
The Parliament of the Commonwealth of Australia

Report 414

**Review of Auditor-General's Reports tabled between August 2007
and August 2008**

Joint Committee of Public Accounts and Audit

June 2009
Canberra

© Commonwealth of Australia 2009

ISBN 978-0-642-79182-5 (Printed version)

ISBN 978-0-642-79183-2 (HTML version)



Contents

Foreword	vii
Membership of the Committee	ix
Membership of the Sectional Committee.....	x
List of abbreviations	xii
List of recommendations	xiv
1 Introduction	1
Background to the review	1
The Committee's report.....	2
2 Audit Report No. 10 2007-2008, Whole of Government Indigenous Service Delivery Arrangements	5
Background	5
The approach adopted in the Indigenous Affairs Arrangements (IAAs)	6
Funding of the IAAs	9
Mainstream expenditure.....	9
Indigenous-specific expenditure.....	9
Australian Government Indigenous Expenditure	9
The Audit	10
Audit objectives.....	10
Audit conclusion.....	10
Implementation of the IAAs and the role of a lead agency	12
Whole of government governance and accountability arrangements.....	13
Collaborative efforts to support effective service delivery including the development of joint funding agreements	13
Programs responding flexibly to Indigenous need.....	14

	ANAO recommendations	14
	The Committee's review	15
	Structural changes since the audit report.....	15
	Risk management and lessons learned	16
	Operating in a whole of government context	18
	Mainstreaming.....	19
	Operating with a lead agency.....	20
	Target setting, monitoring and performance management.....	20
	Conclusion	21
3	Audit Report No. 21 2007-2008	
	Regional Delivery Model for the National Heritage Trust and the National	
	Action Plan for Salinity and Water Quality	25
	Background	25
	Natural resource management programs.....	26
	The regional delivery model	27
	The Audit	29
	Audit Objectives and scope.....	29
	Overall conclusion.....	29
	ANAO recommendations	31
	The Committee's review	32
	Bilateral relationships with States and Territories.....	32
	Lessons learned from previous NRM programs	34
	Monitoring and evaluation	36
	The regional delivery model	39
	Conclusion	39
4	Audit Report No. 32 2007-2008, Preparation of the Tax Expenditures	
	Statement	43
	Background	43
	Reporting on tax expenditures	44
	The Audit	45
	Audit objectives	45
	Audit conclusion	45

	ANAO recommendations	49
	The Committee’s review	50
	Modelling.....	50
	Reporting	53
	Data	55
	Conclusion	56
5	Audit Report No. 42 2007-2008, Management of Customer Debt – Follow-up Audit	59
	Background	59
	The Audit	60
	Audit objectives.....	60
	Audit conclusion.....	61
	ANAO recommendations	62
	The Committee’s review	62
	Actions taken since the initial audit	63
	The debt base	64
	Cost effectiveness of debt recovery	66
	Debt prevention.....	67
	Conclusion	69
6	Audit Report No. 46 2007-2008 Regulation of Commercial Broadcasting	73
	Background	73
	Co-regulatory approach	74
	Challenges facing ACMA	75
	The Audit	75
	Audit objectives.....	75
	Audit conclusion.....	76
	ANAO recommendations	78
	The Committee’s review	79
	The complaints process	79
	Internal ACMA resources for complaint handling	83
	Performance measurement and reporting.....	85

Broadcaster compliance with licence conditions	85
Australian music content on commercial radio	86
Measuring community standards	86
Conclusion	87
Appendix A – Conduct of the Committee’s review	89
Selection of Audit Reports 2006-07 and 2007-08.....	89
Appendix B – List of Submissions	93
Appendix C – Witnesses Appearing at Public Hearings	95



Foreword

The Joint Committee on Public Accounts and Audit, as prescribed by the *Public Accounts and Audit Committee Act 1951* examines all of the reports of the Auditor-General tabled in the Parliament. This report details the findings of the Committee's examination of the first two batches of audit reports it examined in the 42nd Parliament.

The five reports chosen by the Committee cover a range of agencies and highlight a number of areas of concern, including the need to document processes and procedures to better understand and manage risk as well as the need for staff training to ensure more effective and efficient use of existing systems.

The Committee reviewed an Audit Report assessing how four departments are implementing the change to a whole-of-government approach to the delivery of Indigenous services. While the Committee was satisfied overall with the progress being made we feel that the process can be improved. Accordingly we recommend that the risks and challenges identified be documented and that staff training programs be developed to increase awareness of these risks. Further, the Committee would like to see an action plan developed and published to track improvements in Indigenous life expectancy.

As a result of the investigation into the Australian Government's two natural resource management programs, we have identified the need for a clear set of procedures to ensure State and Territory compliance with bilateral agreements. The Committee acknowledges the difficulties inherent in operating these diverse programs but is concerned with ongoing and recurring problems in monitoring and reporting. We are therefore requesting a progress report from the relevant departments detailing implementation of both the ANAO and Committee recommendations.

In reviewing the completeness and reliability of the estimates reported in the *Taxation Expenditure Statement 2006*, we were primarily concerned that Treasury is not complying with the *Charter of Budget Honesty Act 1998* and will pursue this matter further with both Treasury and ANAO. To improve the quality of the *Tax*

Expenditure Statement, we recommend that Treasury include two additional pieces of information: calculations regarding the twenty largest tax expenditures using both the revenue foregone and revenue gained methods to allow comparison with the Budget Papers, and information on the extent of which tax expenditure reporting has improved through the receipt of reliable data from other agencies. We also suggest that Treasury investigate the Canadian model of taxation expenditure reporting to determine if it provides a more complete picture for public and Parliamentary scrutiny.

In this batch of reports, we followed up on the previous examination of Centrelink's management of customer debt undertaken in 2004-05. We were pleased to see that the Audit Report found that Centrelink had successfully implemented the majority of the recommendations from both the previous ANAO report and the subsequent JCPAA inquiry. However, there are still inconsistencies across the network and the Committee recommends that Centrelink identify regions that have been particularly successful in managing debt, examine their processes and implement best practice methods across the network. Of primary concern to the Committee was Centrelink's ageing debt base. We have asked Centrelink to conduct a review to determine the reasons why the debt base continues to age and report back to the Committee.

Finally the Committee looked at the Audit Report assessing the regulatory function of the Australian Communications and Media Authority (ACMA) under the *Australian Communications and Media Authority Act 2005*. We found that ACMA's complaint handling process is *ad hoc* and unsystematic and recommend that ACMA reform its processes to ensure a more efficient and faster handling of complaints. We urge ACMA to complete development of a complaints handling manual and recommend the introduction of a formal training program for all staff handling complaints which would incorporate effective use of the ACMA Information Management System database.

Sharon Grierson MP
Chair



Membership of the Committee

Chair	Ms Sharon Grierson MP (Chair)	
Deputy Chair	Mr Petro Georgiou MP (Deputy Chair)	
Members	Hon Bob Baldwin MP (until 25/9/08)	Senator Guy Barnett (from 11/2/09)
	Hon Arch Bevis MP	Senator Mark Bishop
	Hon Bronwyn Bishop MP (from 25/9/08)	Senator Sue Boyce (from 1/7/08 until 11/1/09)
	Mr David Bradbury MP	Senator David Bushby (from 1/7/08)
	Mr Jamie Briggs MP (from 25/9/08)	Senator David Feeney (from 1/7/08)
	Mr Mark Butler MP (until 15/6/09)	Senator Grant Chapman (until 30/6/08)
	Ms Catherine King MP	Senator John Hogg (until 26/8/08)
	Mr Scott Morrison MP (until 25/9/08)	Senator Kate Lundy
	Mr Shayne Neumann MP	Senator Andrew Murray (until 30/6/08)
	Mr Stuart Robert MP	Senator John Watson (until 30/6/08)

Committee Secretariat

Committee Secretary Mr Russell Chafer

Senior Research Officers Mr Shane Armstrong

Dr Narelle McGlusky



List of abbreviations

AAO	Administrative Arrangements Order
ACMA	Australian Communications and Media Authority
AGIE	Australian Government Indigenous Expenditure
AIMS	ACMA Information Management System
ANAO	Australian National Audit Office
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIS	Aboriginal and Torres Strait Islander Services
CBH Act	<i>Charter of Budget Honesty Act 1998</i>
COAG	Council of Australian Governments
DAA	Department of Aboriginal Affairs
DAFF	Department of Agriculture, Fisheries and Forestry
DEEWR	Department of Education, Employment and Workplace Relations
DEST	Department of Education, Science and Training
DEWHA	Department of the Environment, Water, Heritage and the Arts
DEWR	Department of Employment and Workplace Relations
DoHA	Department of Health and Ageing

FaCSIA	Department of Families, Community Services and Indigenous Affairs
IAA	Indigenous Affairs Arrangements
ICC	Indigenous Coordination Centres
JCPAA	Joint Standing Committee of Public Accounts and Audit
MAC	Management Advisory Council
MOU	Memorandum of Understanding
MTF	Ministerial Taskforce on Indigenous Affairs
MYEFO	Mid-Year Economic and Fiscal Outlook
NAP	National Action Plan for Salinity and Water Quality
NHT	Natural Heritage Trust
NRM	Natural Resource Management
OECD	Organisation for Economic and Co-operation and Development
PM&C	Prime Minister & Cabinet
SES	Senior Executive Service
SGIA	Secretaries' Group on Indigenous Affairs
TES	Taxation Expenditures Statement



List of recommendations

2 Audit Report No. 10 2007-2008, Whole of Government Indigenous Service Delivery Arrangements

Recommendation 1 18

That the Department of Families, Housing, Community Services and Indigenous Affairs, as the lead agency in Indigenous service delivery identify, document and address the risks and challenges of delivering Indigenous services in a whole of government context with a view to refining and improving service delivery.

Recommendation 2 19

That the Department of Families, Housing, Community Services and Indigenous Affairs as lead agency, in conjunction with the Department of Prime Minister and Cabinet, use the findings from its risk management activities to enhance staff training programs. Further, that these staff training programs emphasise delivering services through a whole of government approach, and with a culture of continuous improvement.

Recommendation 3 21

That the Department of Families, Housing, Community Services and Indigenous Affairs, and the Department of Prime Minister and Cabinet develop and publish an action plan and strategies associated with the output and outcome of improved Indigenous life expectancy.

3 Audit Report No. 21 2007-2008, Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality

Recommendation 4 34

That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry develop a clear set of procedures to deal with any future cases of State and Territory non-compliance with bilateral agreements and provide a copy of said procedures to the Committee within twelve months of the tabling of this report.

Recommendation 5 39

That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry use quantitative reporting against outcomes alongside the use of 'performance stories' in monitoring and evaluating programs.

Recommendation 6 40

That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry produce a progress report to be presented to the Committee within 18 months of the tabling of the Australian National Audit Office audit.

The progress report should advise the Committee on implementation of the Australian National Audit Office recommendations detailed in the audit report, as well as compliance with the Australian National Audit Office *Better Practice Guide in Annual Performance Reporting for the Caring for our Country* program.

4 Audit Report No. 32 2007-2008, Preparation of the Tax Expenditures Statement

Recommendation 7 52

That Treasury publish a paper for inclusion in the Tax Expenditures Statement calculating the twenty largest tax expenditures using both the revenue foregone and revenue gained methods to allow comparison with the Budget Papers.

Recommendation 8 55

That Treasury further investigate the merits of the Canadian model of taxation expenditure reporting, publishing its findings in the paper proposed in Recommendation 7.

Recommendation 9	56
That Treasury include information in the Budget Papers on the extent to which tax expenditure reporting has improved through the receipt of reliable data from other agencies.	
5 Audit Report No. 42 2007-2008, Management of Customer Debt – Follow-up Audit	
Recommendation 10	64
That Centrelink obtain a regional breakdown of debt recovery successes and identify ways to improve debt recovery by examining methods used by the most successful regions. Further, that Centrelink identify regions with low customer debt and identify the ways in which these regions minimise customer debt.	
Recommendation 11	65
That Centrelink conduct a review to determine the cause of its ageing debt base, and that it reports its findings back to the Committee within six months of the tabling date of the Committee’s report.	
Recommendation 12	67
That Centrelink, Department of Education, Employment and Workplace Relations and the Department of Families, Housing, Community Services and Indigenous Affairs conduct an empirical analysis to determine a cost-effective debt waiver, and that this figure be reported to the Committee within six months of the tabling of the Committee’s report.	
6 Audit Report No. 46 2007-2008, Regulation of Commercial Broadcasting	
Recommendation 13	81
That Australian Communications and Media Authority:	
<ul style="list-style-type: none"> ■ develop a formal mechanism for following up with complainants to determine their level of satisfaction with the response received from the body they were directed to; ■ include information on following up with complainants in its new complaints handling manual; and ■ liaise with the Commonwealth Ombudsman to benchmark its complaint handling systems. 	

Recommendation 14..... 83

That Australian Communications and Media Authority:

- impose a mandatory maximum response time of four weeks by broadcasters to complaints handled through the Australian Communications and Media Authority from the time the Australian Communications and Media Authority informs the broadcaster of the complaint;
- provide complainants with a copy of the preliminary draft report for review; and
- give broadcasters and complainants a mandatory maximum response time of two weeks to review and respond to the Australian Communications and Media Authority's preliminary draft report unless there are exceptional circumstances.

Recommendation 15..... 83

That broadcaster compliance with the requirements in Recommendation 14 be published in the Australian Communication and Media Authority's Annual Report.

Recommendation 16..... 85

That the Australian Communications and Media Authority conduct a formal training program for all complaint handling staff in recording and responding to complaints using the Australian Communications and Media Authority Information Management System database and that the Australian Communications and Media Authority look at ways of improving the capture of data in the database.

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 Presiding Officers of 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 54 audit reports presented to the Parliament by the Auditor-General between August 2007 and August 2008, the Committee selected six reports for further scrutiny at public hearings.
- 1.3 The audit reports reviewed by the JCPAA are listed below:
- Audit Report No. 10 2007-08, *Whole of Government Indigenous Service Delivery*;
 - Audit Report No. 21 2007-08, *Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality*;
 - Audit Report No. 32 2007-08, *Preparation of the Tax Expenditures Statement*;
 - Audit Report No. 42 2007-08, *Management of Customer Debt – Follow Up Audit*; and
 - Audit Report No. 46 2007-08, *Regulation of Commercial Broadcasting*.
- 1.4 The Public hearings for the respective reports were held on:

- Wednesday 18 June 2008 (ANAO Report No. 21);
 - Wednesday 25 June 2008 (ANAO Report No. 10);
 - Wednesday 17 September 2008 (ANAO Report No. 32);
 - Wednesday 24 September 2008 (ANAO Report No. 46); and
 - Wednesday 12 November 2008 (ANAO Report No. 42).
- 1.5 A list of witnesses attending all public hearings is available at Appendix C.

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 report is structured as follows:
- Chapter 2 – Audit Report No. 10 2007-08, *Whole of Government Indigenous Service Delivery*;
 - Chapter 3 – Audit Report No. 21 2007-08, *Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality*;
 - Chapter 4 – Audit Report No. 32 2007-08, *Preparation of the Tax Expenditures Statement*;
 - Chapter 5 – Audit Report No. 42 2007-08, *Management of Customer Debt – Follow Up Audit*; and
 - Chapter 6 – Audit Report No. 46 2007-08, *Regulation of Commercial Broadcasting*.
- 1.8 The following appendices provide further information:
- Appendix A – Conduct of the Committee's review
 - Appendix B – List of submissions authorised
 - Appendix C – List of witnesses who appeared at the public hearings
- 1.9 A copy of this report is available on the Committee's website at <http://www.aph.gov.au/house/committee/jcpaa/reports.htm>

Audit Report No. 10 2007-2008

Whole of Government Indigenous Service Delivery Arrangements

Background

- 2.1 Successive Federal Governments have modified the administration of Indigenous affairs with the objective of focusing attention on areas of Indigenous disadvantage. Models have included a separate department of State. The Department of Aboriginal Affairs (DAA) was established in the early 1970s and was followed by the Aboriginal and Torres Strait Islander Commission (ATSIC).
- 2.2 From 1990 to 2005, administrative responsibilities were reorganised, including the transfer of Indigenous health from ATSIC to the then Department of Health and Aged Care in 1995-96. In 2003, most of ATSIC's funding and responsibilities were transferred to the Aboriginal and Torres Strait Islander Services (ATSIS). From 2002, initiatives by the Council of Australian Governments (COAG) to improve outcomes in identified areas of Indigenous disadvantage have been promoted through the cooperative efforts of governments at all levels.
- 2.3 In 2004, the Australian Government put in place the Indigenous Affairs Arrangements (IAAs) which involved the transfer of ATSIC and ATSIS administrative responsibilities and funding to 'mainstream' Australian Government departments.

