

12 March 2010

Ms Sharon Grierson MP  
Chair  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2600

Dear Ms Grierson

At the Committee's hearing on Monday 8 February 2010, the Committee sought information in relation to:

- whether there would be benefit in the Auditor-General Act dealing specifically with the issue of the Auditor-General providing information and documents to the Committee and other Parliamentary Committees;
- the reporting of information that is subject to a claim of legal professional privilege; and
- details of the audit of the Better Regions Program.

These matters are canvassed in Attachment A.

The Committee also sought a copy of an arrangement made under section 20 of the Auditor-General Act. A copy of the section 20 arrangement in respect of Government advertising campaigns with the Department of Foreign Affairs and Trade, and the Department's response, are at Attachment B. The agencies with which the ANAO has entered into similar arrangements are at Attachment C.

A copy of the primary correspondence that outlines the section 20 arrangement with the Defence Materiel Organisation in respect of the 2008-09 review of Major Defence Projects is at Attachment D.

Yours sincerely



Ian McPhee

**Provision of information and documents to the JCPAA and other Parliamentary Committees**

The relationship between the Joint Committee of Public Accounts and Audit (JCPAA) and other Parliamentary Committees, and the Auditor-General is governed by relevant legislation, Parliamentary Standing Orders and, in respect of certain matters, custom and practice. In the case of the JCPAA, the *Public Accounts and Audit Committee Act 1951* includes broad powers relating to the giving of evidence and producing documents to the Committee. On the other hand, the Auditor-General Act (the Act) is silent on the Auditor-General's responsibilities in relation to the provision of information and documents to Parliamentary Committees. To date, the approach adopted by the ANAO has been guided by custom and practice.

Particularly in the light of recent experiences, the ANAO considers there is merit in considering whether it would be appropriate for the issue of the provision of information and documents to Parliamentary Committees to be dealt with through an amendment to the Auditor-General Act.

While the question of the provision of certain documents to the JCPAA has arisen recently in the context of our reviews of government advertising campaigns, the issues involved have broad application to all audits and reviews undertaken by the ANAO, and go to a consideration of the public interest. My overriding objective is to have arrangements in place that ensure that confidence in the audit process is maintained, while at the same time recognising the important relationship that the ANAO has with Parliamentary Committees generally and the specific role of the JCPAA in reviewing the ANAO's audit and review reports.

In respect to the principle of public interest, there are established arrangements in relation to claims of public interest immunity by Governments in circumstances where an official considers it is not in the public interest to disclose information or produce documents to a Parliamentary Committee. For example, the Senate Order dated 13 May 2009 setting out the process for making claims of public interest immunity in committee proceedings provides, amongst other things, for a Minister to determine whether it would not be in the public interest to disclose information to a Senate Committee. The Order also provides for the Minister to determine that a decision relating to public interest immunity should, more appropriately, be made by the Head of an agency by reason of the independence of that agency from Ministerial direction or control (paragraph 8 of the Senate Order refers.)

It is also relevant to note that, currently, sub-sections 36(2) and 37(1) of the Auditor-General Act require the Auditor-General to consider the public interest. Sub-section 36(2) allows the disclosure of particular information to the Commissioner of the Federal Police if the Auditor-General is of the opinion that disclosure is in the public interest, while sub-section 37(1) states, in part, that the Auditor-General must not include particular information in a public report if the Auditor-General considers that disclosure of the information would be contrary to the public interest for any of the reasons set out in sub-section 37(2) of the Act.

The nature and content of the ANAO's working papers is also a relevant consideration. In this respect, and as the Committee is aware, in performing its audit responsibilities, the ANAO has unfettered access to a wide range of information and records. The integrity of the audit process requires the ANAO to have such access. Where relevant to the objectives of an audit or review, copies of information and records are held within the ANAO's working papers. As a consequence, the working papers contain a broad range of documents including commercial-in-confidence material, documents that have a national security classification, and material that is provided on an in-confidence basis.

The ANAO's working papers contain information that is part of the deliberative process involved in arriving at an audit conclusion or opinion and, as such, providing them to a Parliamentary Committee could be seen to be contrary to the usual confidentiality requirements that apply to audit working papers, is likely to inhibit the flow of information between agencies and, as a consequence, could impair the effectiveness of the audit role over time.

