal process which aims to provide more robust information to decision makers by enhancing the 'quality and consistency' of the appraisal process. The review will specifically consider the suitability of specialist advice to improve the 'collection and assessment of information on the condition, utilisation and contribution to defence capability'. [34]

4.40   The Committee was interested in the timeframes for the review as well as the number of proposed tender rounds, and Defence's plans following the completion of the assessments.

4.41   Defence advised that the review was expected to be completed by June 2012. [35] Further, the Department confirmed that the first round of tenders was in the market and that the target for procuring a provider and putting in place the necessary contracts was mid-to-late November. [36]

4.42   Regarding the tender round, Defence outlined that in the first instance their approach focused on obtaining a national project manager with the technical expertise to provide:

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32   ANAO Audit Report No. 41 2010–11, p. 66.
33   ANAO Audit Report No. 41 2010–11, p. 21.
34   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, pp. 1–2.
35   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.
36   Mr Mark Jenkin, Head Defence Support Operations Division, Department of Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 4.

- expert advice on the process for which the appraisal should be undertaken; and

- guidance on how best to use the information gathered and to develop an 'ongoing program of activity'.[37]

4.43   Defence advised that once contracts for these services were in place, due to the size of the program the Department may consider appointing others to assist. Defence indicated that these engagements may occur through a 'hierarchy of contracting arrangements'.[38] The Department advised that these decisions depend on the outcome of the first tender round.

Assessments of engineering services

4.44   In Defence's discussions regarding its procurement of expert advisers, the Department raised that it was also undertaking detailed assessments of engineering services at a range of bases. While Defence highlighted that this was a progressive program (with all key bases to be assessed by 2015), it informed the Committee that it had commenced a project to conduct 'baseline assessments of the condition of engineering services' provided at seven key bases.[39]

4.45   The Committee surmised that in essence Defence was driving its response to the ANAO's recommendation through 'contracting out to qualified specialist staff'. Defence responded that specialist advice was identified as a priority need, particularly in the context of the Department's limited internal resources.[40]

Funding for estate maintenance

4.46   Defence, in its opening statement acknowledged that additional funding may be needed to maintain the estate in line with required standards. However, the Department noted that funding for estate maintenance was to be considered alongside other priorities and that Defence allocates funding on an 'opportunity basis'. Defence pointed to the development of the Defence estate strategy, which will provide the 'strategic direction for use and management of the estate'.[41]

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37   Mr Jenkin, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 4.

38   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 4.

39   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

40   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1 and p. 4.

41   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

Defence's delivery of estate maintenance services

4.47   The ANAO's examination of maintenance services delivered under the CMS contracts revealed mixed performance.[42] The audit identified the key weakness in the two sub-regions with unsatisfactory performance was the 'contractors' inability to deliver the full Risk Managed Works program'.[43]

4.48   With the current CMS contracts due to expire at the end of 2011, the ANAO recommended that Defence review its approach to estate maintenance delivery to 'focus on the outputs that Defence requires'. Building on this, the ANAO recommended Defence:

■ put in place an improved contracting model to deliver estate maintenance, including Risk Managed Works;

■ considers expanding initiatives for low cost general estate works being undertaken by 'prime contractors';

■ ensure more tailored delivery arrangements for Risk Managed Works;

■ develop a change management plan to support its revised delivery arrangements.[44]

4.49   Defence informed the Committee that in response to the ANAO's recommendation, the Department had completed the first stage of its contracting model review.[45] The Department outlined that Stage 1 involved:

> …a review of the current contractual arrangements against industry-leading practice and consultation with current and prospective industry providers to inform the development of options that best represents defence requirements and be industry aligned.[46]

4.50   Stage 1 culminated at the Defence and industry conference on 28 June 2011, with three proposed 'bundling options' presented for the delivery of maintenance services. Defence advised the next stage was to evaluate each option, pick the preferred option and develop an appropriate approach. The Department also highlighted that to help with

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42   The ANAO examined delivery of estate maintenance in four of Defence's former 12 regions. DSG now has five larger regions.

43   ANAO Audit Report No. 41 2010–11, p. 19.

44   ANAO Audit Report No. 41 2010–11, pp. 19–20 & p. 22.

45   This encompasses a review of maintenance services currently delivered through CMS, GSS and Base Services contracts.

46   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

the decision making process, it was consulting with industry to develop the most suitable option for Defence to deliver maintenance services over the next three to five years. This includes better alignment with industry and developing its approach to market in 2012.[47]

Strategic Reform Program

4.51   The ANAO noted the tension between the saving and non-saving stream classifications for the Defence estate under the SRP. Within the program, the Defence estate is designated as a non-savings stream, while estate maintenance is classified as a savings stream. Within this context, the impact of the SRP on the estate's longevity was 'unclear' to the ANAO, particularly as savings of $500 million in estate maintenance were to be achieved over a ten year period.[48]

4.52   The Committee asked Defence to explain the rationale behind the savings and non-savings categories for the estate and estate maintenance. Defence responded by expressing that while estate consolidation would lead to long-term savings, there are 'significant timing issues' regarding savings in this area. Mr Lewis acknowledged that while the program preceded his time at Defence, he understood that the architects of the program recognised the upside of pursuing consolidation. However, it was also noted that it would not be a stream 'likely to achieve any significant savings' within the SRP's timeframe (closing in 2020).

4.53   Defence highlighted that in the short term more investment is needed to manage the transition to a consolidated estate. Defence pointed to the funds needed to create and dispose of facilities, particularly as sites that are to be closed are likely to need 'significant remediation'. Considerable site remediation is common within the Defence estate space and Defence cited the current case at Maribyrnong, along with others in the past.[49]

Systems support—Garrison and Estate Management System

4.54   As outlined in the ANAO's report, there are shortcomings in the Defence Estate Management System (DEMS) currently used by staff to plan and deliver estate maintenance. The ANAO cited that Defence considered there were underlying weaknesses in the system regarding 'data quality and reliability'. Further, regular users of DEMS interviewed by the ANAO

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47   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1 and p. 4.

48   ANAO Audit Report No. 41 2010–11, pp. 28–29.

49   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, pp. 3–4.

commented on system deficiencies such as its slow operating pace and raised concerns regarding the 'quality and integrity of data stored' in the system.[50]

4.55   During the audit the ANAO became aware that Defence was developing a replacement system the Garrison and Estate Management System (GEMS), expected to be completed in early 2013. The Department informed the ANAO that the new system would rectify some of the current issues and recognised the need to cleanse existing data to improve data quality prior to transfer into GEMS.[51]

4.56   The Committee asked Defence how its broader activities to improve planning for estate maintenance fit with the move to GEMS.[52] Defence explained that GEMS is the new IT system planned to support the management of the estate and would provide:

   ■ greater functionality than at present, including better integration with Defence's internal systems; and

   ■ better management information to assist in the decisions to be made regarding the operation of the estate.[53]

4.57   The Department highlighted that this system would provide better access to 'real-time data' to enable enhanced management of the estate. Defence noted that this was particularly important in the context of the 'harmonised legislation' [*Model Work Health and Safety Act*][54] to be implemented on 1 January 2012.[55]

4.58   As outlined in the audit report, Defence's prioritisation of maintenance works is focused on 'maintaining significant Defence operational capabilities'. Each item of proposed work is also prioritised, with the highest priority given to works that would result in a breach of the *Occupational Health and Safety Act 1991* if not completed within the year.[56]

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50   Audit Report No. 41 2010–11, p. 42.