- 2.4 In June 2007, the then Prime Minister and the Minister for Families, Community Services and Indigenous Affairs announced a number of major Indigenous measures. The aim was to respond to the findings of a Northern Territory Government report, *Little Children are Sacred*, into the alleged abuse of children in some remote communities in the Northern Territory.
- 2.5 The objective of the audit was to assess how four key departments: Education, Science and Training (DEST); Employment and Workplace Relations (DEWR); Families, Community Services and Indigenous Affairs (FaCSIA); and Health and Ageing (DoHA) were implementing the 2004 IAAs.¹
- 2.6 While the focus of the audit was on the implementation of the IAAs, the lessons learned through the audit can be expected to provide insights to inform on-going developments in the administration of Indigenous affairs, especially the current initiatives in the Northern Territory.

The approach adopted in the Indigenous Affairs Arrangements (IAAs)

- 2.7 The Australian Government's objective in introducing the IAAs is that over a 20–30 year timeframe:
- Indigenous Australians, wherever they live, have the same opportunities as other Australians to make informed choices about their lives, to realise their full potential in whatever they choose to do and to take responsibility for managing their own affairs.²
- 2.8 When implementing the IAAs, the Australian Government's approach was based on COAG's core principles set out in its National Framework for Principles for Government Service Delivery to Indigenous Australians. A core principle was the establishment of an accountability framework to enable Australian Government departments and agencies to report their performance against government policy objectives and priorities in Indigenous affairs.
- 2.9 In addition to setting out high-level accountability arrangements, collaboration was seen as critical to the Government's approach in the

¹ Following the 2007 Federal Election, Department of Education, Science and Training (DEST) and the Department of Employment and Workplace Relations (DEWR) merged to form the Department of Education, Employment, and Workplace Relations (DEEWR), and the Department of Families, Community Services and Indigenous Affairs (FaCSIA) became the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

² The Australian Government, 2004, *Indigenous Affairs Arrangements*, p. 14.

IAs. This includes high-level collaborative arrangements through the Ministerial Taskforce and Secretaries' Group on Indigenous Affairs to on-the-ground initiatives through the ICC network. It was considered that successful collaboration on-the-ground between Australian Government departments to deliver services to Indigenous communities and regions depended on:

the flexible use of funds which may involve pooling them for cross-agency projects or transferring them between programmes.³

- 2.10 Ensuring that Indigenous-specific and mainstream programmes were flexible enough to respond to the needs of Indigenous clients meant moving away from treating programme guidelines as rigid rules.
- 2.11 In operationalising the IAs, consideration was given to the role of a lead agency. Under the Administrative Arrangements Order (AAO) of January 2006, FaCSIA was given the role of Indigenous policy coordination. Monitoring progress over the implementation phase of a Government initiative is an important function of a lead agency. This is especially the case where successful implementation is complex, or involves a number of government departments, as is the case with whole of government Indigenous service delivery.

National priorities

- 2.12 The Ministerial Taskforce on Indigenous Affairs (MTF) includes Ministers from relevant Australian Government portfolios. The MTF has articulated three national priorities in Indigenous affairs:
- early childhood intervention;
 - safer communities; and
 - building Indigenous wealth, employment and entrepreneurial culture.
- 2.13 These three priority areas are broadly consistent with COAG's three priority outcomes:
- safe, healthy and supportive family environments with strong communities and cultural identity;
 - positive child development and prevention of violence, crime and self-harm; and
 - improved wealth creation and economic sustainability for individuals, families and communities.

³ The Australian Government, 2004, *ibid.*

Departmental collaboration

- 2.14 The Government's policy for Indigenous affairs is one of 'mainstreaming'⁴ in a whole of government context. The whole of government concept was elaborated in *Connecting Government – whole of government responses to Australia's priority challenges*, a Management Advisory Committee (MAC) report released in April 2004. The report noted that all resources of government should, where necessary, be brought together to produce solutions to government service requirements.
- 2.15 When launching the April 2004 MAC report, Dr Peter Shergold, Secretary, Department of the Prime Minister and Cabinet commented:
- Now comes the biggest test of whether the rhetoric of connectivity can be marshalled into effective action. The Australian Government is about to embark on a bold experiment in implementing a whole of government approach to policy development and delivery and the embrace of a quite different approach to the administration of Indigenous-specific programmes and services.⁵
- 2.16 Departmental collaboration is represented at the top by the Secretaries' Group on Indigenous Affairs (SGIA). The SGIA provides advice and support to the MTF and is expected to provide coordination across government departments. The work of the Secretaries' Group is supported by a Senior Executive Service (SES) Taskforce and by other working groups and taskforces as required. Each year, the SGIA prepares an annual report on outcomes across departments and agencies.

Indigenous Coordination Centres (ICCs)

- 2.17 Indigenous Coordination Centres (ICCs) are the main vehicle for departmental coordination of Indigenous-specific programmes. ICCs are staffed by officers from the relevant mainstream Australian Government departments and in rural and remote areas, operate as multi-agency units. These multi-agency units combine coordination, planning and service functions. ICC staff are also in contact with Indigenous communities to develop individually tailored agreements (Shared Responsibility Agreements) to focus on issues the community seeks to address.

⁴ The concept of mainstreaming requires government departments and agencies with responsibility for all policies in a particular area to take over the responsibility for the delivery of programmes to Indigenous people. The delivery of Indigenous health and education programs had previously been mainstreamed with the relevant Australian Government departments.

⁵ Shergold, P, April 2004, a speech to launch *Connecting Government: whole of government responses to Australia's priority challenges*.

Funding of the IAAs

2.18 In 2003–04, there was a total identifiable Commonwealth expenditure on Indigenous affairs of \$2.8 billion⁶, including both mainstream and Indigenous-specific expenditure.

Mainstream expenditure

2.19 Of the \$2.8 billion, around \$1.5 billion was spent through mainstream departments and agencies, such as the education, health, and social security portfolios.

Indigenous-specific expenditure

2.20 A number of former Indigenous-specific ATSIC–ATSI programmes were transferred to three of the four departments which were the focus of the audit – the Departments of Employment and Workplace Relations (DEWR), Families, Community Services and Indigenous affairs (FaCSIA), and Health and Ageing (DoHA).

2.21 The Department of Education, Science and Training (DEST) is the fourth department included in the audit. It has had a continuing responsibility for Indigenous education, in conjunction with the States and Territories, and did not receive any additional programme responsibilities under the IAAs. Other Australian Government departments, which were not part of the audit, received the remainder of the transferred programmes.⁷

Australian Government Indigenous Expenditure

2.22 For the 2006–07 Budget, the Department of Finance and Administration issued revised guidelines for the presentation of Portfolio Budget Statements. As part of this revision each portfolio was required to list, in tables, the administered and departmental Indigenous expenditure for the current and previous years. These tables are referred to as the Australian Government Indigenous Expenditure (AGIE). Each portfolio compiles its own AGIE for inclusion in its Portfolio Budget Statements.

2.23 Table 1 outlines the total amounts of AGIE, over three fiscal years, for the four departments examined as part of the audit. Together these four

⁶ Parliamentary Library, Parliament of Australia, Current Issues Brief No. 4, 2004-05, *The End of ATSIC and the Future Administration of Indigenous Affairs*.

⁷ The remaining programs were transferred to Portfolios such as the Agriculture, Fisheries and Forestry Portfolio, the Attorney-General's Portfolio, the Communications, Infrastructure and the Arts Portfolio, the Environment and Water Portfolio, the Finance and Administration Portfolio and the Transport and Regional Services Portfolio.

departments account for around 80 per cent of the total AGIE of \$3.5 billion estimated for 2007–08.

Table 1 Australian Government Indigenous Expenditure

Department	Total estimated Indigenous expenditure (\$m)		
	2005-06	2006-07	2007-08
Education, Science and Training	583.8	588.0	5803.7
Employment and Workplace Relations	670.0	656.7	683.5*
Families, Community Service and Indigenous Affairs	603.4	924.4	1,043.5
Health and Ageing	491.5	542.6	619.5

Source: Departmental Portfolio Budget Statements for 2005-06, 2006-07 and 2007-08, ANAO Audit Report No. 10 2007-08

Note: * adjusted based on DEWR's advice of 12 September 2007.

The Audit

Audit objectives

- 2.24 The audit objective was to assess how four key departments: DEST; DEWR (now DEEWR), FaCSIA (now FaHCSIA), and DoHA are implementing the Government's policy objective for Indigenous service delivery.
- 2.25 Given the role of the Department of the Prime Minister and Cabinet (PM&C) in whole of government issues generally and the implementation of the IAAs specifically, PM&C was also involved in the audit.

Audit conclusion

- 2.26 The audit report made the following conclusion:

In 2004, the Australian Government put in place the policy and priorities for the Indigenous Affairs Arrangements (IAAs) to address long-term and entrenched Indigenous disadvantage, and set in train significant changes to the administration of services to Indigenous Australians to deliver on these priorities. Because the IAAs involve participation of multiple Ministers and portfolios and may involve other jurisdictions, the governance arrangements are necessarily complex and critical to managing the risks to successful implementation of such major changes.

The 'mainstreaming' of Indigenous services has provided Australian Government departments with the opportunity to develop more integrated solutions to entrenched Indigenous disadvantage. Reforms to major Indigenous-specific programs are

taking place especially in the areas of employment (the Community Development and Employment Projects) program and housing (the Community Housing and Infrastructure Program).

Implementation of the Government's policy objective is progressing but it is apparent that there are opportunities to streamline the administrative arrangements supporting the delivery of services to Indigenous communities and regions. In addition, a stronger collective focus by departments on performance against the priorities established by the Government is required to assess progress being made, and to inform decisions relating to the effectiveness of on-going administrative arrangements. While departments individually identify their activities in Indigenous affairs in their accountability documentation, there is little in the way of performance information at the aggregate level to assess and inform progress in terms of the Ministerial Taskforce's identified priority areas for action in whole of government Indigenous service delivery.

Areas identified for improvement include:

- implementation of the IAAs and the role of a lead agency;
- whole of government governance and accountability arrangements;
- collaborative efforts to support effective service delivery including the development of joint funding agreements; and
- programmes responding flexibly to Indigenous need.

In addition, as for all significant reform programs, there is a need for an ongoing focus on bringing about cultural change in the departments with responsibilities for administering the IAAs. To implement the IAAs, individuals from participating departments need to be able to work effectively together, requiring different approaches to those used when working as a single department. A consistent message from participants and stakeholders during this audit was the importance of an ongoing focus on the cultural change required to continue the development of appropriate whole of government skills and behaviours, including appreciating the benefits of aligning and using common systems.⁸

2.27 In other words, the audit found that the agencies still face significant work in making the transition from operating as separate departments to cooperating in a streamlined way.

⁸ Australian National Audit Office, Audit Report No. 10 2007-08, *Whole of Government Indigenous Service Delivery Arrangements*, pp. 20-21.

Implementation of the IAAs and the role of a lead agency

- 2.28 Over the past 2–3 years, departments have been developing ways of delivering Indigenous services in a more collaborative, co-ordinated approach required in a whole of government environment. Departments are now required to deliver services to Indigenous Australians that are integrated and contribute to the Government's overall 20–30 year vision that: *Indigenous Australians, wherever they live, have the same opportunities as other Australians to make informed choices about their lives, to realise their full potential in whatever they choose to do and to take responsibility for managing their own affairs.*
- 2.29 The new arrangements are in the early stages of implementation and progress to date reflects efforts in developing whole of government coordination arrangements. During this period, FaHCSIA has played a lead role in whole of government Indigenous policy coordination.
- 2.30 The whole of government approach to Indigenous service delivery to date has had a strong emphasis on policy development and priority setting. It was the original intention of the Government that Indigenous service delivery involve flexible joint funding arrangements, and that programme guidelines be revised if they prevent innovation or fail to meet local needs. However, insufficient attention has been given to this area.
- 2.31 To overcome administrative barriers to on-the-ground Indigenous service delivery, FaHCSIA, as lead agency, requires clearer authority to escalate issues for timely and efficient resolution.

Lead agency involvement

- 2.32 The whole of government working environment requires departments, to develop stronger cross-departmental relationships. Initiatives that involve working across organisational boundaries face new and challenging risks. It is important to ensure that there is a common understanding of the risks associated with shared implementation.⁹
- 2.33 Suitable protocols need to be established for situations that are sensitive to each Chief Executive's agency responsibilities but nevertheless allow for the prompt resolution of administrative matters which cross agency boundaries. There may be occasions where it is necessary for the lead agency to articulate the way forward or establish a timetable within which events are expected to occur. In situations where progress is unsatisfactory, it is important that the lead agency exercises its role judiciously, taking into account the responsibilities and accountabilities of

⁹ The Department of the Prime Minister and Cabinet and the Australian National Audit Office, October 2006, *Better Practice Guide – Implementation of Programme and Policy Initiatives*, p. 20.

other participating departments. As a last resort, the protocol would need to allow for Ministerial intervention.

Whole of government governance and accountability arrangements

- 2.34 Governance and accountability arrangements developed in the initial phase of the IAAs were well suited to high-level stakeholder involvement and policy development through the Ministerial Taskforce on Indigenous Affairs and the Secretaries' Group. The Ministerial Taskforce has identified three priority areas for action:
- early childhood intervention;
 - safer communities; and
 - building Indigenous wealth, employment and entrepreneurial culture.

Reporting performance against government priorities in Indigenous affairs

- 2.35 While achievements have been made in developing whole of government priorities for Indigenous service delivery, reporting of the contribution of individual departments has not evolved in the same way. Individual departments continue to plan and provide information within the Outcomes and Outputs framework concerning their individual expenditure. This means it is not currently possible to obtain a clear picture of whole of government Indigenous expenditure, and performance information relating to whole of government initiatives is underdeveloped or absent altogether.

Collaborative efforts to support effective service delivery including the development of joint funding agreements

- 2.36 Indigenous Affairs Arrangements (IAAs) are multi-layered, involving collaboration between a number of governments and their departments as well as the private sector and not-for-profit organisations. The principal areas for collaboration examined included higher level joint planning to support the implementation of the new arrangements and on-the-ground collaboration at the level of the Indigenous Coordination Centres (ICCs).

Appropriate funding arrangements with communities and service providers

- 2.37 Where there are a number of departments involved, suitable financial arrangements to support individually tailored agreements with Indigenous communities have yet to be developed.
- 2.38 Given that departments are now 2-3 years down the track of implementing the new arrangements, the ANAO indicated that a renewed focus on more efficient mechanisms to jointly fund projects where more

than one Australian government agency is involved would reduce 'red tape' for Indigenous communities and service providers.

Programs responding flexibly to Indigenous need

- 2.39 One of the key foundations of the Australian Government's IAAs is the ability to respond flexibly to the unique needs of each Indigenous community and region. This means moving away from treating program guidelines as rigid rules and introducing more flexibility where the reasons for doing this are sound. The Government's objective with the IAAs is to obtain better results for Indigenous Australians, and flexibility is a key factor in achieving this objective.
- 2.40 The audit identified 34 Indigenous-specific programmes and 59 mainstream programmes with a significant Indigenous component. Only a minority of programmes reported making program guidelines more flexible or incorporating whole of government design innovations since the commencement of the new arrangements.
- 2.41 Being able to respond to the particular circumstances of an Indigenous community or region is an important principle of the IAAs. The ANAO believed that the rate at which the re-design of Indigenous-specific and particularly mainstream programmes is occurring should be reviewed. This would ensure that programmes are able to respond flexibly and in an innovative way to the particular circumstances of an Indigenous community or region when required.

ANAO recommendations

- 2.42 The ANAO made the following recommendations:

Table 1.1 ANAO recommendations, Audit Report no. 10, 2007-2008

1.	<p>To assist with moving from policy development and priority setting to on-the-ground service delivery, the ANAO recommends that FaCSIA, in its lead agency role develops a protocol to monitor and, where appropriate, escalate for resolution matters affecting the efficient and effective implementation of the Indigenous Affairs Arrangements (IAAs) including:</p> <ul style="list-style-type: none"> (a) translating policy directions into implementation activities especially where multiple departments are involved in funding arrangements with Indigenous communities and service providers; and (b) the redesign of Indigenous-specific and relevant mainstream programmes so that they can respond flexibly to Indigenous needs. <p><i>Departments' responses: FaCSIA, DEST, DEWR, DoHA, and PM&C agreed with this recommendation</i></p>
2.	<p>To support the development of a whole of government performance monitoring and reporting framework in Indigenous affairs and to enable progress against the Ministerial Taskforce's three priority areas for action to be reported, the ANAO recommend that, at a minimum, participating departments:</p> <ul style="list-style-type: none"> (a) identify their individual contribution to achieving improvements to the

intermediate outcomes that contribute over time to the taskforce's three priority areas—such as the Council of Australian Governments' seven strategic areas for action in its Overcoming Indigenous Disadvantage framework; and

- (b) collectively settle an appropriate model to present public information on the performance of Australian Government departments for the information of Ministers and the Australian Parliament.