While judgements will always be required in relation to individual cases, in the light of the above factors, the ANAO suggests that an amendment to the Act that requires the Auditor-General to have regard to the public interest in providing information or documents to Parliamentary Committees would be appropriate. Such an amendment would not diminish the Auditor-General's accountability for the audit conclusions and opinions that are issued and are publicly available. Further, it is the ANAO's understanding that responding to requests for information and documents, where appropriate, is an integral part of performing an Auditor-General function. The Committee also has the avenue of seeking information and documents directly from public service agencies.

The ANAO notes that sections 11 and 11A of the Public Accounts and Audit Committee Act outline arrangements in relation to evidence that is taken in private. The ANAO understands that arrangements relating to written submissions to the Committee, and the Committee's consideration of such documents, are ones that are covered by custom and practice, guided by relevant provisions of Parliamentary Standing Orders.

The ANAO suggests there may be benefit in considering whether legislative clarification of such arrangements is desirable. In this regard, it is noted that Schedule 1 of the *Intelligence Services Act 2001*, that outlines details of the Committee on Intelligence and Security, includes arrangements relating to the provision of information to that Committee and the publication of evidence taken by, and documents produced to, the Committee.

### **Legal professional privilege**

The Committee also sought our views on the publication of information that is the subject of a claim of legal professional privilege.

Legal professional privilege was canvassed in our submission of 11 August 2009. That submission discussed the benefit of the inclusion in the Auditor-General Act of a specific power that allows the Auditor-General to access material over which entities claim legal professional privilege but this access does not amount to a waiver of the privilege by the entities concerned. The submission also notes that any amendment would need to recognise the Auditor-General's discretion, subject to s37 of the Act, to include information subject to legal professional privilege in a public report.

Section 37 of the Act currently governs the non-disclosure of particular information in a public report. This section prohibits the inclusion of particular information in a public report if the Auditor-General is of the opinion that disclosure would be contrary to the public interest for any of the reasons set out in sub-section 37(2). One of the reasons listed is:

“(f) any other reason that could form the basis for a claim by the Crown in the right of the Commonwealth in a judicial proceeding that the information should not be disclosed.”

Our understanding is that this provision covers claims of legal professional privilege, amongst other things. As such, the ANAO suggests that the existing provisions are adequate for dealing with the issue of whether or not information subject to a claim of legal professional privilege can be included in an audit report.

However, should the Committee consider there is merit in section 37(2) specifically mentioning legal professional privilege, it is suggested this could be done by adding an example in a Note under the text of this provision. This approach would be consistent with legal professional privilege being just one example of the operation of sub-section 37(2)(f) and would help to guard against the risk of this sub-section being seen as primarily concerned with legal professional privilege.

The ANAO would be concerned with any provision that sought to inhibit the inclusion in an audit report of information that was subject to a claim of legal professional privilege. Such a provision could, in our view, give rise to an increase in the number of such claims without an adequate mechanism for the validity of such claims to be tested and could, on occasions, unduly restrict the information that the Auditor-General considers necessary to include in an audit report to support his or her audit conclusion.

### **Better Regions Program**

Attached is a copy of a brief relating to the audit of the Better Regions Program (together with audits of two related programs) that was provided as an attachment to a letter to the Committee Secretariat dated 6 June 2009. The brief outlines the background to the audit, the audit objectives and the broad audit criteria.

## BETTER REGIONS PROGRAM



Attachment

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### Three audits examining interrelated regional grant programs:

- the Better Regions Program
- the Community Infrastructure Program—Council Allocation
- the Community Infrastructure Program—Strategic Projects

### Agencies Involved:

1. Department of Infrastructure, Transport, Regional Development and Local Government
2. Department of the Prime Minister and Cabinet
3. Department of the Treasury
4. Department of Finance and Deregulation

### Background:

On 15 November 2007, the Australian National Audit Office (ANAO) completed a performance audit of the Regional Partnerships Program. The audit made 19 recommendations to further improve departmental procedures and practices, and to encourage further attention to aspects of the programs administration, in the interests of improving transparency and accountability. A further recommendation was directed at enhancing the existing framework governing the expenditure of public money, including through discretionary grants programs.

Having regard to the recent developments within the various regional programs administered by Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG), ANAO is to conduct three audits examining the development, implementation and administration of two of the four regional programs currently being delivered through DITRDLG.<sup>1</sup> The three specific audits relate to:

- the Better Regions Program;
- the Community Infrastructure Program: Council Allocation component; and
- the Community Infrastructure Program: Strategic Projects component.