51   ANAO Audit Report No. 41 2010–11, pp. 42–43.

52   For a more detailed listing of the objectives of GEMS see ANAO Audit Report No. 41 2010–11, p. 83.

53   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

54   The objective of the *Model Work Health and Safety Act* is to provide for a nationally consistent framework for work health and safety across all jurisdictions. The Commonwealth along with the states and territories are required to enact laws that reflect the model health work and safety laws. For more information on the *Model Work Health and Safety Act*, see Safe Work Australia's website
     <http://safeworkaustralia.gov.au/Legislation/ModelWHSAct/Pages/ModelWHSAct.aspx>

55   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

56   ANAO Audit Report No. 41 2010–11, p. 18 and p. 87.

Further, the audit identified that adequate information relating to a number of elements including:

> …satisfaction of OH&S requirements is required by decision makers when considering the level and distribution of resources for estate maintenance.[57]

Occupational health and safety requirements

4.59   In response to the linkages draw by Defence, the Committee inquired how the Department was going to align its mid-June Defence estate strategy with the newly introduced health and safety arrangements. The Department told the Committee that it took the safety of its employees 'very seriously' and pointed out that managing risk and safety is already part of their daily business in their hundreds of locations and tens of thousands of buildings.[58]

4.60   Defence acknowledged though, that the new legislation created further motivations for the Department to make improvements, noting that:

> The improvements that we are talking about are a multi-year challenge for us. We have to deal with safety in the workplace today and also deal with improving our systems, organisational arrangements and governance over a period of time.[59]

Committee comment

4.61   The Committee is conscious of the contribution of the defence estate and the maintenance of its facilities to the wider defence force capability. Adequate funding, effective planning, robust management systems and high performing delivery of maintenance services are important to ensure the estate is maintained to required standards.

4.62   In considering the ANAO's report and evidence provided, the Committee remains concerned by the ANAO's findings of shortcomings in Defence's planning and delivery of maintenance services, and issues raised regarding funding shortfalls.

4.63   The Committee strongly supports the ANAO's recommendations and views the implementation of these recommendations by Defence as

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57   ANAO Audit Report No. 41 2010–11, p. 18.
58   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.
59   Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

essential in order to drive improvements in Defence's planning and delivery of estate maintenance, as well as to help curtail further decline of the estate's useful life.

4.64   The Committee recognises the reform programs and reviews Defence is presently conducting. The Committee also acknowledges the Department's efforts to incorporate the implementation of the ANAO's recommendations within the development and execution of a wider Defence estate strategy. The Committee sees the development of a Defence estate strategy as an essential tool to provide better strategic direction for the overall management of the estate, including maintenance planning and delivery.

4.65   While Defence advised of a number of major reviews and new activities to support the implementation of the ANAO's recommendations, the Committee notes these were still in the early stages. In light of this, the JCPAA wishes to see the timely completion of these activities and the subsequent full implementation of the ANAO's recommendations. The Committee therefore expects Defence to report back to demonstrate this has been achieved.

Recommendation 3

Due to concerns raised by the Joint Committee of Public Accounts and Audit in regard to implementation timelines, the Committee recommends that following the tabling of this report, the Department of Defence provide updates on the implementation of the ANAO's recommendations as follows:

- **an interim report within six months; and**

- **a full report within 12 months.**

The reports to the Committee should address each recommendation and demonstrate how the outcomes of the reform, and review activities underway, have contributed to the implementation of the ANAO's recommendations.

5

Audit Report No. 46 2010–11

Management of Student Visas

Introduction

5.1   By 2009, the international education and training sector had grown to become Australia's third largest export industry, worth an estimated $18.6 billion.[1] However, the ANAO Audit Report No. 46 2010–11 noted 2009–10 was the first year of negative growth in applications in a number of years.[2] The ANAO identified a number of compounding factors including: changes to policy settings; negative media coverage; strengthening of quality requirements for education providers; and the global financial crisis.[3]

5.2   According to the 2011-12 Budget Economic Outlook statement, the short-term outlook for services exports, which includes education-related services, is expected to remain muted due to the strong Australian dollar. The Statement also estimated that exports are unlikely to return to pre-global financial crisis levels in the next two years.[4]

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1   ANAO Audit Report No. 46, *Management of Student Visas* 2010–11, p. 13.
2   ANAO Audit Report No. 46 2010–11, p. 35.
3   ANAO Audit Report No. 46, 2010–11, p. 15.
4   Budget 2011–12—Budget Paper No. 1 – Statement 2: Economic Outlook, pp. 2.26-2.27.

5.3   As manager of the student visa program, the Department of Immigration and Citizenship (DIAC) is a critical enabler of this significant export industry. DIAC's program objective is to balance supporting the expansion of the international sector while ensuring a high degree of immigration integrity.[5]

5.4   While there are a number of other Australian Government departments involved in the promotion and support of the international education sector, the ANAO's audit report and the Committee's review focuses primarily on DIAC and its relationship with the Department of Education, Employment and Workplace Relations (DEEWR).

5.5   DIAC is responsible for the entry of students to Australia through its administration of the *Migration Act 1958*. DEEWR is responsible for the *Education Services for Overseas Students Act 2000*, which sets out the legal framework governing the education provided to international students holding a student visa. The two Acts interact across a number of areas of the student visa program in both the visa application stage and the in ensuring compliance with visa conditions.[6]

5.6   In 2009–10, DIAC received 296, 558 student visa applications, of which 270, 499 were granted. The student visa population comprises students from 197 countries, with approximately one third emanating from China and India.[7]

5.7   DIAC assesses and manages immigration risk of this large caseload primarily through a process of setting and periodically reviewing the assessment levels (ALs) of each country. The designated AL determines the evidentiary requirements for applicants, with AL1 representing the lowest risk and therefore the least onerous evidentiary requirements.[8] Appendix four in the ANAO report provides details of each AL and the evidentiary requirements.[9]

5.8   There are seven subclasses of visa available to students. Each subclass responds to the different education sectors including higher education, English-language courses, and vocational education and training (VET). While the higher education sector continues to lead in terms of the number of visas granted, prior to policy changes in 2009–10, the VET sector had been the strongest area of growth. In February 2010, the

5   ANAO Audit Report No. 46 2010–11, p. 17.
6   ANAO Audit Report No. 46 2010–11, p. 33.
7   ANAO Audit Report No. 46 2010–11, pp. 35–36.
8   ANAO Audit Report No. 46 2010–11, p. 14.
9   ANAO Audit Report No. 46 2010–11, pp. 154–156.