Departments' responses: FaCSIA, DEST, DEWR, DoHA, and PM&C agreed with this recommendation

The Committee's review

2.43 The Committee held a public hearing on Wednesday 25 June 2008, with the following witnesses:

- Australian National Audit Office (ANAO);
- Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA);
- Department of Education, Employment and Workplace Relations (DEEWR);
- Department of Health and Ageing (DoHA); and
- Department of the Prime Minister and Cabinet (PM&C).

2.44 The Committee took evidence on the following issues:

- structural changes since the audit report;
- risk management and lessons learned;
- operating in a whole of government context;
- mainstreaming;
- operating with a lead agency; and
- target setting, monitoring and performance management.

Structural changes since the audit report

2.45 Agencies provided information to the Committee detailing changes that had been made to the structures related to whole of government Indigenous service delivery following the completion of the audit and also the Federal Election. The Committee received evidence of significant changes to the Council of Australian Governments (COAG), and of the introduction of new COAG targets aimed at closing the gap in Indigenous disadvantage. Further, the Committee heard that the Prime Minister would report annually to the Parliament on progress made in closing the gap.

- 2.46 Many elements of whole of government Indigenous service delivery have remained the same, including the continuing roles of the Secretaries' Group on Indigenous Affairs (SGIA), and the Senior Executive Service (SES) Taskforce on Indigenous Affairs. Indigenous Coordination Centres (ICCs) remain the primary whole of government delivery mechanism for Indigenous programs at the regional and community level. However, the Ministerial Task Force (MTF), has taken a different form and has been renamed the Indigenous Affairs Committee of Cabinet.¹⁰

Risk management and lessons learned

- 2.47 The audit report found that little had been done to identify, address and document the risks and challenges associated with delivering services to Indigenous Australians via a whole of government approach. The Committee asked agencies about the risks identified and strategies adopted to address this concern.

- 2.48 FaHCSIA stated:

The collaborative work of key agencies across the board continues to ensure that whole of government risks are effectively managed to support the achievement of the policy outcomes...

Additional governance scrutiny and monitoring mechanisms introduced by the government as part of the Indigenous affairs arrangements also support cross-portfolio risk management decision making. Whole of government arrangements in Indigenous affairs and their further development involve intensive and ongoing governance and scrutiny through the Secretaries Group on Indigenous Affairs and its associated senior executive service taskforce on Indigenous affairs. In addition to that, there are mechanisms locally around what are called Australian government heads of agencies – so, state and territory managers of Commonwealth agencies – who meet regularly at a capital city level, and the Indigenous Coordination Centre managers' forums, which are cross-government bodies.¹¹

¹⁰ Ms Hawgood, Department of Families, Housing, Community Service and Indigenous Affairs (FaHCSIA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 3.

¹¹ Ms Hawgood, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 5.

- 2.49 FaHCSIA noted that a cross-agency working group had also been established to consider issues (including those raised in the audit report), and to develop and improve cooperation between multiple agencies.¹²
- 2.50 Further, it was advised that the agencies were taking more consideration of risk management and standardising the information gathering and reporting and monitoring systems, to ensure all grants have a similar framework.¹³
- 2.51 FaHCSIA then discussed lessons learned over the course of the implementation and rollout of the whole of government approach over the previous year. They advised that new models had been put into place, using government business managers located 'on the ground' for the Northern Territory emergency response and the Cape York welfare reform trials.
- 2.52 The Cape York welfare reform trials involved both the Commonwealth and Queensland governments. They consisted of multilayered governance arrangements connecting national, state and regional authorities to ensure flexible and pooled funding arrangements and ongoing training of staff in whole of government operations.¹⁴
- 2.53 DEEWR informed the Committee of other key lessons coming out of trials including building productive relationships, investment in community capacity building, the need for an emphasis on data collection, and the need for a stronger emphasis on cross-jurisdictional relationships.¹⁵
- 2.54 While the Committee is glad to see agencies establishing bodies to manage risk into the future, it also notes the importance of capturing the lessons learned in the past to ensure that mistakes are not made again in the future. Whole of government Indigenous service delivery remains a new concept, and steps must be taken at these initial stages to ensure that agencies are building from a strong foundation.
- 2.55 The Committee notes the audit report finding that there remains little documentation on risk identification and management. Documentation of identified risks and lessons learned throughout the implementation of whole of government Indigenous service delivery is clearly an area that

¹² Ms Moody, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), pp. 5-6.

¹³ Ms Moody, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 6.

¹⁴ Ms Hawgood, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 8.

¹⁵ Mr Greer, Department of Education, Employment and Workplace Relations (DEEWR). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 8.

requires improvement. Agencies require a multi-focussed approach that goes beyond establishing bodies to identify and manage risks. By capturing and documenting lessons learned, agencies are strengthened in making decisions in the future. Accordingly, the Committee recommends:

Recommendation 1

That the Department of Families, Housing, Community Services and Indigenous Affairs, as the lead agency in Indigenous service delivery identify, document and address the risks and challenges of delivering Indigenous services in a whole of government context with a view to refining and improving service delivery.

Operating in a whole of government context

- 2.56 The Committee noted the identified risk of a lack of appreciation, skills and culture to support working in a whole of government context, and inquired as to how the skills of staff involved in implementing policy had been improved. The Department of Prime Minister and Cabinet (PM&C) advised that the Secretaries Group and SES Taskforce were operating with the new, specific COAG targets, and that this clear and common purpose had assisted.¹⁶ Further, PM&C stated that the Australian Public Service Commission coordinated the delivery of whole of government training to all employees in ICCs.¹⁷
- 2.57 While the Committee is pleased to see that the new COAG targets have provided agencies with a clear and common purpose, it is important to ensure that this common purpose is allied to staff development. One of the key findings of the audit report was that staff remained uncertain in operating in a whole of government environment, and that improving staff training and developing a whole of government culture would address this issue. Accordingly, the Committee recommends:

¹⁶ Ms Wilson, Prime Minister & Cabinet (PM&C). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), pp. 6-7.

¹⁷ Ms Wilson, PM&C. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 9.

Recommendation 2

That the Department of Families, Housing, Community Services and Indigenous Affairs as lead agency, in conjunction with the Department of Prime Minister and Cabinet, use the findings from its risk management activities to enhance staff training programs. Further, that these staff training programs emphasise delivering services through a whole of government approach, and with a culture of continuous improvement.

Mainstreaming

- 2.58 The Committee expressed its concern at the concept of mainstreaming diminishing the ability of agencies who have established best practice guidelines in their own areas of expertise to deliver services. FaHCSIA advised that following the dissolution of ATSIC, mainstreaming was designed to ensure that mainstream departments took up responsibility for delivering services to Indigenous Australians in the same way they did for non-Indigenous Australians.¹⁸
- 2.59 The Committee then asked whether each agency believed whether the rhetoric of connectivity had been put into effective action in implementing the concept of mainstreaming. DEEWR replied that an Indigenous-mainstream taskforce had been established which had worked with mainstream program areas to ensure they were working to improve outcomes for Indigenous Australians. This led to each program area implementing an Indigenous outcomes action plan for all mainstream programs. Subsequently, all program areas were able to identify short, medium and long-term measures to increase access, participation and outcomes for Indigenous Australians.¹⁹
- 2.60 DoHA noted that a similar process had been undertaken in its department. It advised that the Office for Aboriginal and Torres Strait Islander Health was a focal point for the issue of Indigenous health. Further, the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme had both seen a faster rate of increase in spending for Indigenous

¹⁸ Ms Hawgood, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 10.

¹⁹ Mr Greer, DEEWR. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

Australians than non-Indigenous Australians, indicating the positive impact of a focus on mainstreaming.²⁰

- 2.61 PM&C replied that a lot of progress had been made, but that there was still a lot more to be done. It noted that the focus on mainstreaming required ensuring that program providers were culturally competent and that performance measurement data resulting from programs was captured.²¹
- 2.62 FaHCSIA indicated that, over time, connectivity between agencies had become a normal part of business. The sharing of responsibility for Indigenous issues was now part of every day practice and no longer the sole preserve of just one branch or group.²²

Operating with a lead agency

- 2.63 The Committee then examined the issue of FaHCSIA acting as a lead agency, and asked whether there was a mechanism in place to enable FaHCSIA to intervene when it was identified that targets were not going to be met due to failure in a department. FaHCSIA advised that the Secretaries Group on Indigenous Affairs was the lead monitoring group to which issues could be escalated if appropriate progress is not made. A protocol to escalate issues at all levels from the local level at ICCs up through the SES Taskforce and the Secretaries Group had been developed by agencies in accordance with the recommendation from the Audit Report.²³
- 2.64 One of the difficulties in managing non-compliance is deciding when and how to escalate issues. Generally, prompt, graduated action puts the Government in the best position to both secure compliance and meet its accountability requirements. The Committee would like to see more robust processes to cater for this contingency in future.

Target setting, monitoring and performance management

- 2.65 Examining the newer, more specific targets identified by COAG to 'close the gap', the Committee asked how these targets influenced the way in

²⁰ Mr Davies, Department of Health and Ageing (DoHA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

²¹ Ms Wilson, PM&C. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 12.

²² Ms Hawgood, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 13.

²³ Ms Hawgood, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 13.

which agencies went about achieving their goals in ‘closing the gap’. PM&C advised that agencies had reviewed the evidence base around progress to date in the identified areas, and the progress required to meet the COAG targets. Further, PM&C advised that the Working Group on Indigenous Reform had created a resource that had been used by working groups working on issues such as housing, health, and productivity.²⁴

- 2.66 The Committee noted the significant target of improving Indigenous life expectancy, and asked whether an action plan and strategies would be linked to the output and outcome of improving Indigenous life expectancy. PM&C stated that this was certainly the intention of agencies and that the process had begun through the working groups established by COAG.
- 2.67 Additionally, a COAG Reform Council had been established to take a prominent role in terms of accountability and reporting, with the purpose of publishing comparable performance information for all jurisdictions in respect of specific purpose payments and national partnerships. The COAG Reform Council is designed to function as an independent body, reporting publicly on the extent to which proposed milestones are being achieved.²⁵
- 2.68 The Committee notes the critical importance of improving Indigenous life expectancy and believes that work on this issue is vital in addressing Indigenous disadvantage. Further, improving service delivery to Indigenous Australians should, as a matter of course, improve Indigenous life expectancy. Accordingly, the Committee recommends:

Recommendation 3

That the Department of Families, Housing, Community Services and Indigenous Affairs, and the Department of Prime Minister and Cabinet develop and publish an action plan and strategies associated with the output and outcome of improved Indigenous life expectancy.

Conclusion

- 2.69 The Committee is aware of the challenges faced by agencies in adopting a whole of government approach to Indigenous service delivery and is pleased to see that agencies are making progress.

²⁴ Ms Wilson, PM&C. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports Nos 4 to 26 (2007-08), p. 12.

²⁵ Ms Wilson, PM&C. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports Nos 4 to 26 (2007-08), p. 14.

- 2.70 However, the Committee is of the opinion that agencies must do more to document and manage risks, given the amount of public funds spent, and the significant role of government in addressing the issue of Indigenous disadvantage.
- 2.71 Further, the Committee notes that training in whole of government service delivery, and the building of a whole of government culture across agencies remains insufficient. Although agencies used to operate as separate entities, the change to mainstreaming and whole of government Indigenous service delivery requires agencies and their staff to think in a cross-agency way. Improving staff training and building a cross-agency culture would improve outcomes to Indigenous Australians.
- 2.72 The Committee believes that by adopting its recommendations, and building on the changes made since the audit report, agencies would more comprehensively address Indigenous disadvantage.

Audit Report No. 21 2007-2008

Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality

Background

- 3.1 Australia's environmental and productive natural resources provide food, clean water and materials to support our quality of life. Natural resources also provide habitat for our unique plants and animals and the landscape that helps to define our image of Australia.
- 3.2 In 1996, the *Australia: State of the Environment* report noted that:
- [European settlement] has resulted in the introduction of many practices that...have radically altered and degraded much of the Australian landscape...[Improvements in natural resource condition] will come about only with substantial changes in the way that land and ocean are managed. Clearly, many current practices are not sustainable and biodiversity-based industries such as agriculture, forestry, fisheries and tourism often erode the resources upon which they depend.¹

¹ State of the Environment Advisory Council, *Australia: State of the Environment*, Department of the Environment, Sport and Territories, 1996, p. 4-55. Subsequent reports have been published in 2001 and 2006.

- 3.3 How we manage our natural resources is vital to the economic viability of the agricultural sector as well as Australia's future.²

Natural resource management programs

- 3.4 To better manage the use of Australia's natural resources, the Australian Government has implemented two natural resource management (NRM) programs, the:
- Natural Heritage Trust (NHT); and
 - National Action Plan for Salinity and Water Quality (NAP).

The Natural Heritage Trust

- 3.5 The *Natural Heritage Trust of Australia Act 1997* (the Act) states:
- The Parliament of Australia recognises the need for urgent action to redress the current decline, and to prevent further decline, in the quality of Australia's natural environment. There is a national crisis in land and water degradation and in the loss of biodiversity... There is a need to integrate the objectives of environmental protection, sustainable agriculture and natural resources management consistent with the principles of ecologically sustainable development...³
- 3.6 The Act established the NHT, which was to be a comprehensive, integrated program to conserve, repair and replenish Australia's natural capital infrastructure.⁴ The NHT's objectives are:
- biodiversity conservation;
 - sustainable use of natural resources; and
 - community capacity building and institutional change.⁵
- 3.7 The Department of the Environment, Water, Heritage and the Arts (Environment) has been responsible for delivery of two phases of the NHT.⁶ The first phase, NHT 1 (1996-97 to 2001-02), allocated \$1.5 billion to NRM and environmental activities. The second phase extended the

2 Standing Committee of Agriculture and Resource Management, *Managing Natural Resources in Rural Australia for a Sustainable Future: A discussion paper for developing a national policy*, December 1999, p. 1.

3 *Natural Heritage Trust of Australia Act 1997*, Preamble, p. 1.

4 *Natural Heritage Trust of Australia Act 1997*, s. 3, p. 3.

5 Natural Resource Management Ministerial Council, *Framework for the Extension of the Natural Heritage Trust*, Australian Government, October 2002, p. 1.

6 The Department of the Environment, Water, Heritage and the Arts was previously known as the Department of the Environment and Water Resources under the former Administrative orders.

program until 2006–07. The Australian Government allocated \$1 billion for national, regional and local level NRM activities. This funding was to be matched by State and Territory governments. The 2004 Federal Budget included a further \$300 million to extend NHT 2 until 30 June 2008. In 2007, the Australian Government committed a further \$2 billion to extend the NHT program (NHT 3) until 2012–13.

The National Action Plan for Salinity and Water Quality

3.8 The NAP is administered by the Department of Agriculture, Fisheries and Forestry (Agriculture). It was established in 2000–01 with funding of \$700 million allocated over eight years⁷ to motivate and enable regional communities to:

- use coordinated and targeted action to prevent, stabilise and reverse trends in dryland salinity; and
- improve water quality and secure reliable allocations for human uses, industry and the environment.⁸

3.9 As with NHT 2, the State and Territory governments were expected to match (with cash or in-kind contributions) Australian Government funding. The NAP was not renewed beyond June 2008. Following changes made after the Federal Election, the NAP's focus will be subsumed within the *Caring for our Country* program.

The regional delivery model

3.10 NHT 2 and the NAP have been delivered on a regional basis as this allowed them to be adjusted to the circumstances of different regions. Further, a regional focus was considered the most suitable for determining priorities, sharing investment arrangements and for coordinating actions over a large area involving many people.⁹ Over half of the administered funds allocated to the NHT 2 and the NAP to June 2007 have been spent through 56 regional bodies across Australia.¹⁰ The distribution of funding across Australia is shown in Table 1.

7 This takes into account delays in expenditure because of underspends in the early years of the program. This expanded the time frame for the program from seven to eight years.

8 Council of Australian Governments, *A National Action Plan for Salinity and Water Quality*, Australian Government, 2000, p. 5.

9 Standing Committee of Agriculture and Resource Management, op. cit., p. 33.

10 The remainder of the NHT/NAP program funds are allocated through national or local investment streams including through direct discretionary grant programs such as *Envirofund* which provides funding for local environmental and NRM projects.