Given the various agencies involved in the development of the programs, the audits are being undertaken under section 18 of the *Auditor-General Act 1997*.

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<sup>1</sup> The remaining two programs, namely, the Regional Partnerships Program and the Sustainable Regions Program are closed for 'new and unapproved' and 'new and uncontracted' projects respectively. As mentioned earlier, the Regional Partnerships Program has already been audited. A proposed audit of the Sustainable Regions Program was previously included in the Planned Work Program but was removed after the incoming Government announced it would develop its own regional funding program to replace both the Regional Partnerships Program and the Sustainable Regions Program.

### Audit Objective:

There are considerable similarities between the three potential audit topics, as well as some stark differences. In order to best deliver the products, we see value in the one core audit team working on all three audits. This will enable lessons that are learned on one audit to be readily transferred to the remaining two audits. It will also enable the final audit reports to be of a manageable size and better able to differentiate the issues that are unique to each topic. The audit objectives have been developed with these issues in mind and are reflected in Table 1.

**Table 1: Audit objectives for the three audits:**

Better Regions Program	Community Infrastructure Program – Council Allocation component	Community Infrastructure Program – Strategic Projects component
The objective of the audit is to assess whether the program has been effectively designed and administrated with particular emphasis on:	The objective of the audit is to assess whether the program has been effectively designed and administrated with particular emphasis on:	The objective of the audit is to assess whether the program has been effectively designed and administrated with particular emphasis on:
- decision making processes in relation to the approval of funding for projects (including consideration of factors such as the maturity of the proposal and the amount and quality of information available for assessment);	- whether advice to Government on the design and implementation of the program from DITRDLG and other departments and agencies, was robust and timely;	
	- whether business practices of DITRDLG meet policy and legislative requirements as well as accountability responsibilities, including best practice grants administration;	
	- whether the allocation of funds to LGAs was in accordance with the published methodology;	- whether the identification of possible projects was undertaken in accordance with the published process;
	- the process by which projects were assessed and approved as eligible;	- the process in which projects were prioritised and subsequently approved for funding;
- the development and management of funding agreements with funding recipients;		
- whether approved projects are monitored, being delivered and subsequently reconciled in accordance with the terms and conditions of funding; and		
- the progress towards achieving the project and program objectives of assisting regions build on their strengths, improve liveability and create jobs.	- the progress towards achieving the project and program objectives of stimulating growth and economic activity across Australian; and support national productivity and community well being, including the extent to which the 'rapid injection of funds' is, or can be reasonably expected to support local jobs to specific communities over the short and long term.	

### Broad Audit Criteria:

**1.1** The broad criteria for each audit is based on the Financial Management and Accountability (FMA) Regulations 1997, the ANAO Grant Management Better Practice Guide and the recommendations from the ANAO Audit of the Regional Partnerships

Program, as well as the individual Program guidelines and pro-formas associated with each Program.

**Audit Schedule:**

At this stage we plan to commence fieldwork in June 2009. We envisage tabling of the audit on the Better Regions Program and at least one of the Community Infrastructure Program audits before the next general election is due. All three audits are expected to table in the 2010-2011 Financial Year.

**ANAO Contact Officers:**

Group Executive Director: Peter White, (02) 6203 7685, [peter.white@anao.gov.au](mailto:peter.white@anao.gov.au)

Executive Director: Brian Boyd, (02) 6203 7672, [brian.boyd@anao.gov.au](mailto:brian.boyd@anao.gov.au)

## ATTACHMENT B

2 July 2008

Mr M L'Estrange AO  
Secretary  
Department of Foreign Affairs and Trade  
RG Casey Building  
John McEwen Crescent  
BARTON ACT 0221

Dear Mr L'Estrange

### **Auditor-General's Review of Information and Advertising Campaigns Arrangement under section 20(1)(c) of the *Auditor-General Act 1997***

As you will be aware, the Government has introduced new arrangements for administering government information and advertising campaigns. As one element of the new arrangements, I have agreed to provide a report to the relevant Minister on the proposed campaign's compliance with the Guidelines, for those campaigns with expenditure in excess of \$250,000. A Minister also may ask the Auditor-General to provide a report on campaigns valued at less than \$250,000 or which are sensitive in nature.