Government introduced changes to reduce the use of this class of visa as a pathway to permanent residence under the skilled migration program. [10]

Policy context

5.9   In the not too distant future, Australia is expected to reach a situation where there are more people retiring than joining the workforce. According to DIAC's Secretary, immigration will be the only source of net labour growth.[11] Many international students remain onshore at the conclusion of their course, seeking permanent residency. These students continue to be significant contributors to Australia's long-term Net Overseas Migration (NOM).[12]

5.10   For the full benefit of the student to resident pathway to be realised, the supply of skills from the international cohort should ideally match the demand for skills from industry. DIAC observed an emerging issue whereby ready availability of this pathway led to an annual average growth in overseas student enrolments in the VET sector of 36 per cent from 2005 to 2009. However, major growth was in non-critical courses such as hospitality and hospitality management, cookery and hairdressing.[13]

5.11   These VET courses were shorter and cheaper than Higher Education courses but potentially yielded the same permanent migration outcome. DIAC's concern was that there would be a continuing increase in student visa applicants for permanent residence in the independent skills stream, adding both to a growing pool of ex-students living in Australia with relatively low value skills in a lengthening application pipeline, and to NOM.[14]

Program integrity initiatives

5.12   To be granted a student visa, applicants must demonstrate that they have a genuine intention to study and return home afterwards. As noted above, the audit reported instances of the student visa program being used primarily as a means gaining a permanent residence outcome. Education

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10   ANAO Audit Report No. 46 2010–11, pp. 34–35.
11   A. Metcalfe, 'Migration as a policy tool to manage the global economic crisis', address to the Australian and New Zealand School of Government, 3 September 2009, p. 7.
12   ANAO Audit Report No. 46 2010–11, p. 39.
13   ANAO Audit Report No. 46 2010–11, pp. 38-39.
14   A. Metcalfe, 'Migration as a policy tool to manage the global economic crisis', address to the Australian and New Zealand School of Government, 3 September 2009, p. 9.

agents were also found to be playing a role in promoting student visas as a guaranteed permanent residence outcome and facilitated the applications of clients with that motivation.[15]

5.13   In 2009–10, a number of policy changes were introduced by the Government with the aim of strengthening the integrity of the student visa program and limiting the skilled migration pathway.[16]

Review of the *Education Services for Overseas Students Act 2000*

5.14   Also during 2009–10, the Government brought forward the periodic review of the *Education Services for Overseas Students Act 2000* (ESOS Act). The Hon Bruce Baird was appointed to review 'the regulatory framework and report back to the Government with changes designed to ensure Australia continues to offer world-class, quality international education'.[17]

5.15   Most of Baird's recommendations related to DEEWR, however, one recommendation referred directly to DIAC's management of student visas. Baird recommended that 'the *Migration Act 1958* be amended to enable a more flexible approach to the current visa cancellation requirements for students who are reported for failing to maintain satisfactory course progress or attendance'. [18]

5.16   The Government has responded in stages. Stage one focused on legislative changes addressing risk management and more effective enforcement, as well as strengthening the registration process for approved international education providers. The Government also extended the jurisdiction of the Commonwealth Ombudsman to include complaints about private providers.[19] The next stages provide for stronger student tuition protections and changes to the national registration.[20]

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15   ANAO Audit Report No. 46 2010–11, p. 16.

16   ANAO Audit Report No. 46 2010–11, p. 16.

17   The Baird Review is available at <http://www.aei.gov.au/About-AEI/Current-Initiatives/ESOS-Review/Documents/ESOS_REview_Final_Report_Feb_2010_pdf.pdf>

18   B. Baird, Final Report February 2010, p. 29.

19   ANAO Audit Report No. 46 2010–11, p. 43.

20   For details see AEI, ESOS Review, <http://www.aei.gov.au/About-AEI/Current-Initiatives/ESOS-Review/Pages/default.aspx> viewed 3 November 2011.

Strategic review of the student visa program (Knight Review)

5.17   In December 2010, the Government commissioned the Hon Michael
        Knight AO to undertake a strategic review of the student visa program
        and provide recommendations to enhance the competitiveness of the
        international sector and further strengthen the integrity of the program.[21]

5.18   Knight reported in September 2011 with 41 recommendations, including:
        new streamlined visa processing arrangements for those enrolling in
        bachelor level courses and above; reduced financial requirements for some
        applicants; a review of the risk level framework; and offers of two to four
        year post-study work visas for graduates. The Government announced
        support for Knight's recommendations and proposes 'to implement them
        with some modifications to enhance the performance of the sector and to
        further safeguard the integrity of the visa system'.[22]

The ANAO audit

Audit objective

5.19   The audit objective was to assess the effectiveness of DIAC's management
        of the student visa program. Three key areas were examined in the audit:

- the processing of student visa applications;

- ensuring compliance with student visa conditions; and

- cooperation between DIAC and DEEWR. [23]

5.20   The audit did not examine DEEWR's administration of the ESOS Act and
        the National Code. The ANAO indicated that such an audit would be
        considered once the Baird Review recommendations have been
        implemented and the resulting changes bedded down.[24] Likewise, the
        audit did not fully take into account the Knight Review, nor subsequent
        Government response, as these had not been released at the time of the
        audit.

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21   ANAO Audit Report No. 46 2010–11, p. 44.
22   Knight Review Fact Sheet <http://www.immi.gov.au/students/_pdf/2011-fact-sheet.pdf>
     accessed on 4 November 2011. Details of the Knight Review and the Government response are
     available at: http://www.immi.gov.au/students/knight/.
23   ANAO Audit Report No. 46 2010–11, p. 17.
24   ANAO Audit Report No. 46 2010–11, p. 45.

Audit findings

Overall conclusion

5.21   By way of background, the ANAO found that:

> Over the past decade, DIAC's management of the student visa
> program has successfully supported the growth of one of
> Australia's largest export industries and enabled over a million
> and a half students to access high quality education in Australia.
> However, the permanent residence pathway available to overseas
> students through skilled migration caused an unsustainable level
> of growth in the program and compromised its integrity. As a
> consequence, the Government introduced policy changes during
> 2009–10 to restrict this pathway.[25]

5.22   The ANAO concluded that a number of DIAC's key administrative
structures and processes were not sufficiently robust to effectively meet
the challenges involved in achieving the Government's objective for the
student visa program of balancing industry growth and program
integrity. Visa processing arrangements and compliance functions, as well
as the relationship with DEEWR, had not kept pace with the demands of
the dynamic program environment.[26]

5.23   With regard to the visa processing arrangements, the ANAO found:

> There is considerable scope for the Department to strengthen its
> process for determining the risk-based assessment levels for
> countries and education sectors, to better align student visa
> requirements with contemporary program integrity risks. There
> would also be benefit in the Department evaluating the client
> service and processing efficiency benefits of eVisa for students… It
> will be important for DIAC to maintain a regular program of
> audits and evaluation of eVisa agent compliance…