Table 1 Cumulative Australian Government NHT 2/NAP funding to each State/Territory as of 30 June 2007

State/Territory	No. of regions	NHT 2 (\$m)	NAP (\$m)	Total investment (\$m)
New South Wales	13	121.6	162.6	284.2
Victoria	10	102.5	130.6	233.1
Queensland	14	105.9	67.9	173.8
Western Australia	6	86.6	101.2	187.8
South Australia	8	56.9	76.0	132.9
Tasmania	3	30.3	4.3	34.6
Northern Territory	1	26.9	1.6	28.5
Australian Capital Territory	1	5.6	1.3	6.9
Total	56	536.3	545.5	1081.8

Source: ANAO analysis of Joint Team data, ANAO Audit Report No. 21 2007-08

3.11 To streamline delivery of NHT 2 and the NAP, Agriculture and Environment combined the administrative staff from each program into a single joint team. This provided stakeholders with a single point of contact. Agriculture and Environment signed a Memorandum of Understanding (MOU) in February 2006 to support these arrangements. The focus of the audit was the administration of the NHT 2 and NAP funds directed through the regional delivery model.

Governance framework of the regional delivery model

3.12 The overarching framework for NRM program delivery is set out by the NRM Ministerial Council. It consists of the Ministers responsible for natural resources, environment and water policy, and primary industries.

3.13 Key decisions for NHT 2 and the NAP are made by Australian and State and Territory Ministers. This responsibility is supported by the Joint Steering Committees. Each Joint Steering Committee consists of senior officials from the Australian Government and from the relevant agencies in each of the States and Territories. There is one Joint Steering Committee per jurisdiction.

3.14 State and Territory governments have signed bilateral agreements, which set out the administrative, financial management, monitoring and reporting responsibilities of each party. State and Territory governments have signed Partnership Agreements with relevant regional bodies regarding the delivery of these responsibilities.

3.15 Regional bodies develop plans and investment strategies to indicate how programs will be delivered 'on-the-ground'. These plans and strategies must be approved at each level in order to receive funding.

The Audit

Audit Objectives and scope

- 3.16 The objective of this audit was to assess and report on the administration of the regional delivery of NHT 2 and the NAP.
- 3.17 The scope of the audit encompassed both Environment and Agriculture and their roles in administering the regional delivery model through the joint team. The audit focused on:
- the implementation of regional delivery;
 - governance and financial management; and
 - monitoring, evaluation and reporting on performance.

Overall conclusion

The regional delivery model for the NHT 2 and the NAP was based on consideration of the views of a wide range of stakeholders and the lessons learned from the program evaluations conducted by the Joint Team comprising staff from both Environment and Department of Agriculture, Fisheries and Forestry (DAFF). The rationale for regional delivery was to be more strategic and results-focused at a regional scale. This was supported by well designed bilateral agreements between the Australian Government and the States/Territories and a comprehensive planning and accreditation process based on the 'best available' science. Given the scale of the NRM challenge across Australia and past experiences, it was a reasonable model in the circumstances.

Progress in implementing improvements in administration following ANAO Audit Report No 17, 2004-05¹¹ has been comprehensive and well-focused on significant risks. The Australian Government has been well supported by State Governments and regional bodies in improving administration. Nevertheless, significant areas of non-compliance by State agencies with the bilateral agreements have been identified and will require attention leading into NHT 3. In particular, attention will need to be given to addressing the transparency and accountability of Australian Government funds managed by the States/Territories – particularly in terms of meeting the auditing

11 Australian National Audit Office, Audit Report No. 17, 2004-05, *The Administration of the National Action Plan for Salinity and Water Quality*.

requirements of the agreements and offsetting unspent funds remaining in State or Territory holding accounts.

The quality and measurability of the targets in the regional plans is an issue for attention and is being addressed in some States. This should be considered nationally – especially as the absence of sufficient scientific data has limited the ability of regional bodies to link the targets in their plans to program outcomes. Dissemination of good practice and, in particular, the documentation of the cost effectiveness of actions funded through the program will need to be a priority for NHT 3.

There is evidence that activities are occurring ‘on the ground’. For example, Environment’s 2006–07 Annual Report commented that the programs have ‘helped to protect over eight million hectares of wetlands, have treated over 600 000 hectares of land to reduce salinity and erosion, and have involved some 800 000 volunteers in on-ground conservation work’.¹² However at the present time it is not possible to report meaningfully on the extent to which these outputs contribute to the outcomes sought by government. There are long lead times for national outcomes and delays in signing bilateral agreements did not help this process. The absence of consistently validated data, the lack of agreement on performance indicators and any intermediate outcomes has significantly limited the quality of the reporting process.

Overall, the ANAO considers the information reported in the DAFF and NHT Annual Reports has been insufficient to make an informed judgement as to the progress of the programs towards either outcomes or intermediate outcomes. There is little evidence as yet that the programs are adequately achieving the anticipated national outcomes or giving sufficient attention to the ‘radically altered and degraded Australian landscape’ highlighted in the 1996 *Australia: State of the Environment* Report. Performance measurement has been an ongoing issue covered by three previous ANAO audits since 1996–97 and should be a priority for attention in the lead up to NHT 3.

To assess progress made in this area, the ANAO will consider conducting a follow-up audit reporting to Parliament on progress towards achieving outcomes for NHT 3. Such an audit will be considered within the context of future Audit Work Programs.¹³

12 The then Department of the Environment and Water Resources, *Annual Report 2006–07*, p. 5.

13 Australian National Audit Office, Audit Report No. 21, 2007-08, *Regional Delivery Model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality*, pp. 15-17.

ANAO recommendations

3.18 The ANAO made the following recommendations:

Table 1.2 ANAO recommendations, Audit Report no. 21, 2007-2008

1.	<p>To strengthen the management of risks to program outcomes, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry give priority to documenting:</p> <ul style="list-style-type: none"> (a) the cost-effectiveness of investments in achieving results; and (b) lessons learned or insights into quantifiable benefits or unintended consequences from NRM investments.
<i>Agencies' responses: Agreed</i>	
2.	<p>To provide greater transparency and efficiency in the management of funds for regional investments, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry, in developing bilateral agreements for the Natural Heritage Trust (NHT 3) or similar programs:</p> <ul style="list-style-type: none"> (a) Clearly define the authority of the Joint Steering Committees over the release of funds and the management of Single Holding Accounts; and (b) Streamline payments to regional bodies based on performance requirements set out in the agreed investment strategies.
<i>Agencies' responses: Agreed</i>	
3.	<p>To address compliance with bilateral agreements, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry, give greater priority to monitoring compliance with agreements and encouraging State/Territories to:</p> <ul style="list-style-type: none"> (a) provide audited financial statements (acquittals) to indicate that funds have been spent for their intended purposes; (b) return unspent funds remaining in State/Territory single holding accounts or offset these against future allocations; and (c) disclose interest earned and its use in accordance with the bilateral agreements.
<i>Agencies' responses: Agreed</i>	
4.	<p>To enable accurate reporting of progress against outcomes to be achieved in the National Heritage Trust or similar programs, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry develop and implement a performance measurement framework that includes:</p> <ul style="list-style-type: none"> (a) a finalised list of core performance indicators to measure actual results; (b) clear and consistent business rules supporting the collection and collation of performance data; (c) dissemination of guidance to regional bodies regarding the validation of natural resource management output data; and (d) meaningful intermediate outcomes that may be used to demonstrate the cost effectiveness of natural resource management actions, the conservation of major national assets and behavioural change achieve through the programs.
<i>Agencies' responses: Agreed</i>	

The Committee's review

3.19 The Committee held a public hearing to examine this audit report on Wednesday 18 June 2008. Witnesses representing Environment and Agriculture attended the hearing, as well as representatives of the Australian National Audit Office.

3.20 The Committee took evidence on the following issues:

- bilateral relationships with States and Territories;
 - ⇒ acquittals;
 - ⇒ compliance with bilateral agreements;
- lessons learned from previous NRM programs;
 - ⇒ release of funds and risks of insolvency;
 - ⇒ risk management;
- monitoring and evaluation;
 - ⇒ ANAO involvement in monitoring and evaluation;
 - ⇒ performance measurement; and
- the regional delivery model.

Bilateral relationships with States and Territories

3.21 The Committee noted one of the key findings of the audit report centred on the relationship between the Australian Government and the States and Territories regarding NRM programs.

3.22 The audit report indicates that attention will need to be given to addressing issues of transparency and accountability relating to use of Australian Government funds by the States and Territories. The Committee inquired about steps taken to improve working relationships between the Australian Government and the States and Territories. Environment stated that relationships between the Australian Government and the States and Territories had matured in the negotiations leading to the *Caring for our Country* program, and that many issues noted in the audit report had been addressed moving forward into the new program.¹⁴

3.23 The Committee further noted that there was no clear framework of compliance provided to the States and Territories to ensure performance targets were being met, and value for money was being obtained.

14 Mr Taylor, Department of Environment, Water, Heritage and the Arts (DEWHA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 5.

Environment stated that bilateral agreements between the Australian Government and the States and Territories had been revised and that new bilateral agreements were being negotiated in the lead up to the *Caring for our Country* program to address the anomalies raised in the audit report.¹⁵

- 3.24 Examining the issue of bilateral relationships further, the Committee noted the audit report had indicated that there was considerable variation between each State and Territory's bilateral agreement with the Australian Government. The Committee asked whether the new bilateral agreements had been made more uniform and harmonised leading into the introduction of the *Caring for our Country* program. Environment advised:

There is certainly a more uniform process. They are not identical. The states operate different systems, clearly. Some are statutory bodies. These are the regional bodies I refer to within the states. Some are statutory bodies and also outside the state. Some are private companies or community based companies that operate outside the state system. So the bilateral arrangements do have to be customised to fit into those various circumstances. But there is a generic document that starts out as the bilateral. Then they are customised just to fit those particular things. So they are quite uniform overall.¹⁶

Acquittals

- 3.25 Another issue of concern was that three States had outstanding acquittals at the time the audit was conducted. The Committee expressed its concern at the lack of compliance with standard financial practices. It inquired about the current status of the outstanding acquittals and mechanisms to be put into place to ensure better future compliance. Environment stated that the three outstanding acquittals had been submitted and that the appropriate procedures for ensuring appropriate financial reporting were being built into the new bilateral agreements.¹⁷

Compliance with bilateral agreements

- 3.26 The Committee sought further information on the ability of the Australian Government to ensure States and Territories comply with the bilateral agreements. Environment informed the Committee that there were

15 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 5.

16 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 14.

17 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 6.

contractual obligations within the bilateral agreements, signed at Ministerial level, giving the Australian Government the option for legal recourse should it be deemed necessary. It was noted that this would not be considered the first course of action in the event of non-compliance, but that it was a concrete mechanism for ensuring compliance if it were not possible to reach a solution through cooperative measures.¹⁸

Recommendation 4

That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry develop a clear set of procedures to deal with any future cases of State and Territory non-compliance with bilateral agreements and provide a copy of said procedures to the Committee within twelve months of the tabling of this report.

Lessons learned from previous NRM programs

- 3.27 One of the Committee's primary concerns related to Recommendation No. 1 from the ANAO report. The recommendation called for the departments to give priority to documenting and disseminating information regarding lessons learned or insights into quantifiable benefits or unintended consequences from NRM investments.
- 3.28 Agriculture reported that a document was being prepared, but given that thousands of investments had been made, the project was a large one. Further, Environment stated that an 'NRM knowledge tool bar' had been created which captured information on lessons learned to enable regions, community groups and States and Territories to download information as it became available.¹⁹
- 3.29 The Committee then inquired about lessons learned in setting up a new program, noting the importance of documenting lessons learned from billions of dollars worth of programs that had been put in place since 1995-96.
- 3.30 Representatives of both departments replied that there had been no formal documentation at the present time, but that advice had been provided to

18 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 14.

19 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 7.

Ministers on past issues and experiences in the design of the Caring for our Country program.²⁰

- 3.31 The Committee notes that it is critically important that Environment and Agriculture document the lessons learned from the expenditure of billions of dollars of public funds. Documenting these lessons provides an invaluable resource for Federal and State authorities to ensure further responsible expenditure of public funds. Accordingly, it reiterates the importance of ANAO Recommendation No. 1.

Release of funds and risks of insolvency

- 3.32 A key finding of the audit report related to the release of funds to regional bodies, with the Committee inquiring what lessons had been learned from previous programs, and what changes had been made as a result to improve the delivery of funds. Further, the Committee expressed its concern about a finding in the audit report that indicated several regional bodies had a significant risk of insolvency if cash-flow problems were not addressed.
- 3.33 Environment advised that previous bilateral agreements were reliant on joint decision-making between Commonwealth and State and Territory Ministers. New agreements were being negotiated on the basis of having the use of Commonwealth funds decided by the Commonwealth itself, providing regional bodies with some more certainty about the delivery of funding.²¹
- 3.34 Addressing the risks of insolvency, Environment stated that the new bilateral agreements would reduce this risk, and that a risk of insolvency now only applied to regions set up as corporations in certain states. It also advised that there were now mechanisms in place to enable the States and Territories to provide additional support to regional bodies that faced this risk.²²

Risk management

- 3.35 The Committee moved on to discuss risk management, noting the ANAO had praised the 2006-2007 risk management plan. The Committee inquired whether the risk management plan had been kept up to date and whether

20 Mr Thompson, Department of Agriculture, Fisheries and Forestry (DAFF), Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 14.

21 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 13.

22 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 17.

a new risk management plan had been prepared for the *Caring for our Country* program. Environment stated that the departments were aware of a new range of risks that had to be taken into account for the new program and that they were updating the risk management plan for *Caring for our Country*.²³

Monitoring and evaluation

- 3.36 Another key finding of the audit report was the inadequate monitoring of programs and their environmental outcomes. The Committee inquired about the challenges of improving monitoring of environmental change, and the improvements made to the process since the audit took place.
- 3.37 Environment stated that, under NHT 2, agencies were reactive in trying to gather information for monitoring and evaluation purposes as the program was being implemented. The *Caring for our Country* program contained explicit targets for investment, reviewed yearly, and articulated them as part of an annual business plan. Further, the national targets had been developed by both Environment and Agriculture, and were made available to all parties involved in program delivery.²⁴
- 3.38 Environment also advised that, under the new *Caring for our Country* program, a new monitoring and evaluation budget was to be made available. New plans for monitoring ranged from the Commonwealth monitoring on a national scale to monitoring undertaken by the States, and monitoring performed by regional bodies and program funding recipients. The objective of this new level of monitoring was to create an annual report card to determine the success of investments and to provide information to enable adjustments to investments to ensure value for money.²⁵
- 3.39 The Committee then discussed the annual report card system, inquiring whether or not it was linked to a performance measurement framework as recommended by the ANAO. Environment replied that the report card was part of the performance management framework which would ensure targets were achieved.²⁶

23 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 10.

24 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 4.

25 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 8.

26 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 9.

ANAO involvement in monitoring and evaluation

- 3.40 The Committee investigated the involvement of the ANAO in monitoring and evaluating NRM programs. The ANAO informed the Committee that while its resources were limited, they maintained a monitoring brief in terms of progress to ensure that, if risks and exposures were identified, the ANAO may be able to conduct an audit. Further, the ANAO stated it had observers at audit committees to monitor agencies on a broader basis.²⁷
- 3.41 Additionally, the ANAO noted the importance of maintaining some distance between itself and agencies:

We are conscious that we have made recommendations for a comprehensive audit in terms of what initiatives need to be undertaken. We have to balance that with our independence in terms of the ability in years to come to be able to come back and audit the program and give independent advice. So while we do touch base with the agencies and are able to monitor what they are doing and obviously pass on the learnings from the audits and such, we will stand back and let them deliver that program.²⁸

Performance measurement

- 3.42 The Committee requested more detail on the use of 'performance stories' as a method of performance measurement and reporting, asking how it would be of use in assessing the success of program delivery. Agriculture stated that performance stories were being trialled to evaluate intermediate outcomes, and that performance stories used both science and anecdotal evidence from people familiar with the land. Further, it noted that the trials were scheduled to conclude in several months, and the use of performance stories would be evaluated to determine their usefulness as a monitoring and evaluation tool in the future.²⁹
- 3.43 The Committee noted ANAO Recommendation No. 4, which called for a small number of performance indicators to be determined to enable accurate reporting against outcomes, and for a pilot study or program to be conducted. The Committee asked whether the use of pilot studies or programs had been considered as a method of performance measurement either as complementary with, or alternative to performance stories.