The review the Australian National Audit Office (ANAO) will undertake as the basis for the report is not as in-depth an approach as an audit but is designed to provide limited assurance through inquiry, observation and analysis of key documents and information that the Government's guidelines have been adhered to.

I have agreed to provide these reports in accordance with my functions and powers under the *Auditor-General Act 1997* (the Act). Section 20(1)(c) of the Act allows me to enter into an arrangement with any person or body to provide services of a kind commonly performed by auditors. The reviews will be conducted in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000, issued by the Auditing and Assurance Standards Board, which requires that there be a clear understanding, in writing, of the terms of the engagement.

Set out below are details of the proposed arrangement for the review of any information and advertising campaigns in excess of \$250,000 that are conducted by your department.

### **Scope**

Reviews of compliance with the Guidelines will include, to the extent considered appropriate, an examination by the ANAO of relevant documents and records held by your department and interviews with relevant staff, agents and subcontractors.



Reviews may also entail discussions with, and examination of records held by, third parties if the ANAO considers that this will assist in forming a view in relation to the campaign's compliance with the Guidelines.

The approach adopted will be designed to support my primary responsibility, which is to express a conclusion as to a proposed campaign's compliance with the Guidelines.

Undertaking these reviews does not limit my authority to include matters relating to information and advertising campaigns by your department within the scope of other audit activity at another time. Any limitations or qualifications to the scope of the reviews will be specified in any reports provided to the responsible Minister pursuant to paragraph 6(b) of the Guidelines.

## **Responsibilities of the department**

Departments and agencies subject to the *Financial Management and Accountability Act 1997* must comply with the Guidelines. As you are aware, Chief Executives are required to certify that each campaign complies with the Guidelines and relevant government policies. It is expected that this certification will be supported by appropriate documentation that evidences compliance with, and supports the department's position on, each of the five guidelines outlined in the Guidelines.

To allow reviews to be conducted in an efficient and timely manner, with minimal disruption, your department is responsible for advising the ANAO, as early as possible, about impending campaigns and briefing the ANAO at strategic milestones of campaign development. Your department will also provide the ANAO with details of contact officials for each relevant campaign.

For the purpose of undertaking reviews and providing reports to the responsible Minister, I or appropriately authorised officials of the ANAO will require, subject to law, full and free access to inspect and take copies of relevant records and information held by your department, its agents and sub-contractors who may be engaged by the department to assist with relevant information and advertising campaigns. Access would also be required for the purposes of conducting discussions with officials of your department, its agents and sub-contractors, in relation to reviews undertaken.

## **ANAO's responsibility**

I have agreed to provide a limited assurance report based on my review of the campaign's compliance with the Guidelines.

The review will be conducted in accordance with the ANAO's Auditing Standards. This includes the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Auditing and Assurance Standards Board.

## **Reporting arrangements**

Consistent with our general practice, the ANAO will provide you with notice of any significant issues arising in the conduct of reviews ahead of the issue of our report, and work with you to clarify and deal with those issues as soon as possible.

Under the terms of the Guidelines, my report will be to the responsible Minister and copied to you, the Cabinet Secretary and the Secretary, Department of Finance and Deregulation.

If considered appropriate, the ANAO will write separately to you on any observations that arise as a result of any reviews undertaken that do not directly impact a review's conclusion.

In addition to the above arrangements, I may determine other reporting arrangements in relation to the reviews conducted under this arrangement, including to the Parliament and its committees. These arrangements may include public disclosure and will have regard to any reporting arrangements adopted by Ministers.

### **Confirmation of arrangements**

It would be appreciated if you could confirm your agreement to the above arrangement at the earliest opportunity and advise of an appropriate official within your department for further contact on this matter. We would be happy to discuss this matter with you or your staff. The relevant ANAO contact official is Mr Robert Holbert who can be contacted on 02 6203 7379.

Yours sincerely

Ian McPhee  
Auditor-General



Australian Government  
Department of Foreign Affairs and Trade

*Mr Peter G/A  
Mrs Lindsay  
Bob Kellard*

Secretary

Telephone: 02 62612472  
Facsimile: 02 62732081

2 September 2008

Mr Ian McPhee  
Auditor General  
Australian National Audit Office  
19 National Circuit  
BARTON ACT 2801

*David Simon*

Thank you for your letter of 2 July 2008 concerning the introduction of new *Guidelines on Campaign Advertising by Australian Government Departments and Agencies*.