5.24   The ANAO identified the rapid growth of the student visa program and a
lack of an up-to-date plan outlining national compliance priorities were
placing significant pressure on DIAC's compliance functions. The ANAO
also noted problems with the enforceability of the mandatory visa
conditions relating to students maintaining satisfactory course progress

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25   ANAO Audit Report No. 46 2010–11, pp. 17–20.
26   ANAO Audit Report No. 46 2010–11, p. 18.

and attendance, and the working rights allowance of 20 hours per week. The ANAO suggested this 'requires careful review'.[27]

5.25 The DIAC-DEEWR relationship was found to lack mechanisms to provide a shared strategic direction and agreed priorities. The ANAO acknowledged some steps have been taken to improve the relationship, but suggested that further collaboration is required. [28]

5.26 The ANAO also found that DIAC has 'instituted a number of organisational improvements, which 'once bedded down' can be expected to improve DIAC's management of the student visa program.'[29]

ANAO recommendations[30]

5.27 The ANAO made six recommendations directed towards strengthening DIAC's management of student visa processing and compliance, as well as improving its collaborative relationship with DEEWR.

Table 5.1   ANAO recommendations, ANAO Audit Report No. 46 2010–11

1.	To improve DIAC's management of risk in the student visa program, and to better align student visa requirements and immigration risk, the ANAO recommends that DIAC undertake a review of its process for determining country and education sector assessment levels for student visa applications.
	DIAC Response: *Agreed*
2.	To confirm that the eVisa lodgement facility for students is meeting its objectives and the needs of the student visa program, the ANAO recommends that DIAC evaluate the facility with a view to:
	a) incorporating the findings in planning for the further development of eLodgement and eVisa; and
	b) formally resolving the status of the eVisa 'trial' for higher risk countries.
	DIAC Response: *Agreed*
3.	To effectively manage the performance of eVisa agents registered under the eVisa facility for higher risk countries, the ANAO recommends that DIAC maintain a program of audits and evaluation of eVisa agent compliance with the terms of the facility's Deed of Agreement.
	DIAC Response: *Agreed*

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27   ANAO Audit Report No. 46 2010–11, pp. 18–19.
28   ANAO Audit Report No. 46 2010–11, p. 18.
29   ANAO Audit Report No. 46 2010–11, pp. 19–20.
30   ANAO Audit Report No. 46 2010–11, pp. 29–30.

4.	To improve the effective application of the mandatory conditions attached to student visas, the ANAO recommends that DIAC review:
	a) whether the student visa cancellation regime applying to the visa conditions for student course attendance and progress is achieving DIAC's integrity and compliance objectives; and
	b) the operation of the student work rights limitation in relation to evidentiary requirements, decision-maker discretion and compliance resources.
	DIAC Response: *Agreed*
5.	To better manage the flow of Non-Compliance Notices, and to assist in the better targeting of DIAC's compliance resources, the ANAO recommends that DIAC review the:
	a) necessity for each type of Student Course Variation to be reported by DEEWR to DIAC; and
	b) appropriateness of each type of Student Course Variation converting automatically to a Non-Compliance Notice.
	DIAC Response: *Agreed*
6.	To improve collaboration arrangements, the ANAO recommends that DIAC establish, in conjunction with DEEWR, an appropriately high-level forum to:
	a) develop an agreed strategic approach to the interaction of the student visa program and international education; and
	b) establish priorities for cooperative activity between the departments relating to overseas students.
	DIAC Response: *Agreed*

The Committee's review

5.28   The Committee held a public hearing on Wednesday 12 October 2011 with the following witnesses:

- Australian National Audit Office; and

- Department of Education, Employment and Workplace Relations.

5.29   The Committee took evidence on the following issues:

- the changing environment

- implementation of recommendations

- post-study work rights

- visa processing

  ⇒ eVisa

  ⇒ the role of universities

- compliance

  ⇒ non-compliance notices (backlog, categories, new system)

- collaboration between departments
  ⇒ unique student identifiers.

The changing environment

5.30   In their respective opening remarks, both DIAC and DEEWR commented on the considerable change taking place in both in the international education sector and the broader global environment. DIAC detailed the pressures on the international education sector including the global financial crisis, rapid growth in the value of the Australian dollar, increased international competition, and negative publicity around in-country safety.[31]

5.31   The Committee stressed the high value of the international education sector to the Australian economy and the importance of getting the policy settings right. The Committee raised concerns around earlier reports of cultural and xenophobic issues or perceptions, as well as the recent media suggesting the use of student visas to supply workers for the sex trade.[32] The Committee asked for the witnesses for any comments on these issues.

5.32   DIAC noted the seriousness of the recent media allegations, indicating that the Department works closely with relevant law enforcement bodies where there may be issues of criminality, such as human trafficking. However, DIAC also advised that with regard to working in the sex industry, 'in many jurisdictions it is decriminalised and a person with permission to work has permission to work'.[33]

5.33   Further, DIAC added that it is not just the sex industry where these types of problems occur. According to DIAC issues have arisen with employment rules more generally:

> This is why the integrity is absolutely crucial for maintaining the quality student visa program in the international education sector. When you have the situation where there are strong pull factors and also push factors from the region in terms of many people

31   Mr Kruno Kukoc, First Assistant Secretary, Department of Immigration and Citizenship, *Committee Hansard*, Canberra, 12 October 2011, p. 2; and Mr Colin Walters, Group Manager, Department of Education, Employment and Workplace Relations, *Committee Hansard*, Canberra, 12 October 2011, p.3.

32   For example see 'Visa to Vice' *Sydney Morning Herald* 12 October 2011, which can be viewed at <http://www.smh.com.au/national/visa-to-vice-migration-agents-linked-to-sex-workers-20111011-1lj80.html>

33   Mr Robert Illingsworth, Acting First Assistant Secretary, Department of Immigration and Citizenship, *Committee Hansard*, Canberra, 12 October 2011, p.4.

wanting to come to Australia and work instead of studying, it is important to get the balance right with the policy settings.[34]

5.34   A further pressure on the credibility of the Australian international education sector identified in DIAC's opening statement was the policy and legislative settings that allowed the use of the vocational education and training sector to be used as a doorway to permanent residence through the skilled migration program. DIAC confirmed that significant changes have been made to 'decouple the automatic link between studying in Australia and permanent migration'.[35]

5.35   According to DIAC and DEEWR, the reform program underway in the international education sector aims to balance the policy settings. DIAC emphasised the view that the objective of the student visa program should always be about education rather than labour market objectives.[36]

Implementation of recommendations

5.36   As noted above, the ANAO made six recommendations directed towards strengthening DIAC's management of student visa processing and compliance, as well as improving its collaborative relationship with DEEWR.[37]

5.37   The Committee asked witnesses from DEEWR and DIAC to comment on whether implementation of the ANAO recommendations will be completed within 12 months. The Committee also expressed interest in progress on implementation of recommendations stemming from the Baird and Knight reviews.