27 Mr Cahill, Australian National Audit Office (ANAO). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 8.

28 Mr Cahill, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 10.

29 Mr Talbot, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 12.

Agriculture indicated that performance stories were being investigated as a measure of intermediate outcomes,³⁰ and that they were only going to be one measure of monitoring and evaluation that may provide more qualitative than quantitative information to be examined alongside the new monitoring framework being established.³¹ Further, Environment stated:

We would see if there is an ongoing role for performance stories. It is only going to be part of the toolbox of how we do monitoring and evaluation. So it might play one role in filling in some gaps of, I guess, more of a qualitative than quantitative measure. But it will only ever be able to be used in individual circumstances. It will not be an effective tool for measuring the outcomes from the program as a whole.³²

- 3.44 The Committee remains sceptical as to the value of ‘performance stories’ as a tool to measure performance, and expresses concern that they may begin to be used as more than just a method of providing colour to more comprehensive reporting.
- 3.45 The risk that agencies may only choose successful ‘performance stories’ is clear. As the ANAO and the Department of Finance and Administration state in the ANAO’s *Better Practice Guide in Annual Performance Reporting*:
- Without performance reports, planners would have to rely on intuition and opinions, which are likely to be less precise and more subjective than carefully designed and balanced reporting.³³
- 3.46 Further, the Committee notes that, given NHT and NRM programs have been the subject of several audits, Environment and Agriculture should be pursuing better practice as detailed in the ANAO’s *Better Practice Guide in Annual Performance Reporting*. Reporting using the outcomes and outputs framework is of critical importance. Accordingly, the Committee reiterates ANAO Recommendation No. 4, and recommends:

30 Mr Talbot, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports Nos 4 to 26 (2007-08), p. 12.

31 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports Nos 4 to 26 (2007-08), p. 12-13.

32 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports Nos 4 to 26 (2007-08), p. 15.

33 Australian National Audit Office, *Better Practice Guide – Better Practice in Annual Performance Reporting*, p. 4.

Recommendation 5

That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry use quantitative reporting against outcomes alongside the use of 'performance stories' in monitoring and evaluating programs.

The regional delivery model

- 3.47 The Committee asked for more information on the regional model, inquiring whether the model had changed for the *Caring for our Country* program. Agriculture replied that funding levels had changed, which would have some impact on regional bodies, but that they expected they would be still a major mechanism for funding delivery.³⁴
- 3.48 The Committee noted the audit report's finding that there was a disparity in outcomes between regions, requesting that an explanation be required as to why this was the case. Environment noted there was variability across regions due to the resources available and the experience of groups involved, but that as time went on, performances became more uniform. Further, Environment also suggested that, in some cases, regional reporting was inadequate and did not provide an accurate picture of some of the successes experienced.³⁵
- 3.49 The Committee asked whether regions had enough infrastructure, data and resources to be able to implement programs. Agriculture advised that all regions had access to the same information, but that regional capacity to use the available information may vary. Further, as regions were so diverse, some faced unique or complicated challenges not experienced by other regions.³⁶

Conclusion

- 3.50 The Committee notes the difficult circumstances in which Environment and Agriculture operate in administering such diverse programs in many different regions. However, the Committee also notes that there have been

34 Mr Shaw, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

35 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

36 Mr Thompson, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

four previous audits into NHT and NRM programs and that there have been significant recurring problems in monitoring and reporting.

- 3.51 By embracing the ANAO recommendations alongside the Committee recommendations, the Committee believes the significant problems identified by these audits would be addressed at little additional cost to the departments.
- 3.52 The Committee notes the audit report indicates that ANAO will be considering a follow-up audit report on progress to achieving outcomes for *Caring for our Country* and supports the ANAO's course of action.
- 3.53 Given the Committee is concerned that NHT and NRM programs have been the subject of four previous audits, and given the Committee is of the belief that full implementation of all ANAO recommendations will improve monitoring and reporting, the Committee resolves as follows:

Recommendation 6

That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry produce a progress report to be presented to the Committee within 18 months of the tabling of the Australian National Audit Office audit.

The progress report should advise the Committee on implementation of the Australian National Audit Office recommendations detailed in the audit report, as well as compliance with the Australian National Audit Office *Better Practice Guide in Annual Performance Reporting* for the *Caring for our Country* program.

Audit Report No. 32 2007-2008

Preparation of the Tax Expenditures Statement

Background

4.1 Alongside social welfare programs, tax expenditures are two of the oldest forms of financial assistance provided by the Commonwealth government. Notwithstanding this, there is no clear definition of a tax expenditure. Instead, measures constituting a tax measure can change over time and between jurisdictions. The *Taxation Expenditures Statement 2006* defines a tax expenditure as:

A tax concession that provides a benefit to a specified activity or class of taxpayer... A tax expenditure can be provided in many forms, including a tax exemption, tax deduction, tax offset, concessional tax rate or deferral of tax liability.¹

4.2 To apply this concept, The Department of the Treasury (Treasury) selects a 'normal', non-discriminatory or benchmark tax system. The benchmark taxation system should not favour or disadvantage

¹ Commonwealth of Australia, *Tax Expenditures Statement 2006*, February 2007, pp 1-2.

similarly placed activities or classes of taxpayer,² and is the tax system that would exist if the tax expenditure to be investigated did not exist.

- 4.3 Once the benchmark is selected, Treasury compares tax expenditures to the benchmark. Tax concessions that are consistent with the benchmark are not considered tax expenditures and are not reported, while those that do not match the benchmark are treated as tax expenditures and are reported.

Reporting on tax expenditures

- 4.4 Between 1968-69 and 1982-83, some information on tax expenditures was printed in the Budget papers. From 1987, Treasury (using estimates and advice from the Australian Taxation Office (ATO)) commenced publication of a separate *Taxation Expenditures Statement* (TES). This practice has continued annually since, with the exception of 1999-2000. The aim of the TES is to:
- allow tax expenditures to receive a similar degree of scrutiny to direct expenditures;
 - allow for a more comprehensive assessment of government activity; and
 - contribute to the design of the tax system, by promoting and informing public debate on all elements of the tax system.³
- 4.5 The reporting of tax expenditures also allows private investors to make decisions with better information on taxation and government assistance in the Australian economy. This assists in the efficient action of global markets.
- 4.6 The *Charter of Budget Honesty Act 1998* introduced two requirements for annual reporting on tax expenditures:
- an annual budget economic and fiscal outlook containing estimated tax expenditures for the budget year and the three years to follow; and
 - a Mid-Year Economic and Fiscal Outlook (MYEFO) report containing a detailed statement of tax expenditures to provide information to allow mid-year comparison with the budget papers.
- 4.7 The *Tax Expenditures Statement 2006* was tabled in December 2006. It contained details of 272 Commonwealth Government tax expenditures, with an aggregate value of over \$41 billion. This

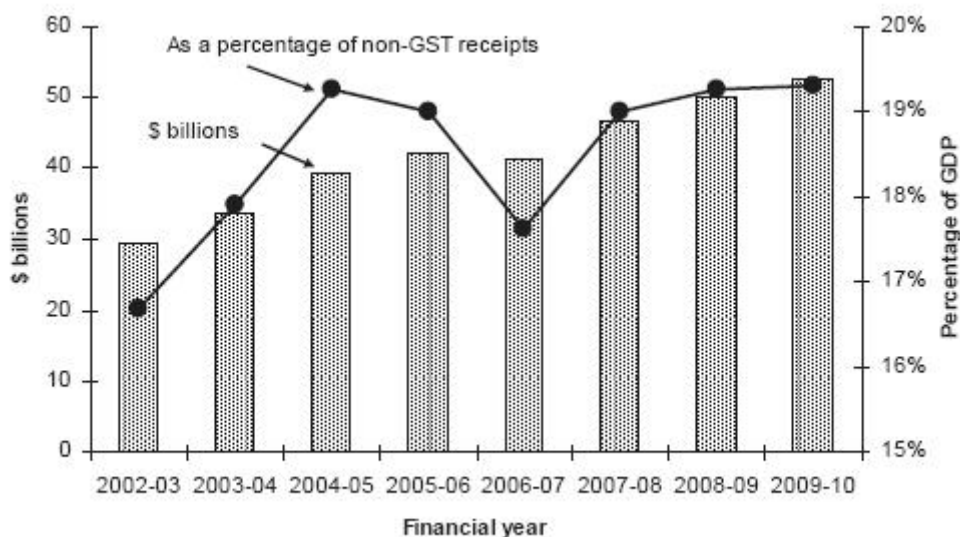
2 The Treasury, *Tax Expenditures Statement 2007*, p. 1.

3 Commonwealth of Australia, *Tax Expenditures Statement 2006*, February 2007, p. 1.

constituted 17.6 per cent of the year's estimated value of all government receipts, excluding the Goods and Services Tax.

- 4.8 The value of tax expenditures is expected to increase in later years. Figure 1 illustrates the actual and anticipated growth of tax expenditures from 2002-03 to 2009-10.

Figure 1 Estimated Tax Expenditures: 2002-03 to 2009-10



Source

- 4.9

been found each year, with an average of 8 expenditures being withdrawn. It appears that tax expenditures are withdrawn as a result of sunseting and policy changes. The growth in tax expenditures can be attributed to missed tax expenditures being identified as well as new expenditures being introduced.

The Audit

Audit objectives

- 4.10 The audit objective was to assess the completeness and reliability of the estimates reported in the *Taxation Expenditures Statement 2006*. Further, the audit examined suggestions for greater transparency in the reporting of tax expenditures.

Audit conclusion

- 4.11 The audit report made the following conclusion:

The purpose of the Charter of Budget Honesty Act was to establish an integrated fiscal framework to provide for greater discipline, transparency and accountability in fiscal policy. A key element of this integrated framework was that the

MYEFO report was to include detailed estimates of both tax expenditures and outlays, thereby promoting the scrutiny of both forms of expenditure. However, due to methodological challenges, Treasury has not yet found a way to integrate the reporting of outlays and tax expenditures, with the result that the detailed estimates of tax expenditures are reported in a separate TES document. Treasury has advised ANAO that it is not possible to include the full detailed tax expenditure estimates in the MYEFO release without significant changes to the focus of the MYEFO document and without delaying the release of MYEFO itself.

Treasury's view is that the best focus for controlling tax expenditures is at the policy development stage by ensuring that the Budget processes require that the cost of any new tax concession proposal (and any savings offsets) are examined in the same way as occurs for outlays. However, past practices in this area have been inconsistent. This has been compounded by shortcomings in the post-implementation measurement, monitoring and reporting (through the TES) of tax expenditures. In particular:

- the benchmarks used in preparing the TES are selected by Treasury based on judgements with the result that benchmarks may vary over time and can be arbitrary; whilst the Charter of Budget Honesty Act requires the TES to be based on external reporting standards,⁴ neither the Australian accounting standards or the economic reporting standard issued by the Australian Bureau of Statistics have been developed to account explicitly for tax expenditures. In particular, as few tax expenditures arise from direct transactions and other events of the kind commonly recorded in accounting systems, neither AAS31 nor Government Finance Statistics (GFS) is designed to capture all the notional transactions involved in the majority of tax expenditures. The external reporting standards also do not address the selection of tax benchmarks;
- there are unreported categories of tax expenditures. Each TES from TES 1995–96 onwards has identified, on average, ten tax expenditures arising from tax concessions or relief

4 Defined in the CBH Act as:

- the concepts and classifications set out in Australian System of Government Finance Statistics economic reporting standard developed by the Australian Bureau of Statistics; and
- public sector accounting standards developed by the Public Sector Accounting Standards Board.

already in place but previously unreported. In this respect, during the course of the audit, Treasury took or foreshadowed action to improve the coverage of the TES by reporting tax expenditures in relation to Customs Duty and Goods and Services Tax, as well as expanding the reporting of superannuation tax expenditures; and

- TES 2006 included quantified estimates for less than 60 per cent of those tax expenditures that were reported and, of these, two thirds were not based on reliable estimates. Modelling of the effect of tax expenditures and estimation of their cost has been made more difficult by the trend of reducing the compliance burden on taxpayers, which results in less information being collected from which estimates can be made. This situation also impedes analysis of whether individual tax expenditures are achieving their objectives.

Against this background ongoing review of tax expenditures would be beneficial given the lack of regular, risk-based reviews and evaluations of tax expenditures as to whether they are achieving their objectives and, if so, at what cost. Such a review, and ongoing scrutiny of tax expenditures, would benefit from:

- the development of standards to govern the integrated reporting of outlays and tax expenditures under the Charter of Budget Honesty, drawing on international developments in this area. This should contribute to the development of a more comprehensive picture of total Commonwealth expenditure, irrespective of the manner in which it is delivered and provide more rigour over the selection of tax expenditure benchmarks;
- the identification of opportunities to better integrate the consideration of outlays and tax expenditures in the annual Budget process so that the cost of any new tax concession, and any potential offsetting savings, is fully considered; and
- improvements to the reliability of those tax expenditure estimates that are published, recognising that there is a balance to be struck between more reliable estimates and increasing the demands on taxpayers to provide additional information (the compliance burden).

Over the last 35 years there have been a number of Government and Parliamentary reviews of tax expenditures. However, few of the recommendations of these reviews have been adopted. As a result, each successive review reported similar shortcomings and made similar recommendations.

ANAO notes that the Government has recently announced⁵ that, before the 2008-09 MYEFO is released, it will undertake a program-by-program review of government spending and tax concessions with the objective of increasing efficiency, transparency and accountability.

- 4.12 To conclude, the ANAO found significant shortcomings in the completeness and reliability of the estimates reported in the Tax Expenditures Statement 2006. These shortcomings arose from the variation and arbitrary nature of benchmarks, the discovery of existing but previously unreported tax concessions, and insufficient data resulting in unreliable estimates.

5 The Hon. Lindsay Tanner MP, Minister for Finance and Deregulation, *Address to National Press Club Canberra Wednesday 5 February 2008*, p. 4

ANAO recommendations

4.13 The ANAO made the following recommendations:

Table 1.1 ANAO recommendations, Audit Report no. 32, 2007-2008

1.	<p>ANAO recommends that the Department of the Treasury:</p> <ul style="list-style-type: none"> (a) Develop an approach for the conduct of an ongoing prioritised review of the existing program of tax expenditures; and (b) Publish for each tax expenditure information on the timing and outcome of the review. <p><i>Agency response: Treasury agreed to part (a) and agreed with qualification to part (b).</i></p>
2.	<p>ANAO recommends that the Department of Treasury examine and advise Ministers on options to better integrate the consideration of outlays and tax expenditures in the annual Budget process.</p> <p><i>Agency response: Treasury agreed.</i></p>
3.	<p>ANAO recommends that the Department of the Treasury develop standards to govern the integrated reporting of outlays and tax expenditures under the Charter of Budget Honesty, drawing on international developments in this area.</p> <p><i>Agency response: Treasury agreed with qualification.</i></p>
4.	<p>ANAO recommends that the Department of the Treasury promote more comprehensive reporting on taxation expenditures by:</p> <ul style="list-style-type: none"> (a) liaising with Commonwealth entities that collect revenue to identify all entities that also administer forms of relief from Commonwealth taxes, including tax expenditures; and (b) developing arrangements, as part of the preparation of the annual Taxation Expenditure Statement, to obtain relevant data from entities outside the Treasury portfolio. <p><i>Agency Response: Treasury agreed. The ATO agreed with part (b).</i></p>
5.	<p>ANAO recommends that the Department of the Treasury and the Australian National Audit Office identify opportunities to develop estimates of large or otherwise significant tax expenditures using the revenue gain method.</p> <p><i>Agency response: Treasury agreed.</i></p>
6.	<p>ANAO recommends that the Department of the Treasury:</p> <ul style="list-style-type: none"> (a) develop an approach to prioritise improvements to the reliability of published tax expenditure estimates; (b) examine options for disclosing in the Taxation Expenditures Statement information on the reliability of individual tax expenditure statements; (c) work with the Australian Taxation Office to develop reliable models to estimate the revenue forgone for existing tax expenditures that are large or otherwise significant; and (d) when developing advice for Ministers on policies that are expected to result in a tax expenditure, assess options for the reliable measurement of the effect of the proposed measure. <p><i>Agency response: Treasury and the ATO both agreed with parts (a), (b) and (c) and agreed with qualification to part (d).</i></p>

The Committee's review

- 4.14 The Committee held a public hearing on Wednesday 17 September 2008, with the following witnesses:
- Australian National Audit Office (ANAO); and
 - the Department of the Treasury (Treasury).
- 4.15 The Committee took evidence on the following issues:
- modelling;
 - ⇒ revenue gained and revenue foregone methods;
 - ⇒ behavioural responses; and
 - ⇒ benchmarking;
 - reporting;
 - ⇒ compliance with the *Charter of Budget Honesty Act 1998*;
 - ⇒ the Canadian model of reporting; and
 - data.

Modelling

Revenue gained and revenue forgone methods

- 4.16 The Committee noted one of the key findings of the audit was the differing methods of economic modelling used in preparing the Budget Papers and the TES. The Budget Papers are prepared using the revenue gain method, while the TES is prepared using the revenue foregone method.⁶
- 4.17 The revenue gain method endeavours to account for potential changes in taxpayer behaviour including 'second order' effects such as interactions with other tax policies. This produces a more accurate estimate of tax expenditures allowing for more reliable comparison with outlay measure estimates. It must be noted, however, that the revenue gain method requires more data of higher quality to produce more thorough modelling.
- 4.18 The revenue foregone method compares the revenue raised under current law with the revenue that would have been raised if the tax expenditure provision did not exist. This method relies on the assumption that the tax law remains consistent and that behaviour of taxpayers is unchanged. These assumptions are a weakness of the

⁶ Mr Bond, Australian National Audit Office (ANAO). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 3.

method. Its major advantage is that it requires the least amount of data to produce an estimate of a tax expenditure.