I agree to the arrangements proposed in your letter for the ANAO to review, in accordance with section 20(1)(c) of the *Auditor-General Act 1997*, the department's documents relevant to advertising campaigns in excess of \$250,000 conducted by the Department of Foreign Affairs and Trade.

The primary point of contact for the Department of Foreign Affairs and Trade will be Ms Lynette Wood, Assistant Secretary, Executive Planning and Evaluation Branch (email: [Lynette.Wood@dfat.gov.au](mailto:Lynette.Wood@dfat.gov.au), phone: 6261 2377).

Thank you for bringing this matter to my attention.

Yours sincerely

*Michael L'Estrange*  
Michael L'Estrange

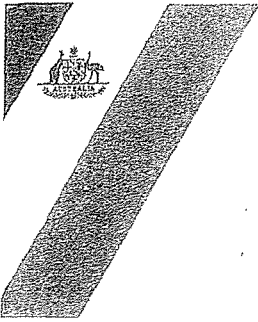


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ATTACHMENT C

REVIEWS OF GOVERNMENT ADVERTISING CAMPAIGNS –  
SECTION 20 AGREEMENTS

Department	Date Signed
Attorney-General's Department	11 July 2008
Australian Customs Service	21 July 2009
Australian Electoral Commission	11 July 2008
Australian Federal Police	28 July 2008
Australian Organ and Tissue Donation and Transplantation Authority	25 November 2009
Australian Taxation Office	15 September 2008
Centrelink	11 July 2008
Department of Agriculture, Fisheries and Forestry	4 September 2008
Department of Broadband, Communications and the Digital Economy	28 July 2008
Department of Climate Change	11 July 2008
Department of Defence	25 July 2008
Department of Education, Employment and Workplace Relations	24 June 2008
Department of Families, Housing, Community Services and Indigenous Affairs	23 July 2008
Department of Finance and Deregulation	8 August 2008
Department of Foreign Affairs and Trade	2 September 2008
Department of Health and Ageing	24 July 2008
Department of Human Services	14 July 2008
Department of Immigration and Citizenship	15 August 2008
Department of Infrastructure, Transport, Regional Development and Local Government	17 July 2008
Department of Resources, Energy and Tourism	11 July 2008
Department of the Environment, Water, Heritage and the Arts	28 July 2008
Department of Veterans' Affairs	4 August 2008
Medicare Australia	11 July 2008



Auditor-General for Australia



15 September 2009

Dr Stephen Gumley  
 Chief Executive Officer  
 Defence Materiel Organisation  
 R2-5 Executive Suite  
 Russell Offices  
 CANBERRA ACT 2600

Dear Dr Gumley *Steve*

My purpose in writing is to seek your agreement to an arrangement for the review by the Australian National Audit Office (ANAO) of Project Data Summary Sheets (PDSS), as at 30 June 2009, for 15 major capital equipment acquisition projects managed by the Defence Materiel Organisation (DMO). This review will be conducted in accordance with the Australian Standard on Assurance Engagements, *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Auditing and Assurance Standards Board. As you are aware, a DMO Major Projects Report (MPR) report covering 15 projects is scheduled to be tabled in Parliament in November 2009.

You may recall that in my 31 October 2008 letter to you, I proposed that in future years we enter a similar arrangement to that used for the DMO MPR 2007-08. That arrangement is based on the conduct of an assurance review pursuant to section 20(1)(c) of the *Auditor-General Act 1997* that allows me to enter into an arrangement with any person or body to provide services of a kind commonly performed by auditors. This approach requires the ANAO and the DMO to enter into an arrangement that outlines the nature and scope of the review, our respective responsibilities and reporting arrangements. The arrangements proposed are set out in the Attachment, which have been discussed with your staff.

It would be appreciated if you could confirm your agreement to the attached arrangement and advise of an appropriate official within your agency for further contact on this matter. I have also enclosed a draft letter to assist in responding to my request.

We would be happy to discuss this matter with you or your staff. The relevant ANAO contact officer is Mr Michael White who can be contacted on 02 6203 7393.