5.38   Both DIAC and DEEWR expressed support for the recommendations. DIAC indicated that the release of the recent reviews and government responses, along with the ANAO report, provide a key opportunity to make well-informed, appropriate changes to the student visa program.[38]

5.39   While noting that the ANAO report addressed issues relating to only a small part of the international education sector 'jigsaw', DEEWR told the Committee that the recommendations suggested worthwhile improvements around visa processing arrangements.

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34   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 4.

35   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 1.

36   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 2; and Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, p.3.

37   ANAO Audit Report No. 46 2010–11, pp. 29-30.

38   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, pp. 2–3.

> It is something we need to get right and it is an area which
> education providers watch carefully and are keen to make sure
> that our practice is up with the world's best, in particular with
> overseas competitors.[39]

5.40   DIAC highlighted 'synergies' between the ANAO report and the Knight
        Report, noting three of the six ANAO recommendations (No.1, No.4 and
        No.5) align with Knight's recommendations. DIAC provided a summary
        of the progress being made on these recommendations.

> Michael Knight's report recommends a fundamental review of the
> assessment level framework. This review will allow the
> Department not only to respond to the ANAO's
> Recommendation No.1 but also to make recommendations on the
> entire student visa risk management framework with a view to
> enhancing the integrity of the program while at the same time
> supporting the competitiveness of Australia's international
> education sector.

> Michael Knight's report also recommends the abolition of the
> automatic and mandatory cancellation regimes which aligns with
> ANAO Recommendation No.4. The Department is helping to have
> the required legislative and system changes scheduled in the
> legislative program for early 2012. This should allow the
> Department to more strategically target its student visas
> compliance and integrity resources.

> Implementation of the Knight report recommendation that work
> limitation entitlements be measured as 40 hours a fortnight rather
> than 20 hours a week provides an opportunity to also review the
> operation of the work limitation requirement in relation to
> evidentiary requirements, discretion and compliance resources.
> Changes will be subject to legislative scheduling requirements and
> are expected to be completed by early 2012.

> System changes will be made in December this year preventing
> the majority of student course variations converting automatically
> to a non-compliance notice, Recommendation No.5 in the ANAO
> report. Legislation to repeal automatic cancellation will be
> completed in 2012 at which point the remaining student course
> variations, two of them, will also cease to become non-compliance
> notices.[40]

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39   Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, pp. 2-3.
40   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 3.

5.41   Responding to Recommendation No.2, DIAC informed the Committee
        that the Department's evaluation of the e-visa trial lodgement facility is
        expected to be completed by the end of 2011. The results of the trial will
        inform planning for further development of e-visas[41] and e-lodgement in
        relation to the student visa program.[42]

5.42   Addressing ANAO's Recommendation No.3, regarding eVisa agents,
        DIAC advised that the Department is 'conducting a statistical analysis of
        student visa applications lodged through the facility to determine whether
        e-visa agents are complying with their obligations'.[43]

5.43   In regard to Recommendation No.6, DEEWR pointed out that the ANAO's
        comments on DIAC-DEEWR relations represent a historical situation.[44]
        DIAC advised that in direct response to this recommendation, a
        DIAC-DEEWR strategic policy group was established to coordinate
        activity regarding international students and education issues.[45]

5.44   The Committee also had a number of related questions regarding
        implementation of these recommendations. These are addressed below.

Post-study work rights

5.45   The ANAO noted in their audit report 'the limitation on work rights
        reflects the fact that the purpose of a student visa is to allow entry to
        Australia to study, not to work'. However, the report also noted that the
        purpose of work rights was to enhance the overall experience, in terms of
        community interaction and the development of language and professional
        skills.[46]

5.46   Further to DIAC's opening statement regarding the Knight Review
        recommendation on post study work rights, the Committee asked why the
        Government had accepted this recommendation, without linking it to the
        labour market requirements. The Committee also asked what measures
        will be put in place to ensure the work provisions are not abused by
        people trying to access the temporary labour market through the student
        visa program.

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41 According to ANAO Audit Report No. 46 2010–11, p.22, eVisa is an electronic lodgement and
    payment service for selected visa classes, including student visas.
42 Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 2.
43 Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 2.
44 Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, p. 3.
45 Mr Kukoc, DIAC *Committee Hansard*, Canberra, 12 October 2011, p. 2.
46 ANAO Audit Report No. 46 2010–11, p. 113.

5.47   DIAC outlined the new system whereby the core integrity criterion is to determine that the applicant is a 'genuine temporary student'. In addition, DIAC noted that this recommendation relates to students in the university sector, which is considered the lowest risk group.

> …the rationale that Michael Knight has explained in his report, and which the government has accepted, is that this additional work period for university students will give them another experience to top up their education that they gain in Australia. It will help them in the pursuit of their further career, be that in Australia or overseas. [47]

Visa processing[48]

eVisa

5.48   eVisa is an electronic lodgement and payment service for selected visa classes. The eVisa process can support: automated checks to ensure applications are valid; automated checks against departmental warning lists; automated referral to follow up health concerns; email notification of visa grants where all requirements are met; an online inquiry function to enable clients to check the status of their applications; and online credit card payment and receipting functions.[49]

5.49   The ANAO's report noted that on introduction DIAC claimed the eVisa system would allow for faster processing and savings as a result of reduced manual involvement by staff.[50]However, the audit found the performance information on eVisa take-up being published by DIAC was giving an incomplete picture of the efficiency impact. The ANAO found the regularly published figure of around 75 per cent related only to application lodgement, rather than the number of applications processed through eVisa to the automatic grant (autogrant) of a visa.[51]

5.50   The ANAO's report noted that DIAC does not measure the portion of eVisa applications that are autogranted. The ANAO undertook some analysis, which provided results demonstrating use had dropped from

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47   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p.6.

48   The ANAO created flow charts outlining the student visa application lodgement process and decision making process. These overviews are available at Appendix 2 and Appendix 3 of ANAO Audit Report No. 46 2010–11, pp.152–153.

49   ANAO Audit Report No. 46 2010–11, p. 77.

50   ANAO Audit Report No. 46 2010–11, p. 22.

51   ANAO Audit Report No. 46 2010–11, p. 22. It is possible through this system to be granted a visa (autogrant) with no involvement by processing staff.

around 65 per cent in the years immediately following implementation, down to around 17 per cent over the last two financial years.[52]

5.51   The Committee asked how many of the selected categories are processed through electronic lodgement from start to finish, specifically without manual intervention. The Committee was also interested in strategies in place to encourage higher take-up rate for these processes.