- 4.19 The ANAO noted the impact of the Budget Papers being prepared using the revenue gain method and the TES using the revenue foregone method:

There is a discrepancy between these two models and it can be quite substantial or it can be minor. The issue at hand for the audit was that we suggested firstly that there be some attention paid to applying the model that is used in the budget process to large tax expenditures so that Parliament could get a gauge on some of those and their ongoing revenue effects. The revenue foregone method that is adopted in the TES will not show you those effects over time.⁷

- 4.20 Treasury advised that the revenue foregone method was the method used for the TES as it was the method that best suited the purposes of the TES, and that it was also the method used by most OECD countries.⁸ Treasury further illustrated the point:

On the outlay side of the budget you do not have forward estimates which incorporate behavioural response. If you are looking at spending on aged pension you never ask yourself the question, 'What would behaviour look like if we abolished the aged pension?' You have an accounting treatment which just says, 'This is how much we're spending.' The revenue foregone approach parallels that in saying, 'On the basis of existing behaviour, this is how much tax we're not collecting.'⁹

- 4.21 The Committee is not convinced with Treasury's reasons for using the revenue foregone method, as it does not indicate ongoing revenue effects over time. The discrepancies between the Budget Papers and the TES greatly weaken the credibility of the revenue foregone method.

- 4.22 While the Committee understands the difficulty in applying the revenue gained method in all cases, it is important for the Parliament and the Australian people to be able to see the ongoing revenue

7 Mr Bond, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 3.

8 Ms Mrakovcic, Department of the Treasury (Treasury). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), pp. 3-4.

9 Mr Gallagher, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 4.

effects of large tax expenditures over time. Accordingly, the Committee recommends:

Recommendation 7

That Treasury publish a paper for inclusion in the Tax Expenditures Statement calculating the twenty largest tax expenditures using both the revenue foregone and revenue gained methods to allow comparison with the Budget Papers.

Behavioural responses

- 4.23 The Committee asked Treasury to explain the audit finding of the audit that the Budget Papers and TES sometimes contained drastically varying figures for the same tax expenditure.
- 4.24 Treasury replied that when tax expenditures are considered in the budget process, attempts are made to consider the behavioural response of taxpayers and industry. Further, when the TES is prepared, the method undertaken is the revenue foregone method, which does not incorporate behavioural responses.¹⁰
- 4.25 The Committee notes that incorporating the first round (that is, the immediate) behavioural effects of a tax concession would provide a more accurate indication of costs to the government.
- 4.26 The Committee asked how Treasury measured behavioural responses. Treasury replied that they used a variety of sources including academic studies indicating how a similar measure had been introduced overseas, and models internal and external to Treasury. Treasury advised they endeavoured to be as rigorous as possible as behavioural change had the potential to have large ramifications.¹¹
- 4.27 The Committee asked whether second and third round (that is, more indirect macroeconomic ramifications of policy change) effects were taken into account. Using the example of First Home Saver Accounts, Treasury replied:
- ...we do stay clear of thinking that the effect would lead to a change in interest rates or any other general macroeconomic effects. There have been occasions when the second round

10 Ms Mrakovcic, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 6.

11 Ms Mrakovcic, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), pp. 8-9.

has been formally included in Treasury costings of significant government packages.

...In these cases, the normal guidelines of not including second round behaviour were waived. Because of the scale of those packages, it was thought necessary to take a broader economic view.¹²

- 4.28 Treasury's acknowledgement of the impact of first round behavioural responses indicates the weakness of the revenue foregone method. Further, it illustrates the importance of obtaining better quality data to enable more use of the revenue gain method to improve the quality of the reporting of tax expenditures.

Benchmarking

- 4.29 The Committee noted Treasury and Customs had agreed to adopt a zero rate for the customs duty tax benchmark, and asked whether this benchmark concealed tax concessions.

- 4.30 Treasury replied that the benchmark was set to zero to allow for comparison with domestically produced goods, arguing that any duty imposed on imported goods was equivalent to taxes imposed on domestic goods such as excise. Further, Treasury argued that the zero benchmark allowed measurement of the benefit tariffs provide to the taxpayer, and that the tariff was shown as a negative tax expenditure.¹³

Reporting

Compliance with the *Charter of Budget Honesty Act 1998*

- 4.31 The Committee noted the discrepancy between the reporting requirements of the *Charter of Budget Honesty Act 1998* and Treasury's reporting practices. The Act requires detailed statements on tax expenditures to be included in the Mid-Year Economic and Fiscal Outlook (MYEFO).¹⁴ The Committee asked whether the discrepancies between the TES and the Budget Papers would be lessened if Treasury reported as required by the Act.
- 4.32 Treasury replied that it was difficult to report on tax expenditures in MYEFO as a lot of detail was required and Treasury prepared revenue estimates and costings at the same time MYEFO was

12 Mr Gallagher, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 9.

13 Treasury, Answers to Questions on Notice, p. 1.

14 Section 14, *Charter of Budget Honesty Act 1998*.

prepared. Treasury believed adding tax expenditure reporting to MYEFO would:

...severely complicate the MYEFO process. It would also severely complicate the delivery of the important information on the economy, on expenditure, on revenue and on measures taken since the budget that that document contains. There is an efficiency issue and there is a resource issue in terms of the Treasury.¹⁵

- 4.33 The Committee asked the ANAO for their opinion. ANAO noted they had not suggested that tax expenditure information be included within MYEFO, but that it was a requirement of the Act that was not currently occurring. The ANAO report noted:

The different methodologies adopted in the Budget papers and in the TES impedes analysis of the actual cost of new tax expenditures in terms of what was expected when they were introduced.¹⁶

- 4.34 The ANAO continued:

One of the things we did suggest was that Treasury should publish its own estimate of how reliable that tax expenditure is. Our perspective was that there is plenty of room in the existing tabulation in the TES for including one extra item of information which we think would be quite valuable to tell the reader that this tax expenditure of \$X million is, in Treasury's view, this reliable rather than that reliable.¹⁷

- 4.35 While the Committee understands the challenges facing Treasury in assembling MYEFO, it is the Committee's opinion that Treasury should not be operating at odds with the *Charter of Budget Honesty Act 1998*. The Committee will pursue this matter with Treasury and the ANAO.

The Canadian model of reporting

- 4.36 The Committee notes the tax expenditures reporting model currently used in Canada, which records measures that are undeniably tax expenditures (as is done in Australia), and then divides other forms of tax relief into three 'memorandum items':

15 Mr Gallagher, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 6.

16 ANAO Audit Report No. 32 2007-08 *Preparation of the Tax Expenditures Statement* p.18.

17 Mr Boyd, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 7.

- relief that is part of the benchmark system;
 - relief where data is insufficient to separate the tax expenditure component from the tax concession component; and
 - relief that could be categorised either as a tax expenditure or a tax concession.¹⁸
- 4.37 This practice of reporting allows the quantum of tax concessions to be readily available for both public and Parliamentary scrutiny.
- 4.38 The Committee asked Treasury about the steps it had taken to emulate the Canadian model. Treasury replied they did not believe their method differed greatly, as the TES outlined the benchmarks and structural features of the tax system in a method similar to the Canadian use of 'memorandum items'.¹⁹
- 4.39 Treasury's method does differ greatly in one area, the Canadian model of dividing other forms of tax relief into 'memorandum items', rather than aggregating figures, provides a more complete picture. The system employed by Treasury prevents reporting of tax measures that can be viewed as preferential but are included as part of the benchmark. These measures, including many related to capital gains are unofficially calculated to cost several billion dollars annually.²⁰
- 4.40 The Committee believes the entire quantum of tax expenditures needs to be reported to improve public and Parliamentary scrutiny. While it is difficult to categorise all forms of tax relief with precision, the Canadian model errs on the side of disclosure, rather than precision, allowing the reader a broader view of a complex part of the tax system.

Recommendation 8

That Treasury further investigate the merits of the Canadian model of taxation expenditure reporting, publishing its findings in the paper proposed in Recommendation 7.

Data

- 4.41 In its opening statement, Treasury indicated that there was scope to improve the reporting of tax expenditures through use of data held by

18 ANAO Audit Report No. 32 2007-08 *Preparation of the Tax Expenditures Statement* p. 45.

19 Treasury, Answers to Questions on Notice, p. 2.

20 Department of the Parliamentary Library, Research Paper No. 8 2002-03, *Tax Expenditures: The \$30 Billion Twilight Zone of Government Spending*, p. 9.

other agencies. The Committee asked how Treasury had gone about improving and encouraging data collection. Treasury replied they would seek access to data from other agencies.²¹

- 4.42 The Committee noted there were 98 tax expenditures found to be unquantified, and asked Treasury as to their plans to quantify them.
- 4.43 Treasury noted data quality was an issue that affected the quality of the estimate, and that they were looking beyond tax data to improve the quality of their estimates.²²
- 4.44 The Committee is encouraged to hear Treasury's willingness to seek data from other agencies to improve its reporting of tax expenditures. The Committee wishes to see genuine progress being made in improving the reporting of tax expenditures, and recommends:

Recommendation 9

That Treasury include information in the Budget Papers on the extent to which tax expenditure reporting has improved through the receipt of reliable data from other agencies.

Conclusion

- 4.45 The Committee understands the burdens placed on Treasury in its operations in the current fiscal climate, but believes improvements can still be made to the reporting of tax expenditures at little cost to Treasury. There still remains an abundance of data held by other agencies that Treasury is yet to access. Securing access to this data will improve the reporting of tax expenditures in the TES.
- 4.46 The Committee also remains concerned at the method used for calculating tax expenditures. The Committee is of the belief that there should be little difference between the figures prepared for the Budget Papers and those prepared for the TES. These discrepancies occur in large part due to the use of the revenue foregone method in the preparation of the TES.
- 4.47 Of even more concern is the lack of data available to illustrate the quantum of larger tax expenditures over time. Calculating these tax

21 Ms Mrakovcic, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 2.

22 Mr Gallagher, Treasury. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 10.

expenditures using the revenue gained method will provide more clarity for both Parliament and the public.

- 4.48 It is important that the practices of Treasury and its obligations under the *Charter of Budget Honest Act 1998* should be compatible. Under the current situation, Treasury is not meeting its responsibilities under the Act. The Committee understands the reasons for this, and believes amendment of the Act to better reflect practice would be the appropriate course of action.
- 4.49 The Committee notes the review of the Australian taxation system currently being undertaken by Treasury, and anticipates extensive coverage of tax expenditures in the review.
- 4.50 The Committee is pleased with Treasury's enthusiasm in improving the quality of data available to it, and understands its reluctance to undertake practices that may result in an increased cost to Treasury. However, the Committee is of the opinion that full implementation of its recommendations would improve the operation of the *Charter of Budget Honesty Act 1998*, the quality of the TES and its value as a document for the reporting of tax expenditures.

Audit Report No. 42 2007-2008

Management of Customer Debt – Follow-up Audit

Background

- 5.1 Centrelink is the Commonwealth's primary payment agency responsible for the distribution of social security benefits. When an incorrect payment is made by Centrelink, which results in a customer receiving a greater benefit than entitled, the customer may incur a debt to the Commonwealth. It is Centrelink's responsibility to recover these debts in an efficient and timely manner.
- 5.2 Customer debt primarily arises due to customers failing to notify Centrelink of changes in circumstances or providing inaccurate or incorrect information to Centrelink. When debt arises as a result of an error on the part of Centrelink, and the customer could not reasonably be expected to know they were being overpaid, the debt can be waived.¹

¹ The application of a waiver is dependent on the debt meeting the requirements of the *Social Security Act 1991* (Cth) (ss1237A(1); 1237A(2); 1237AAA(1); 1237AAC; or 1237AAD).

- 5.3 As the social security system is reliant on customers accurately reporting changes to their details in a timely manner a level of customer debt will always exist. The value of the debt base has been steadily increasing from \$967 million in 2003 to approximately \$1.3 billion at 30 June 2007, with the debt base numbering approximately 650,000 customers.
- 5.4 In August 2004, the Australian National Audit Office (ANAO) finalised Audit Report No. 4 2004-05 *Management of Customer Debt*, a performance audit examining Centrelink's administration of its customer debt base. The audit noted that while Centrelink had improved the effectiveness of its debt management processes, the debt base continued to grow rapidly. Further, many inconsistencies across the debt management processes were found, particularly in relation to prevention and recovery.
- 5.5 The ANAO made nine recommendations, which were all agreed to by Centrelink and its purchaser departments. Following the audit, the Joint Committee of Public Accounts and Audit conducted an inquiry and made a further six recommendations. Centrelink responded to the Committee's inquiry in August 2006 noting they had implemented or were in the process of implementing all six recommendations with the exception of Recommendation No. 22, which related to the value of the automatic debt waiver. Centrelink indicated that it was the responsibility of its purchaser departments to determine the value of the automatic debt waiver.

The Audit

Audit objectives

- The objective of the follow-up audit was to examine Centrelink's process in implementing the recommendations of the 2004-05 audit and the subsequent JCPAA inquiry. The audit took into account the changes made to the Commonwealth's welfare program structure since the previous audit, and examined Centrelink's debt management arrangements with its main purchaser departments: the Department of Families, Community Services and Indigenous Affairs (FaCSIA), the Department of Employment and Workplace Relations (DEWR), and the Department of Education, Science and Training (DEST).

Audit conclusion

5.6 The audit report made the following conclusion:

The ANAO found that Centrelink and its purchaser departments had either fully or partially implemented all of the recommendations of the previous audit and JCPAA inquiry, with the exception of JCPAA Recommendation No. 22, which recommended that the debt waiver amount be raised from \$50 to \$100.

In implementing the recommendations of the previous audit and JCPAA inquiry, Centrelink had undertaken a significant ongoing restructure of its debt management operations that had improved consistency, efficiency and performance measurement. This had allowed Centrelink to meet the performance requirements of its purchaser departments. However, the ANAO still found notable inconsistencies across the Centrelink network, particularly in its allocation of resources to debt prevention; its application of debt waivers; and its approach to recovering debts.

Despite the identified improvements to debt management administration, the ANAO also found that the value of the debt base and its associated characteristics (including the number of debtors and the age profile of the debt base), had continued to increase. The ANAO notes that this is occurring at a time when the level of consumer debt in Australia is rising. Between 1 July 2003 and 31 December 2007, nominal household debt levels within Australia increased from 126.4 per cent to 160.4 per cent of disposable income.²

In these circumstances it is particularly important that Centrelink and its purchaser departments focus on gaining a better understanding of the factors driving the changes in the debt base. Undertaking an analysis of the debt base would usefully inform the framing of a nationally integrated program based approach to debt management. Such a framework would allow the implementation of more effective measures to prevent the circumstances that result in a customer incurring a debt and, in the longer term, slow the growth in the value of the debt base.

2 Reserve Bank of Australia <<http://www.rba.gov.au/statistics/bulletin/B21HIST.XLS>>

ANAO recommendations

5.7 The ANAO made the following recommendations:

Table 1.1 ANAO recommendations, Audit Report no. 42, 2007-2008

1.	<p>The ANAO recommends that Centrelink and its purchaser departments undertake an analysis to determine the underlying drivers of the value and profile of the debt base with specific reference to the continuing:</p> <ul style="list-style-type: none"> • increase the value of the debt base; • increase in the number of customers experiencing debt; and • ageing of the debt base. <p><i>Centrelink's response: Agreed.</i> <i>Department of Families, Housing, Community Services and Indigenous Affairs' response: Agreed.</i> <i>Department of Education, Employment and Workplace Relations' response: Agreed.</i></p>
2.	<p>The ANAO recommends that Centrelink review the existing governance arrangements and operation of the Early Intervention Activity Database (EIAD) to identify and implement improvements to the integrity and usefulness of the data produced and relied upon to support debt prevention strategy decision making.</p> <p><i>Centrelink's response: Agreed.</i></p>

The Committee's review

5.8 The Committee held a public hearing on Wednesday 12 November 2008, with the following witnesses:

- Australian National Audit Office (ANAO);
- Centrelink;
- Department of Education, Employment and Workplace Relations (DEEWR); and
- Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

5.9 The Committee took evidence on the following issues:

- actions taken since the initial audit;
- the debt base;
 - ⇒ the size of the debt base;
 - ⇒ the age of the debt base;
 - ⇒ debt write offs and waivers;
- cost effectiveness of debt recovery; and
- debt prevention;
 - ⇒ aged pension debts.