Yours sincerely

*Ian McPhee*  
 Ian McPhee

Enclosure: Draft letter to assist your response  
 Attachment: Review of Major Capital Equipment Acquisition Projects  
 Arrangement under sub-section 20(1)(c) of the *Auditor-General Act*  
 1997

Date

Mr Ian McPhee  
Auditor-General  
Australian National Audit Office  
19 National Circuit  
Barton ACT 2600

Dear Mr McPhee

**SECTION 20 AGREEMENT BETWEEN DMO AND ANAO FOR THE REVIEW OF THE  
2008-09 MAJOR PROJECTS REPORT**

Further to your letter dated 15 September 2009, I agree to the arrangement of the review by the Australian National Audit Office (ANAO) of Project Data Summary Sheets (PDSS) for the purposes of DMO's Major Projects Report (MPR) as at 30 June 2009.

As requested, I agree to the arrangement under section 20(1)(c) of the *Auditor-General Act 1997* for you to provide services of a kind commonly performed by auditors for the review as at 30 June 2009. I also agree to work with you and your ANAO team to agree a similar arrangement for up to 30 projects in later years.

I look forward to continuing the close working relationship with you to produce the annual MPR.

My point of contact on this matter is .....

Yours sincerely

DR STEPHEN J GUMLEY  
Chief Executive Officer

**Review of Major Capital Equipment Acquisition Projects  
Arrangement under section 20(1)(c) of the Auditor-General Act 1997**

Set out below are details of the proposed arrangement for the review of selected major capital equipment acquisition projects as at 30 June 2009.

**Objectives and Scope**

The 15 major capital equipment acquisition projects to be reviewed, as agreed between the Auditor-General and DMO, are:

- |   |                          |
|---|--------------------------|
| o Air Warfare Destroyer Build Project           | -- SEA 4000 Phase 3*;    |
| o Airborne Early Warning and Control Aircraft   | -- AIR 5077 Phase 3;     |
| o Multi Role Helicopter Project                 | -- AIR 9000 Phase 2*;    |
| o Bridging Air Combat Capability                | -- AIR 5349 Phase 1*;    |
| o Amphibious Deployment and Support             | -- JP 2048 Phase 4A/4B*; |
| o Armed Reconnaissance Helicopter               | -- AIR 87 Phase 2;       |
| o Air to Air Refuelling Aircraft                | -- AIR 5402*;            |
| o F/A-18 Hornet Upgrade                         | -- AIR 5376 Phase 2;     |
| o C-17 Globemaster III Heavy Airlifter          | -- AIR 8000 Phase 3;     |
| o Guided Missile Frigate Upgrade Implementation | SEA 1390 Phase 2.1;      |
| o F/A-18 Hornet Structural Refurbishment        | -- AIR 5376 Phase 3.2*;  |
| o Bushmaster Protected Mobility Vehicle         | -- LAND 116 Phase 3;     |
| o High Frequency Modernisation                  | -- JP 2043 Phase 3A;     |
| o Armidale-Class Patrol Boats                   | -- SEA 1444 Phase 1; and |
| o Collins Replacement Combat System             | -- SEA 1439 Phase 4A.    |

The projects marked \*, are the additions to the DMO Major Projects Report for 2008-09, which were not covered in the 2007-08 DMO Major Projects Report.

The review of these projects by the Australian National Audit Office (ANAO) will include, to the extent considered appropriate:

- o an examination by the ANAO of systems and documents, records and reports held and prepared by the DMO; and
- o interviews with staff, agents and contractors of the Australian Defence Organisation (ADO) including collection of confirmations from Defence and/or contractors as necessary.

The review is designed to provide assurance that the data and information contained in the Project Data Summary Sheets (PDSS) for each project, has been prepared in accordance with the Guidelines for the preparation of the PDSS, as developed by the DMO in consultation with the ANAO (included as Annex 1). A Master Schedule, which has also been prepared by DMO in consultation with ANAO, and represents the initial plan for executing the work entailed in the development and production of the 2008-09 MPR, is attached (Annex 2).

The review may also entail discussions with, and examination of data or information held by, third parties if the ANAO considers that this will assist in forming a view in relation to the project information contained in the PDSS.

The review will be designed to support the Auditor-General's primary responsibility for providing an assurance report on 15 major capital equipment acquisition projects and the tabling of his report to Parliament. The review is not as in depth as a performance audit.