5.52   During the hearing, DIAC commented on electronic lodgement numbers, indicating the take-up rate from the low risk AL1 countries was very high. Further, DIAC advised, the eVisa trial, operationalised through selected in-country agents in the higher-risk, large volume countries of China, India, Thailand and Indonesia had seen a take-up rate of around 55 per cent. [53]

5.53   DIAC provided additional information advising that the auto-grant rate was around ten per cent and the Department is not seeking to increase this percentage. DIAC stated that in order to deliver services more efficiently and effectively the Department was focusing on increasing the range of online products and seeking to increase the uptake of eVisa lodgement only.[54] Similar comments are reflected by Knight in his Review, where it's noted that DIAC's objective is to offer e-lodgement to all student visa applicants.[55]

University involvement in visa processing

5.54   The Committee referred to a press release by the Minister for Tertiary Education, Skills Jobs and Workplace Relations[56] regarding the Government's intention to implement Knight's recommendation for streamlined visa processing arrangements for universities. The Committee asked for confirmation as to whether responsibility for the administration of the student visa program had been devolved to individual universities. The Committee was also interested in the proposed process and governance arrangements for this new system.

5.55   DIAC stressed that in two areas there will be no change - the Department will still issue the visa and education providers will continue to issue

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52   ANAO Audit Report No. 46 2010-11, p. 22.

53   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 7.

54   DIAC submission no.1, p. [6].

55   Strategic Review of the Student Visa Program 2010-11 (Knight Review) <http://www.immi.gov.au/students/knight/>accessed 4 November 2011.

56   The full press release is available at <http://www.minister.immi.gov.au/media/cb/2011/cb172439.htm>.

'confirmation of enrolment'.[57] What will change is that all university students doing a bachelor level or higher degree will be treated as AL1 students, regardless of the AL level of their country of origin.[58]

5.56   DIAC explained that while the evidentiary requirements for these students are reduced, they still have to meet the precondition of being a 'genuine temporary entrant' as well as all other criteria, including health, character, language proficiency and financial requirements. However, DIAC highlighted the reduced burden noting the university's confirmation of enrolment will be considered sufficient documentary evidence to support the latter two criteria.[59]

5.57   DIAC advised that universities will be invited to opt-in to the new arrangements, which requires them to provide a commitment on the public record to meet certain standards.[60] DEEWR expanded on DIAC's advice confirming for the Committee that rather than a standard template, universities will design their own processes to take into account their unique set of circumstances and student requirements.[61]

5.58   According to DEEWR, universities will be required to demonstrate the integrity of their processes to ensure they are recruiting genuine students and that they do not allow abuse of this migration pathway.[62]

5.59   Following the hearing, DIAC provided an update on progress with universities. The updated showed that on 3 November 2011 DIAC wrote to university Vice-Chancellors seeking their views on the proposed implementation of the streamlined processing arrangements. The letter canvassed proposed accountability arrangements and outlined ongoing performance assessment as well as punitive actions for failing to meet obligations.[63]

Compliance plans

5.60   Active monitoring of the over 400,000 student visa holders in Australia is not feasible, the ANAO stated in their report. Therefore, prioritisation of the compliance workload is essential. The audit revealed that despite

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57   Ms Paula Williams, Assistant Secretary, Department of Immigration and Citizenship, *Committee Hansard*, Canberra, 12 October 2011, p. 7.

58   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 7.

59   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 7.

60   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 7.

61   Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, p. 8.

62   Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, p. 8.

63   DIAC submission no.1, p. [7].

commitments to do so, DIAC had not published an updated annual compliance plan since 2007–08. They did indicate to the Committee a plan was under development and due to be finalised by 2011–12.[64]

5.61   Noting the ANAO's criticism, the Committee asked why the Department had not updated its compliance and integrity plans. Further, the Committee wanted to know how DIAC had been reviewing priorities without a plan in place.

5.62   During the hearing, DIAC advised that a revised compliance priority matrix had been developed and consultation was taking place across the service delivery network. DIAC explained the challenges in designing advice when working in a statutory regulatory field where all breaches are important. DIAC assured the Committee that a significant amount of work went into ensuring that the revised advice would allow departmental staff 'to make sense of priorities of the organisation and deliver the best yield for the effort'. [65]

5.63   Subsequent to the hearing, DIAC provided additional information indicating that the Compliance Field Prioritisation Matrix 2011–12 had been in development since 2010 and was finalised for implementation in September 2011. Feedback from a workshop in October 2011 with compliance staff and managers from all states and territories indicated that the new matrix was working well and that further implementation support was not required.[66]

Non-Compliance Notices

5.64   The growing backlog of Non-Compliance Notices (NCN)[67] for student visa holders was estimated by the ANAO to be in excess of 350,000 by the middle of 2010. Although most of these NCNs related to relatively minor administrative matters, ANAO was concerned that this large backlog potentially obscured serious cases of student non-compliance.[68]

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64   ANAO Audit Report No. 46 2010–11, pp. 24-25.

65   Mr Illingsworth, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 4.

66   DIAC submission no.1, p. [5].

67   The ANAO (ANAO Audit Report No. 46 2010–11, p.19) defined a Non-Compliance Notice (NCN) as an internal notification within DIAC of a change to a student's circumstances that is automatically generated by reports received from education providers via DEEWR. NCNs attach to the student's data record within DIAC's processing system. Not all NCNs relate to breaches of mandatory visa conditions, which trigger visa cancellation action, but all NCNs prevent further visa grants to the student until the NCN has been examined by DIAC compliance staff and finalised.

68   ANAO Audit Report No. 46 2010–11, pp. 18-19.

5.65   While acknowledging Knight's recommendation to remove automatic cancellation will assist in addressing the massive NCN backlog, the Committee noted that this does not change the fact that non-compliance will still occur. The Committee asked DIAC to outline changes that are occurring, and what mechanisms have been put in place to prioritise non-compliance events.

5.66   The first point DIAC sought to clarify was that non-compliance is not an accurate description for some of the NCNs generated. The backlog consists of many NCNs that were a result of a system that turned any course variation into an automatic NCN. The sharp growth of the VET sector led to a comparable spike in automatically generated NCNs. DIAC estimated at the peak there were around 270,000 NCNs.[69]

5.67   DIAC advised that it would not be possible to overcome the backlog of NCNs without changing the system to ensure that only those NCNs representing 'serious non-compliance' turned into NCNs. This system change has been made prior to the next phase, which will be the introduction of the Knight recommendation.[70] Significant inroads have already been made against the backlog with 197,832 finalised as at 14 October 2011.[71]

5.68   Additional information was submitted by DIAC, which provides details of the current NCN codes and categorisation (Appendix C). In summary, there are 19 NCN codes, of which two codes can result in automatic cancellation if the student does not attend a DIAC office within 28 days of the notice: students who did not commence their course; and those who failed to meet course requirements. While representing a small percentage of NCNs, a large proportion of DIAC's resources are directed to resolving these cases.[72]

5.69   Students in other high risk codes may also be considered for visa cancellation, subject to additional supporting information being received. Such high risk codes include: did not attend class; ceased study and had their enrolment cancelled; or had their enrolment cancelled due to fees not paid.[73]

5.70   In addition to clearing the backlog and reviewing categorisation, DIAC noted they are also approaching ongoing compliance management from

69   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 4.
70   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 4.
71   DIAC submission no.1, p. [2].
72   DIAC submission no.1, p. [2].
73   DIAC submission no.1, p. [2].