Actions taken since the initial audit

- 5.10 As the audit conducted by the ANAO was a follow up on an audit previously tabled in August 2004, Centrelink updated the Committee on actions taken since the initial audit and subsequent committee inquiry.
- 5.11 The Committee was informed that Centrelink had established a business integrity network with more than 3,000 staff working under the same hierarchy, rather than the previous system in which debt recovery work was undertaken in 15 different areas under 15 different management structures.³
- 5.12 The Committee noted that inconsistencies had been visible across the Centrelink network, particularly with relation to resource allocation, the application of debt waivers, and approaches to recovering debts in the past. Centrelink replied that consistency was a constant challenge due to the size of its network, but that a national training package had been developed alongside the new management structure to further drive consistency.⁴
- 5.13 Centrelink noted:
- Specifically in response to the audit recommendations, we ran several of what we call value creation workshops, where we get groups of customers together and ask them about their experience in relation to particular areas of our business. We ran a series of value creation workshops in relation to debt and used that information to inform the processes, communications with customers...⁵
- 5.14 Centrelink was asked if processes or practice had changed as a result of these workshops, and replied that they had changed some communications material, increased access to staff who were experts on debt, and that they had developed a dedicated telephone number to call to talk about debt.⁶
- 5.15 The Committee asked whether it was possible for Centrelink to identify regions where efforts to recover debt were more or less successful. Centrelink noted there were two reasons for the

3 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 2.

4 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 3.

5 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 11.

6 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 11.

accumulation of debt – instances where the customer makes a mistake, and instances where Centrelink is in error. Centrelink noted they were able to address regional performance in instances where Centrelink was in error.⁷

- 5.16 In addressing whether Centrelink was able to identify areas of best practice, they replied that they were always looking for “pockets of best practice”.⁸
- 5.17 The Committee is encouraged that Centrelink is looking for best practice, but is of the opinion that more work needs to be done to identify instances of best practice and to implement best practice across its entire network.

Recommendation 10

That Centrelink obtain a regional breakdown of debt recovery successes and identify ways to improve debt recovery by examining methods used by the most successful regions. Further, that Centrelink identify regions with low customer debt and identify the ways in which these regions minimise customer debt.

The debt base

The size of the debt base

- 5.18 The Committee expressed its concern at the increasing size of debt, and the widening of the customer debt base, and asked for the total quantum of debt that Centrelink was trying to recover. Centrelink replied that the debt as of 30 September 2008 was \$2.2 billion.⁹

The age of the debt base

- 5.19 The Committee then examined the age of customer debt, expressing concern that almost a quarter of debt was over four years old. Centrelink noted that while that was the case, that the majority of debt was under recovery arrangements with current customers, and

7 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports, Nos 27 (2007-08) to 2 (2008-09), p. 12.

8 Mr Tidswell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports, Nos 27 (2007-08) to 2 (2008-09), p. 12.

9 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General’s reports, Nos 27 (2007-08) to 2 (2008-09), p. 2.

that debts were being deducted from benefits at a small rate to avoid putting customers into additional financial hardship.¹⁰

- 5.20 The audit report noted that Centrelink was unable to provide the ANAO with reasons for the ageing of its debt base¹¹ with the Committee asking the agency to explain why this was the case. Centrelink replied that they had accepted the ANAO's recommendations and had begun to analyse the debt base, but that the relaxed debt recovery regime put into place by Centrelink was one of the reasons for the ageing and expansion of the debt base.¹²
- 5.21 Noting the ageing of the customer debt base, and the slow rate of recovery, the Committee asked Centrelink for an estimate of how much of the debt would eventually have to be written off. Centrelink replied that it was difficult to say, but that 70 per cent of the total value of debt base was under active recovery arrangements.¹³
- 5.22 While the Committee is glad the majority of customer debt is under active recovery arrangements, it remains concerned that the debt base continues to age, and that Centrelink is unaware of concrete reasons why this seems to be the case. It is imperative that Centrelink identify why the debt base continues to age to slow or prevent debt base ageing altogether.

Recommendation 11

That Centrelink conduct a review to determine the cause of its ageing debt base, and that it reports its findings back to the Committee within six months of the tabling date of the Committee's report.

Debt write offs and waivers

- 5.23 The Committee asked about the value of debt waived in a yearly period, and was informed that in the 2007-08 financial year, \$574 million worth of debts were waived, written off or reduced.¹⁴

10 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 6.

11 ANAO Audit Report No. 42 2007-08 *Management of Customer Debt – Follow-Up Audit* p.45.

12 Mr Tidswell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), pp. 9, 10.

13 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 7.

14 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 5.

- 5.24 The Committee observed that Centrelink had identified that legislation impeded its ability to write off debt. Centrelink noted that it was legislatively obliged to pursue customer debts for six years (unless the debt met certain conditions) before they could write it off as a bad debt.¹⁵
- 5.25 The Committee asked for a breakdown of waiver reasons. The vast majority of waivers (866,899 of a total of 915,455 waivers, or over 95% for the 2007-08 financial year) were because the debt was less than fifty dollars, and was deemed not cost effective to recover. The other major reasons waivers were provided were due to clerical error (32,368 instances), and extreme and unusual circumstances (2,946 instances).¹⁶

Cost effectiveness of debt recovery

- 5.26 The Committee noted that of the recommendations it had made in the first hearing into the issue, all recommendations had been adopted with the exception of Recommendation 22, which dealt with raising the debt waiver amount from \$50 to not more than \$100. The reason for this was that Centrelink believed it was the responsibility of its purchaser departments to determine the debt waiver amounts. During the public hearing, Centrelink restated its position.¹⁷
- 5.27 The Committee noted that DEEWR had analysed its debt waiver in 2006 and had found it was cost effective to collect sums below \$50. DEEWR replied they had done some indicative work and that they had found enough evidence that:
- ...it showed, on the information that was available, \$38 or so was a point and that we might be able to bring that down to 20-something dollars. On that work we are continuing to talk with Centrelink and FaHCSIA so it is a major part of going forward.¹⁸
- 5.28 The Committee members suggested that the agencies and ANAO should be working together to develop a recommendation about what the debt waiver level should be in terms of cost-effectiveness. DEEWR replied that they wanted to work further with Centerlink and

15 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 10.

16 Centrelink, Answers to Questions on Notice, Attachment D.

17 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 21.

18 Ms Golightly, Department of Education, Employment and Workplace Relations (DEEWR). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 3.

FaHCSIA to ensure a comprehensive empirical analysis to determine the most cost effective level of debt waiver.

- 5.29 The Committee is disappointed that there is still no clear debt waiver figure, and recommends:

Recommendation 12

That Centrelink, Department of Education, Employment and Workplace Relations and the Department of Families, Housing, Community Services and Indigenous Affairs conduct an empirical analysis to determine a cost-effective debt waiver, and that this figure be reported to the Committee within six months of the tabling of the Committee's report.

Debt prevention

- 5.30 Centrelink noted the importance of debt prevention, and noted that while the majority of its resources were spent on finding debts once they had occurred, that the focus was now going to move to one of balancing between debt detection and debt prevention.¹⁹
- 5.31 The Committee noted its major concern was that there was no evidence of major concentration on, or clear strategies towards, preventing customer debts arising in the first instance.
- 5.32 Centrelink noted that the primary reason debts were incurred was because customers did not inform it of changes in their personal circumstances.²⁰
- 5.33 The Committee examined one of the areas where debt was the largest, youth payments, and asked for examples of innovations used to prevent youth payment recipients from incurring debts. DEEWR noted that non-declaration or incorrect declaration of earnings was a primary driver of debt for Newstart recipients, along with failing to declare a change in marital status. To address this issue, DEEWR and Centrelink put into place improved processes for verification of earnings, and improved data matching, obtaining data from employment service providers to match with Centrelink's records.²¹

19 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), pp. 5-6.

20 Mr Tidswell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 9.

21 Ms Golightly, DEEWR. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 15.

- 5.34 Centerlink noted that students were failing to inform it of changes in their study load, often resulting in overpayment. As a result, Centerlink had initiated the rollout of data exchange with academic institutions, which had led to a reduction in customer debts at participating institutions by more than 70 per cent.²²
- 5.35 The Committee expresses its support for these initiatives, and encourages agencies to continue in the same vein to address other drivers of customer debt.
- 5.36 The audit report found that the existing arrangements and operations for Centrelink's early intervention activity database were insufficient. The Committee asked what changes had been made, with Centrelink replying that the ANAO recommendations had been implemented, and the database had been made more robust and reliable. Further, they were currently working with policy departments and the Department of Human Services to agree on how to measure prevention and identify the tools needed to do so.²³
- 5.37 The Committee is pleased to see that data matching has been such a success in preventing the accrual of customer debt across some sectors and encourages agencies to continue to roll out data matching programs to prevent customer debt.

Aged pension debts

- 5.38 The Committee discussed debts incurred by aged pensioners, with FaHCSIA noting that while the aged pension occupied a large proportion of the debt base, that the average size of debts was smaller, and that the primary problem was the declaration of income and earnings, especially amongst part-rate pensioners.²⁴
- 5.39 Centrelink added that the sale of assets, particularly real estate was another driver of aged pension debt, and advised the Committee that they now obtained data from the Australian Valuations Office and some financial institutions such as the Commonwealth Bank to prevent aged pensioners incurring debt.²⁵

22 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 16.

23 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), pp. 19-20.

24 Mr Cassidy, Department of Families, Housing, Community Service and Indigenous Affairs (FaHCSIA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 8.

25 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 8.

- 5.40 The Committee noted that 46.5 per cent of aged pension debt was classified as 'very large debt', over \$20,000, expressing concern about how such large amounts of debt were incurred by aged pensioners. FaHCSIA replied that large debts occurred as aged pensioners did not have to have regular contact with Centrelink, and that their marital status may have changed, or that their financial circumstances may have changed due to the sale of assets, primarily real estate.²⁶
- 5.41 The Committee moved on to examine the rate of recovery of aged pension debts, noting the success rate for recovery of aged pension debt was 52.6 per cent. It asked whether success in debt recovery was measured in the terms of the amount of successful claims, or by the amount of money recovered. The ANAO replied that the audit found success was measured by the amount of money recovered.²⁷
- 5.42 Centrelink reiterated the importance of rolling out its prevention mechanisms, such as real estate valuations and financial institution data exchange to prevent the accrual of aged pension debt in the first place, acknowledging they needed to improve at addressing risks, rather than acting after a debt has occurred.²⁸

Conclusion

- 5.43 It is clear to the Committee that there has been some excellent progress made in management of customer debt. It is pleased to see that the agencies have implemented all of the ANAO recommendations of the two reports on the issue, and the majority of the Committee recommendations stemming from its first examination of the issue.
- 5.44 Notwithstanding this, there are still some areas that require improvement. While the centralised management structure for debt recovery is encouraging, Centrelink should do more to determine which regions are performing well, and which regions are performing poorly to ensure an even level of regional performance in debt recovery.
- 5.45 Further, the Committee is disappointed that Centrelink remains unsure why the debt base continues to age. There may be simple or

26 Mr Cassidy, FaHCSIA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 15.

27 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 15.

28 Ms Rule, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports, Nos 27 (2007-08) to 2 (2008-09), p. 18.

more complex reasons for this, but determining why this is the case is of importance for the sake of risk management.

- 5.46 Finally, the Committee is unhappy there has been no more progress made on developing a comprehensive debt waiver threshold and urges the relevant agencies to determine one as soon as possible.
- 5.47 The Committee notes the importance of Centrelink being involved in policy implementation and urges more cross-agency collaboration between Centrelink, DEEWR and FaHCSIA.
- 5.48 The Committee is glad to see progress made in the management of customer debt, and is firmly of the belief that the full implementation of its recommendations would continue to improve performance and further reduce the cost of customer debt to the taxpayer.

Audit Report No. 46 2007-2008

Regulation of Commercial Broadcasting

Background

- 6.1 The Australian Communications and Media Authority (ACMA) was established as a statutory authority on 1 July 2006 following the merger of the Australian Broadcasting Authority and the Australian Communications Authority. Upon its establishment, ACMA assumed the responsibilities of the Australian Broadcasting Authority for broadcasting regulation including complaint handling and compliance with industry Codes of Practice, and the collection of fees for broadcasting licences.
- 6.2 The *Australian Communications and Media Authority Act 2005* outlines ACMA's regulatory functions, giving ACMA the power to regulate broadcasting, telecommunications, radio communications and online content. As a statutory authority, responsibility for decisions on regulatory functions lies with ACMA. The *Financial Management and Accountability Act 1997* places responsibility for governance and management in the hands of the ACMA Chair in his capacity as Chief Executive Officer.

Co-regulatory approach

- 6.3 The *Broadcasting Act 1942* permitted complaints about broadcasting to be made directly to the regulator. The *Broadcasting Services Act 1992* adopted a co-regulatory model, requiring complaints to be handled by the broadcasting licensees in the first instance. The purpose of this approach was to promote a streamlined and cost-efficient complaints handling system. Further, a provision exists to allow for a complaint to be escalated to ACMA for review.
- 6.4 The process for establishing the co-regulatory approach involves broadcasters developing their own Code of Practice, which is subject to approval from ACMA, with broadcasters responding to complaints about breaches of the Code. ACMA may investigate Code complaints that are not resolved to the satisfaction of the complainant, or are not responded to by the broadcaster. Further, ACMA may also investigate complaints within its jurisdiction that are not covered by a Code, such as media ownership and licence conditions.
- 6.5 Adoption of the co-regulatory approach has reduced the amount of complaints being handled by the regulator. During 2005-06 and 2006-07, 2,575 complaints were received by broadcasters, with only 165 being investigated by ACMA.¹
- 6.6 In operating as the regulator, ACMA works with the assumption that a lack of complaints or alleged breaches indicates that broadcasters are complying with requirements. Reliance on complaints is ACMA's sole tool for identifying breaches in compliance with legislation and Codes of Practice.
- 6.7 ACMA believes the current system of Codes of Practice being developed by industry and approved by ACMA allows the industry and the regulator to adapt easily to changing technology, and brings the industry closer to the views of its consumers.
- 6.8 Further, the *Broadcasting Services Act 1992* requires broadcasters to produce annual reports and report on ownership and control changes. Additionally, broadcasters must provide programming information to ACMA to allow it to check for compliance with content quotas.
- 6.9 Examining the regulation of commercial broadcasting in other jurisdictions, ACMA's approach differs to those in the United Kingdom, New Zealand and the United States of America, with all complaints going directly to the regulator. The Canadian system

1 Australian National Audit Office (ANAO) Audit Report No. 46 of 2007-08 *Regulation of Commercial Broadcasting*, p. 38.

consists of an independent non-government organisation that considers complaints.

- 6.10 One of the implications of the co-regulatory approach is that ACMA is more reliant on its systems, including those it establishes with broadcasters. The audit report and this follow-up focus on the effectiveness of those systems.

Challenges facing ACMA

- 6.11 ACMA has faced considerable administrative and budgetary challenges since its inception. Firstly, it had to manage the amalgamation of its predecessor agencies. Further, the Government has required it to expand to administer programs such as the Do Not Call Register with no increases in funding.²

The Audit

Audit objectives

- 6.12 The audit objective was to examine if ACMA is, in respect of commercial broadcasting services, effectively discharging its regulatory responsibilities under the Broadcasting Services Act (BSA). The audit examined ACMA's:
- monitoring of commercial broadcasters' compliance with the BSA;
 - addressing non-compliance with, and enforcement of, the BSA;
 - collection of broadcast licence fees; and
 - monitoring and reporting of its regulatory performance in respect of commercial broadcasting.

² Australian Communications and Media Authority (ACMA), 2008, *Submission to the Joint Committee of Public Accounts and Audit, Inquiry into the Effectiveness of the Ongoing Efficiency Dividend on Smaller Public Sector Agencies*, p. 2.

Audit conclusion

6.13 The audit report made the following conclusion:

For the co-regulatory approach to operate effectively, the ANAO considers more attention needs to be given to the following areas:

- the considerable level of stakeholder dissatisfaction with the broadcasting complaints process reported in ACMA's Reality Television Review³;
- the high number of complaints handling breaches identified by ACMA (and prima facie breaches identified by the ANAO that were not fully investigated);
- monitoring whether broadcasters are publicising the Codes and their complaints procedures; and
- verifying the accuracy of the complaints data broadcasters report, on a risk assessment basis.

While ACMA has adequately addressed the majority of complaints it has received, the timeliness of its response to these complaints has deteriorated in the last couple of years. The time taken to complete commercial broadcasting investigations has also increased, with each taking, on average, 21 weeks in 2006–07. There is also the potential for investigations to take even longer, given ACMA's increased investigations workload in the first half of 2007–08. ACMA advised that it will continue to prioritise its investigations based on the risks they present and resourcing capability.

The ANAO has identified a number of areas where ACMA's management of its investigations could be improved. These include investigating all prima facie complaints handling breaches by broadcasters or recording the decision not to investigate, documenting consideration of past decisions and precedents, offering complainants the opportunity to comment (in terms of procedural fairness), and advising complainants the results of the investigations. Improving the quality and accuracy of the data in its complaints and investigations management system would increase its effectiveness as a management tool. ACMA has recently advised the ANAO that it is implementing a number of initiatives to improve its complaints and investigations processes. This includes producing an operations manual as

3 ACMA 2007, *Reality Television Review: Final Report*, p. 87.

business rules and procedures have not been documented to date.