Undertaking this review does not limit the Auditor-General's authority to include matters relating to major capital equipment acquisition projects within the scope of other audit activity at another time.

### **Auditor-General's responsibilities**

The Auditor-General will provide an assurance report and conclusion (including analysis) based on his review of PDSS for the above-mentioned 15 major capital equipment acquisition projects as at 30 June 2009.

The review will be conducted in accordance with the Australian Standard on Assurance Engagements, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the Auditing and Assurance Standards Board.

### **Responsibilities of DMO**

The CEO DMO will prepare a report covering the 15 major projects, including an individual PDSS for each project, which will provide information on project budget and expenditure; schedule; and delivery against contracted requirements. The DMO will be responsible for the completeness and accuracy of data and information in this report. The DMO will also provide analysis, as part of their report, over the projects included in the MPR.

For the purposes of the review, the DMO will provide or help facilitate the Auditor-General and authorised ANAO personnel with full access to:

- premises;
- reports, documents, records and systems;
- ADO staff; and
- contractors, agents and other third parties.

The DMO also agrees to provide copies of data, documents and records to the ANAO.

The DMO will prepare an evidence pack to support the data, information and assertions contained in the PDSS.

The PDSS will be supported by a statement that cost, scheduling and performance information contained in the PDSS has been prepared in all material respects in accordance with the guidelines for the preparation of the PDSSs (or qualified where not), and a management representation letter from the CEO DMO.

### **Reporting arrangements**

The DMO Major Projects Report will be provided to the Auditor-General, as a separate report to be included within the Auditor-General's report, for tabling in the Parliament. Consistent with the ANAO's general practice, the ANAO will provide DMO with notice of any significant issues arising in the conduct of the review ahead of the tabling of the Auditor-General's report, and work with DMO to clarify and deal with those issues, wherever practicable, before the report is finalised.

The Auditor-General will provide the DMO the opportunity to comment on the final draft assurance report and any related commentary prior to its finalisation. If the CEO DMO gives written comments to the Auditor-General within seven days, unless otherwise agreed, after receiving the final draft report and any related commentary, the Auditor-General will consider these comments before preparing a final report.

The Auditor-General's report will be tabled in the Parliament in accordance with Parliament's tabling arrangements. The Auditor-General will provide the Minister for Defence, the Minister for Defence Personnel, Materiel and Science, the Chief Executive Officer of DMO, the Secretary of Defence and the Chief of the Defence Forces with a copy of the report prior to its tabling.

If considered appropriate, the ANAO will write separately to DMO on any observations that arise as a result of the review undertaken that do not directly impact the review's conclusion.

### **Annexes:**

1. DMO Major Projects Report 2008-09 – Guidelines
2. DMO Major Projects Report 2008-09 – Master Schedule





**Australian Government**  
**Department of Defence**  
 Defence Materiel Organisation

**Chief Executive Officer**  
 R2-5-C074  
 Russell Offices  
 CANBERRA ACT 2600  
 Ph: (02) 6265-3742  
 Fx: (02) 6266-7641

*M P White 21/9*  
*M P White 21/9*

CEO DMO/OUT/2009/ 217

Mr Ian McPhee  
 Auditor-General  
 Australian National Audit Office  
 19 National Circuit  
 Barton ACT 2600

*A 18/9*



Dear Mr McPhee,

*Jan,*

**SECTION 20 AGREEMENT BETWEEN DMO AND ANAO FOR THE REVIEW OF THE 2008-09 MAJOR PROJECTS REPORT**

Further to your letter dated 15 September 2009, I agree to the arrangement of the review by the Australian National Audit Office (ANAO) of Project Data Summary Sheets (PDSS) for the purposes of DMO's Major Projects Report (MPR) as at 30 June 2009.

As requested, I agree to the arrangement under section 20(1)(c) of the *Auditor-General Act 1997* for you to provide services of a kind commonly performed by auditors for the review as at 30 June 2009. I also agree to work with you and your ANAO team to agree a similar arrangement for up to 30 projects in later years.

I look forward to continuing the close working relationship with you to produce the annual MPR.

My point of contact on this matter is Tony Hindmarsh, Chief Audit Executive DMO (6265 4698).

Yours sincerely

*[Signature]*  
**DR STEPHEN J GUMLEY**  
 Chief Executive Officer

*AG 7 18/9*