the front end. DIAC agreed with the ANAO's observations in the report, which outlined 'DIAC transformation plans' for closer integration of integrity and compliance and new Global management arrangements. DIAC confirmed the transformation is 'still a work in progress'.[74] One of the achievements to date, according to DIAC, has been the centralised 'marshalling' of operational student integrity resources. The result of this is 'a far greater capacity to prioritise and act against those areas of higher risk'.[75]

5.71   With these plans in place, DIAC advised the Committee that the Department has sufficient resources to meet current compliance requirements as well as clear the backlog. DIAC estimate that by mid-2012 the backlog will be fully resolved.[76]

Collaboration between departments

5.72   ANAO's report acknowledges that while on a number of issues, international education is a whole-of government business, the particular interaction of the student visa program with the international education sector it services primarily concerns DIAC and DEEWR.[77]

5.73   At the time of the audit, the ANAO found that while there were extensive contact points between DIAC and DEEWR, there were also gaps in the structure of the relationship which were inhibiting fully effective collaboration.[78]

5.74   In response to the ANAO's recommendation relating to improving collaboration, DIAC advised the Committee that a DIAC-DEEWR strategic student visa policy group has been established.[79]

5.75   The Committee was interested in gaining assurance that this group had appropriate structure and processes in place, as well as suitably high level departmental representation. Noting that the ANAO considered working level relationships were adequate[80], the Committee considered that the level of representation of this particular group was important in terms of representatives being able to provide input into high level departmental

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74   Audit Report No. 46 2010-11, p. 48.

75   Mr Todd Frew, First Assistant Secretary, Department of Immigration and Citizenship, *Committee Hansard*, Canberra, 12 October 2011, p. 5.

76   Mr Frew, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 9.

77   ANAO Audit Report No. 46 2010–11, p. 124.

78   ANAO Audit Report No. 46 2010–11, p. 27.

79   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 2.

80   ANAO Audit Report No. 46 2010–11, pp. 137–138.

strategic planning and have influence within their own departments to implement any agreed outcomes.

5.76   DIAC confirmed that the policy group is currently meeting monthly and have a forward schedule in place for 2012.[81] Following the hearing, DIAC provided a document (at Appendix D) which outlines the background, objective and the terms of reference of the group, as well as departmental representation. In summary, the group is co-chaired by relevant Assistant Secretaries from each department, and aims to enhance cooperation through a greater understanding of common goals, establish shared priorities and progress relevant review outcomes.[82]

5.77   DEEWR confirmed strong support for the collaborative arrangements, but again reinforced that international education is broader than just a DEEWR-DIAC collaboration. Interest across government include:

- Department of the Prime Minister and Cabinet and the Department of Foreign Affairs and Trade;

- Austrade, who are responsible for marketing;

- Defence and AusAID in relation to scholarships as part of overseas aid; and

- Department of Innovation, Industry, Science and Research for research visas.[83]

5.78   Accordingly, DEEWR noted the importance of the interdepartmental forum that brings together all the departments with an interest in international education, providing an opportunity to provide input into processes and discuss allied issues.[84]

5.79   In addition to these formal meetings, DEEWR and DIAC stressed the importance and occurrence of day-to-day interaction between the departments. The departments also provide mutual support, and citing the example of the secondment of a senior DEEWR staff member to DIAC for the duration of the Knight Review.[85]

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81   Ms Williams, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 9.
82   DIAC submission no.1, p. [4].
83   Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, p. 3.
84   Mr Walters, DEEWR, *Committee Hansard*, Canberra, 12 October 2011, p. 3.
85   Mr Kukoc, DIAC, *Committee Hansard*, Canberra, 12 October 2011, p. 9.

Unique student identifier

5.80   While there are positive examples of the DIAC and DEEWR working together to streamline administration of the student visa program, the ANAO report outlined a long-standing issue inhibiting electronic exchange between the departments. DIAC and DEEWR currently use different information as identifiers for overseas students.[86]

5.81   DEEWR identified a number of benefits of moving to a single unique identifier including a significant improvement in data integrity and reliability, a reduction in duplicate records and improved compliance monitoring. DEEWR also found potential efficiencies in visa processing might also be realised, as the unique student identifier would support automatic validation of paper-based and eVisa applications.[87]

5.82   Consideration by DIAC and DEEWR of an option for a single, unique student identifier commenced as early as 2005, with in-principle agreement between departments reached in 2006-07. Subsequent funding bids were not successful. However, the ANAO notes that the Council of Australian Governments (COAG) gave in-principle support in December 2009 for the introduction from 2012 of a unique student identifier for the VET sector, and is considering the introduction of a national student identifier.[88]

Committee comments

5.83   The Committee welcomed assurances from the respective departments that the recommendations of the ANAO where being acted upon as a priority. However, the Committee was concerned to note from the ANAO's report that a number of reviews and evaluations done across the student visa area over the years have not been finalised or fully implemented.

5.84   While the Committee is concerned about the multi-year time lag in updating compliance priority planning, the Committee notes that DIAC did meet the timeline for the implementation of a new compliance plan they provided to the ANAO during the audit. The Committee is reassured to see realistic timeframes and full implementation starting to be met.

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86   ANAO Audit Report No. 46 2010–11, p. 26.
87   ANAO Audit Report No. 46 2010–11, p. 128.
88   ANAO Audit Report No. 46 2010–11, p. 129.

5.85 With the new compliance plan in place and advice from DIAC that action to address the NCN backlog is well progressed, the Committee hopes to see DIAC achieve the timeframe outlined during the hearing to clear the remaining outstanding NCNs.

5.86 This massive backlog was a result of an unintended policy outcome. The Committee acknowledges policy is ultimately a government decision, but also believes it is the responsibility of agencies to provide robust advice to the relevant ministers identifying potential effects of those policies. The Committee considers it of particular importance that DIAC and DEEWR work together to closely monitor the relationship between the student visa program and the labour market.

5.87 Regarding collaboration between departments, the Committee welcomed the establishment of the strategic student visa policy group between DIAC and DEEWR. However, the Committee suggests that for such an important sector of the Australian economy the departments may wish to consider reallocating responsibility for the group to a higher level of senior executive.

5.88 Due to the importance of international education to the nation's economy, the Committee encourages DIAC to continue to pursue arrangements that provide for improved stakeholder communication and streamlined administration.

5.89 The Committee welcomes DIAC's intention to continue increasing the uptake rate of eVisa lodgement. However, the Committee notes the low autogrant rate, and that the Department was not seeking to increase this rate. There was no explanation provided as to why increasing the autogrant rate would not offer processing efficiencies.

5.90 More broadly, DIAC has advised the Committee that they are working to increase the range of online products to deliver services more efficiently and effectively. Responding to this the Committee suggests that online products should support enhanced multidirectional community engagement wherever possible.

5.91 The Committee strongly supports efforts to improve online services and communication as an opportunity to maximise national benefit for the Australian education system, and from the education system.

Recommendation 4

The Joint Committee of Public Accounts and Audit recommends that the Department of Immigration and Citizenship and the Department of Education, Employment and Workplace Relations report back to the Committee in six months from the tabling of this report on:

- implementation of recommendations (including those of the ANAO, the Knight Review, and the Baird Review);

- the rectification of the Non-Compliance Notice issues;

- the effectiveness of the new work arrangements between the Department of Immigration and Citizenship and the Department of Education, Employment and Workplace Relations; and

- an update on developments with eVisa arrangements and online products, including autogrant rate statistics.
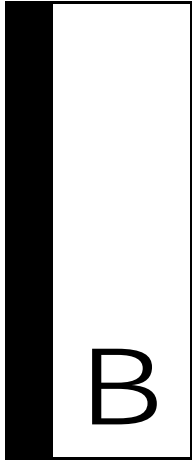
Rob Oakeshott MP
Committee Chair
November 2011

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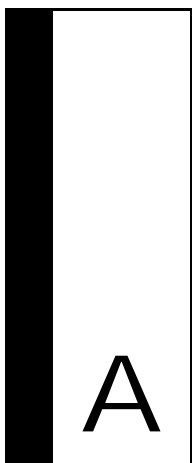
Appendix A — Submissions and Exhibits

Submissions

1   CONFIDENTIAL

2   CONFIDENTIAL

3   Department of Immigration and Citizenship

B

Appendix B — Public Hearings

Wednesday, 14 September 2011 - Canberra

Australian National Audit Office

>Mr Ian McPhee, Auditor General

>Mr Michael Watson, Group Executive Director, Assurance Audit Services

>Mr Roger Cobcroft, Senior Director, Reporting Frameworks

Department of Finance and Deregulation

>Mr Stein Helgeby, Deputy Secretary, Financial Management Group

>Mr Peter Gibson, Assistant Secretary, Accounting and Policy Branch

Wednesday, 21 September 2011 - Canberra

Australian National Audit Office

>Mr Steve Chapman, Deputy Auditor General

>Mr Matt Cahill, Group Executive Director

>Mr Robert Holbert, Acting Executive Director, Performance Audit Group

Department of Defence

>Mr Simon Lewis, Deputy Secretary Defence Support

>Mr Mark Jenkin, Head, Defence Support Operations Division

>Mr John Owens, Head, Infrastructure Division Defence Support

Wednesday, 12 October 2011 - Canberra

Australian National Audit Office

Mr Steve Chapman, Deputy Auditor General

Ms Barbara Cass, Acting Group Executive Director

Mr Peter Jones, Senior Director, Performance Audit Services Group

Department of Education Employment and Workplace Relations

Mr Colin Walters, Group Manager

Mrs Di Weddell, Branch Manager

Ms Saloni Varma, Acting Branch Manager

Department of Immigrations and Citizenship

Mr Todd Frew, First Assistant Secretary

Mr Kruno Kukoc, First Assistant Secretary

Mr Robert Illingworth, Acting First Assistant Secretary

Ms Paula William, Assistant Secretary, Education and Tourism Branch

Wednesday, 2 November 2011 - Canberra

Australian National Audit Office

Mr Ian McPhee, Auditor General

Mr Mark Rogala, Senior Director, Performance Audit Services Group

Mr Mark Simpson, Acting Executive Director, Performance Audit Services Group

Mr Stuart Turnbull, Executive Director

Department of Education, Employment and Workplace Relations

Dr Evan Arthur, Group Manager, National Schools and Youth Partnerships Group

Ms Rhyan Bloor, Branch Manager

C

Appendix C - Finalised Non-Compliance Notices

Code	Description	Number	Percentage
25	Student deferred study, same course length	58,938	29.79
5	Student completed course early	43,951	22.22
9	Student enrolled with another provider	41,720	21.09
15	Student deferral, compassionate reasons	19,919	10.07
18	Enrolment cancelled, fees not paid	10,501	5.31
11	Course cancelled, provider not operating	7,321	3.70
22	Enrolment cancelled, unable to run course	3,285	1.66
6	Student did not commence course	2,302	1.16
24	Student changes course and visa subclass	2,281	1.15
16	Cessation of studies/enrolment cancelled	1,840	0.93
14	Visa issued for cancelled CoE	1,663	0.84
7	Course cancelled, provider still operating	1,355	0.68
19	Enrolment cancelled, disciplinary reasons	957	0.48
28	Welfare arrangements unsatisfactory	603	0.30
12	Student not commenced, provider suspended	442	0.22
8	Student non-attendance at classes	333	0.17
10	Student failed to meet course requirements	189	0.10
20	Enrolment cancelled, Student deceased	145	0.07
21	Enrolment deferred, disciplinary reasons	107	0.06
	Total	197,832	100.00

Source   Department of Immigration and Citizenship submission no. 1, p. [2].

The information provided in this table is correct as at 14 October 2011.

D

Appendix D – DIAC–DEEWR Strategic Student Visa Policy Group Guidelines[1]

Objectives

The objective of the DIAC – DEEWR strategic student visa policy group is to provide a forum for strategic policy coordination between the two organisations regarding the interaction of the student visa program and the international education sector regulatory framework.

Terms of Reference

The DIAC – DEEWR strategic student visa policy group will:

Provide a key mechanism for information exchange and progression of relevant outcomes of the Baird Review of ESOS Act and the Knight Review of the Student Visa Program.

Establish priorities for cooperative activity between the Departments relating to overseas students and oversee the implementation of these priorities.

Oversee and guide activities being undertaken by the PRISMS Technical working group, including data exchange and project priorities.

Encourage greater understanding among relevant staff of the common goals of both organisations in relation to the international education sector.

Membership

Membership will be limited to Assistant Secretary and Director Level staff.

DIAC membership will include:

- AS, Education and Tourism Branch

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1   Department of Immigration and Citizenship submission no.1, p. [4].

- Director, Student Visa Review Secretariat

- Director, Student Visa Policy Section

- Director, Student Visa Projects Section

DEEWR membership will include:

- Branch Manager, International Quality

- Branch Manager, International Strategy

- Director, Policy Coordination Unit

- Director, Strategic Support Unit

- Director, Compliance Unit

- Director, Strategic Policy Unit

Chair and meetings

Meetings will be co-chaired by the relevant Assistant Secretaries of DIAC and DEEWR.

Meetings will be held monthly, alternate between DIAC and DEEWR premises or as agreed and will normally not exceed one hour.

To minimise administrative overheads, outcomes notes rather than full minutes will be produced by the hosting agency.

Background

The regulation of Australia's on-shore education and training export industry focuses on the protection and enhancement of Australia's international reputation, migration control and the need to ensure that overseas students receive quality education in Australia.

The regulatory environment – comprising the *Education Services for Overseas Students (ESOS) Act 2000* regulated by the Department of Education, Employment and Workplace Relations; and the *Migration Act 1958* regulated by the Department of Immigration and Citizenship; and associated regulations and instruments, requires that both providers of education and training to overseas students on a student visa, and the overseas students themselves, comply with the requirements of the legislation.