ACMA has not taken (and does not propose to take) enforcement action to address identified non-compliance with the change notifications under the old media ownership and control rules. In relation to the new rules introduced in February 2007, ACMA initially took an educative approach and, more recently, has issued formal warning notices for non-compliance with these rules. Broadcasters are generally not required to confirm that they have implemented compliance and enforcement actions arising from breaches found in broadcasting investigations and non-compliance with media ownership and control rules. Also, unless it is a requirement of the enforcement action, ACMA does not follow-up with broadcasters to ensure these actions have been implemented as intended. However, some recent enforceable undertakings have required broadcasters to report regularly to ACMA on their progress towards compliance. The ANAO suggests that, where relevant, ACMA apply this approach more broadly to its broadcasting compliance and enforcement actions to reduce the risk of non-compliance recurring.

Most programming data reported by broadcasters to demonstrate their compliance with broadcasting content quotas and the anti-siphoning provisions, is not independently verified by ACMA. It considers that the potential costs of independent verification outweigh the assurance benefits. While appreciating that there is a balance to be struck, a risk based approach to monitoring would normally be applied in such circumstances to provide some assurance that broadcasters are meeting their regulatory requirements. This may involve ACMA gaining an appreciation of broadcasters' compliance processes and evaluating other industry intelligence.

ACMA has acknowledged that its governance arrangements in the 18 months following its establishment were not as effective as they could have been, particularly in terms of a coordinated framework. For this reason, ACMA has reviewed and is currently implementing revised corporate governance, performance management and risk management frameworks. The ongoing management of regulatory and operational risks needs to be incorporated into ACMA's risk management strategies. This will position ACMA to respond to changing

risks and, where necessary, adjust compliance strategies, priorities and activities. In addition, expanded performance reporting would improve ACMA's management of, and accountability for, the regulation of commercial broadcasting.

ANAO recommendations

6.14 The ANAO made the following recommendations:

Table 1.1 ANAO recommendations, Audit Report no. 46, 2007-2008

1.	<p>To improve the quality and transparency of investigations, the ANAO recommends that ACMA:</p> <ul style="list-style-type: none"> (a) investigate all prima facie breaches of the complaints handling provisions of the commercial television and radio Codes of Practice; (b) improve the quality of the investigations data recorded in AIMS to increase its effectiveness as a management tool; and (c) regularly analyse the investigations information in AIMS to identify any patterns or trends in non-compliance and to reduce the time taken to complete investigations. <p><i>ACMA response: Agreed.</i></p>
2.	<p>To improve the effectiveness of the co-regulatory approach to broadcasting services, the ANAO recommends that ACMA review the complaints handling processes of broadcasters or networks where it identifies, through complaints and regular analysis of investigations data, a pattern of complaints handling breaches.</p> <p><i>ACMA response: Agreed.</i></p>
3.	<p>To more effectively monitor compliance with the <i>Commercial Radio Code of Practice 4: Australian Music</i> by commercial radio broadcasters, the ANAO recommends that ACMA:</p> <ul style="list-style-type: none"> (a) identifies and addresses any impediments to producing the annual reports so that they can be published within six months of the end of the financial year; (b) examines the reports for completeness and significant Code non-compliance and investigates as appropriate; and (c) includes a summarised report on compliance with the Code in its annual reports. <p><i>ACMA Response: Agreed.</i></p>
4.	<p>To improve compliance with the requirement to notify ACMA of change of control events under Part 5 of the <i>Broadcasting Service Act 1992</i>, the ANAO recommends that ACMA:</p> <ul style="list-style-type: none"> (a) finalise and implement a standard operating procedure for handling late or incomplete notifications; and (b) develop standard timeframes for imposing compliance and enforcement action, based on the seriousness of the breaches, and monitor performance against the timeframes. <p><i>ACMA response: Agreed.</i></p>
5.	<p>To further improve its performance management and reporting, the ANAO recommends that ACMA's future annual reports include regulatory performance reports for each area of regulatory responsibility using the key performance indicators in its Portfolio Budget Statements and business plans.</p> <p><i>ACMA response: Agreed.</i></p>

The Committee's review

- 6.15 The Committee held a public hearing on Wednesday 24 September 2008, with the following witnesses:
- Australian National Audit Office (ANAO); and
 - Australian Communications and Media Authority (ACMA).
- 6.16 The Committee took evidence on the following issues:
- the Complaints process;
 - ⇒ complaint types;
 - ⇒ follow up on complaints; and
 - ⇒ delays in the complaint handling process.
 - internal ACMA resources for complaint handling;
 - performance measurement and performance;
 - broadcaster compliance with licence conditions;
 - Australian music content on commercial radio; and
 - measuring community standards.

The complaints process

Complaint types

- 6.17 The Committee noted that, due to the co-regulatory approach, many complaints were handled directly by the broadcaster and were never seen by ACMA. It asked about the ways ACMA found out about the general nature of complaints received by broadcasters.
- 6.18 ACMA informed the Committee that broadcasters submitted summary reports of complaints on a monthly basis, and that many of the complaints received by ACMA were not related to Codes of Practice.⁴
- 6.19 The Committee asked how ACMA responded to complaints received directly from the public, and how many complaints were not investigated and had been deemed to be frivolous or vexatious by ACMA.
- 6.20 ACMA replied that they endeavoured to refer the complainant to the appropriate body for non-Code complaints outside of ACMA's jurisdiction. Looking at the issue of Code complaints, ACMA replied

⁴ Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 6.

that they referred complainants to the broadcaster if they had not already at first contacted the broadcaster with their complaint.⁵

- 6.21 Regarding the issue of complaints that were not investigated, ACMA advised the Committee that in 2007-08, ACMA had received 435 complaints, 99 of which (23%) were investigated, and 339 (77%) were not investigated. ACMA indicated the reasons for not investigating included complainants not following the required process, raising issues that were out of jurisdiction, or making an enquiry, rather than a complaint, and that complainants were redirected to the appropriate body where required. Additionally, ACMA reported that since 2005, no complaint had been declined as a result of being deemed to be frivolous or vexatious.⁶

Follow up on complaints

- 6.22 The Committee discussed the follow up of complaints received directly by ACMA that were redirected to the relevant authority. It asked about steps taken to ascertain whether or not the complainant was satisfied with the response received by the appropriate body they had been referred to.
- 6.23 ACMA indicated that they usually asked complainants to contact ACMA and advise if they were satisfied with the response they had received from the body they had been referred to.⁷
- 6.24 The Committee asked the ANAO whether they had found evidence of follow up processes in place to manage complaints of this type.
- 6.25 The ANAO replied that the databases used by ACMA contained a call log and comment fields, but that data in the database was not of sufficient quality to allow the ANAO to ascertain the productivity of ACMA in addressing the issue.⁸
- 6.26 In response, ACMA indicated that they were working to improve their database to automate systems for flagging reminders to follow up with complainants.⁹

5 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 6.

6 ACMA. *Answers to JCPAA Questions on Notice*, p. 1.

7 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 9.

8 Mr Caine, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 10.

9 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 10.

- 6.27 The Committee finds ACMA's mechanisms for following up with complainants to be inadequate and conducted in an *ad hoc* manner rather than systematically. It is of the belief that the issue must be addressed in the development of both the complaint handling manual and the review of the use of the ACMA Information Management System database, and recommends:

Recommendation 13

That Australian Communications and Media Authority:

- develop a formal mechanism for following up with complainants to determine their level of satisfaction with the response received from the body they were directed to;
- include information on following up with complainants in its new complaints handling manual; and
- liaise with the Commonwealth Ombudsman to benchmark its complaint handling systems.

Delays in the complaint handling process

- 6.28 The Committee expressed its concern that the average time taken to handle an investigated complaint was 18 weeks. It asked for the reasons for such a delay in complaint handling.

- 6.29 ACMA responded:

...we receive a complaint, we check whether or not it has been to the complainant first and whether or not it is a valid code complaint. If we believe it is, we then ask the broadcaster to actually provide us with the tapes or some recording. Often at that point in time the broadcaster will take the opportunity to provide some material to us in terms of information and evidence that they would like us to consider. There is a period of time in waiting for that to be produced by the broadcaster and for that to come to us. We do find that sometimes we need to go back to the complainant as well, to clarify that we understand their complaint well. So there is a period of time which is probably ...around making sure that we have got all the information that we need to investigate the matter before us including the broadcast itself.¹⁰

¹⁰ Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 13.

- 6.30 The Committee asked what steps ACMA took in attempting to impose swifter response times on the broadcaster, with ACMA replying that there were no hard and fast rules, and that they attempted to get responses from broadcasters as soon as possible.¹¹
- 6.31 The Committee noted the difficulties faced by a complainant in having their complaint addressed, from needing to make sure their complaint was able to be handled by ACMA, to waiting for information to be sent from the broadcaster to ACMA for review.
- 6.32 ACMA replied that they also had a responsibility under administrative law to provide natural justice to broadcasters, and that procedural fairness to broadcasters required ACMA to give broadcasters time to examine and comment on the preliminary draft report on the complaint, and the opportunity to comment on the final report before publication.¹²
- 6.33 The Committee understands the need to balance procedural fairness and natural justice with the right of a complainant to receive a timely response to their complaint. However, it is also important to also allow complainants the opportunity to clarify issues in the preliminary draft report. The Committee does not see why the procedural step of viewing the preliminary draft report is only available to the broadcaster.
- 6.34 Further, The Committee is of the belief that ACMA could do more to elicit a quicker response from broadcasters to enable a faster resolution of complaints and to reduce the average investigation time down from the current figure of 18 weeks. The Committee recommends:

11 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 13.

12 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), pp. 13-14.

Recommendation 14

That Australian Communications and Media Authority:

- **impose a mandatory maximum response time of four weeks by broadcasters to complaints handled through the Australian Communications and Media Authority from the time the Australian Communications and Media Authority informs the broadcaster of the complaint;**
- **provide complainants with a copy of the preliminary draft report for review; and**
- **give broadcasters and complainants a mandatory maximum response time of two weeks to review and respond to the Australian Communications and Media Authority's preliminary draft report unless there are exceptional circumstances.**

6.35 Reducing the time taken to resolve complaints requires an incentive to ensure compliance in addition to a shorter timeframe. Disclosure of broadcaster compliance with reporting regulations would be a useful starting point in giving broadcasters an incentive to ensure compliance.

Recommendation 15

That broadcaster compliance with the requirements in Recommendation 14 be published in the Australian Communication and Media Authority's Annual Report.

Internal ACMA resources for complaint handling

- 6.36 The Committee noted ACMA's complaint recording and handling resources were seriously unprepared and underutilised. For example, the ANAO found that there was no consolidated manual for complaints handling and the ACMA Information Management System (AIMS) was not being used properly to record data.
- 6.37 The Committee asked ACMA about progress made in developing a consolidated complaints handling manual. ACMA advised that the manual was being developed as a whole of agency project, and that they were looking at a manual specific to broadcasting, but also one that covered all other regulatory arrangements more broadly. It advised that it was looking to have a consolidated first draft ready by

the end of the year,¹³ with a completed and operational manual available by March 2009.¹⁴

- 6.38 The Committee also examined the problems the ANAO found with the use of the AIMS database. While the ANAO found the database to have the potential to be useful in recording and managing complaints, it was not being used correctly. The Committee asked what steps had been taken by ACMA to ensure staff were familiar with the database and that the database was now used effectively.
- 6.39 ACMA replied that the findings of the ANAO report were being considered on a division wide basis and that a business analyst had also been engaged to identify further ways to improve complaint handling, and that the measure of progress would be improvements in the investigation process over time.¹⁵
- 6.40 The Committee is disappointed in the fact that there was not a consolidated complaints handling manual available to assist staff and that the AIMS database is not being used effectively by ACMA to record and respond to complaints. The manual and database are two of the cornerstones of complaint handling, and it is of vital importance that ACMA puts these resources at the disposal of staff as soon as possible.
- 6.41 Additionally, a database needs to contain adequate data to be useful. The ANAO indicated that data was inadequately recorded in many cases and that this had a serious impact on the ability of ACMA to manage complaints and produce reports on complaint handling. Accordingly, the Committee recommends:

13 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 8.

14 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 9.

15 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 10.

Recommendation 16

That the Australian Communications and Media Authority conduct a formal training program for all complaint handling staff in recording and responding to complaints using the Australian Communications and Media Authority Information Management System database and that the Australian Communications and Media Authority look at ways of improving the capture of data in the database.

Performance measurement and reporting

- 6.42 The Committee discussed the issue of performance measurement and reporting, and asked how ACMA measured its progress. ACMA replied that key performance indicators had been set for broadcasting investigations, and that the annual report would contain reporting against those key performance indicators.¹⁶
- 6.43 The Committee noted the ANAO finding that performance was being measured against divisional business plans, rather than the performance indicators outlined in the Portfolio Budget Statements, and asked what steps had been taken to ensure ACMA reported against the Portfolio Budget Statements in the future.
- 6.44 ACMA indicated that they had developed a strategic planning framework and that the current Portfolio Budget Statements had been aligned with that framework, and that reporting against Portfolio Budget Statements would occur in next year's annual report.¹⁷
- 6.45 The Committee is encouraged to hear that ACMA will be reporting in the appropriate manner in its 2008-09 Annual Report.

Broadcaster compliance with licence conditions

- 6.46 In its opening statement, ACMA indicated that it was interested in promoting and developing a compliance culture by using its formal powers, but also working with broadcasters, clearly framing findings, and publicising decisions for broader consideration by industry.¹⁸
- 6.47 ACMA advised that they sought to use negotiation and liaison with broadcasters in the first instance to develop a compliance culture and

16 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 12.

17 Ms Carlos, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 12.

18 Mr Cheah, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 3.

encourage a change in behaviour, and that this took a period of time to develop.¹⁹

- 6.48 The Committee asked how an informal liaison process could be transparent, with ACMA replying that transparency was achieved through the use of media releases to report on the actions taken by broadcasters to resolve the issue of a breach of the Code, and that this information informed the public as well as other broadcasters about compliance issues.²⁰
- 6.49 The Committee asked whether ACMA had launched any own motion investigations into a broadcaster, with ACMA replying that they had initiated 12 (three commercial television and nine commercial radio) own motion investigations since 2005.²¹

Australian music content on commercial radio

- 6.50 The Committee noted the ANAO recommendation regarding the Australian Music Code of Practice, asking what steps ACMA had taken to improve monitoring of broadcaster compliance.
- 6.51 ACMA replied that the issue was still being discussed with the Commercial Radio Association as the current Code was under review, and that ACMA had not yet decided how it would monitor and assess compliance with Australian content regulations. It noted the significant costs in auditing local content, and the possible effects this could have on complaint handling, resulting in decline in the capacity of ACMA to investigate complaints.²²

Measuring community standards

- 6.52 The Committee asked whether ACMA believed they had the balance right between representing the interests of the public and representing the interests of industry.
- 6.53 ACMA responded:
- ...we do not set the legislative framework, so in terms of the balance, that gets done by the Parliament and by the Government. In terms of the way we exercise our own functions within that, needless to say we would say that we

19 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 15.

20 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 15.

21 ACMA. *Answers to JCPAA Questions on Notice*, p. 1.

22 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 7.

think that, broadly speaking, we do have that right. We certainly conduct a very evidence based approach to the way we think about the issues of community standards. We conduct research into what those community standards might be in terms of then considering Codes.²³

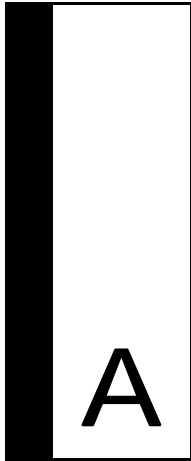
- 6.54 When asked further about how ACMA ascertained community standards, ACMA provided further detail, indicating when Codes were developed or revised, ACMA would identify issues of concern raised through complaints and media reporting to identify areas research may need to be conducted to decide whether Codes still met community standards.²⁴

Conclusion

- 6.55 The Committee notes the administrative and budgetary difficulties that ACMA has faced since its inception and understands the considerable costs it may face in ensuring compliance with legislation regarding content.
- 6.56 However, the Committee is concerned that ACMA has lacked some of the more fundamental organisational tools for several years including a clear approach to complaint handling, a database to allow for the recording and management of complaints, and the ability to report against its Portfolio Budget Statements.
- 6.57 Adopting a co-regulatory approach reduces some of the cost burdens on the regulator, but also requires the regulator to be vigilant and to be seen to be vigilant in ensuring broadcasters are meeting their obligations.
- 6.58 It is of utmost importance that ACMA addresses the fundamental problems identified in the ANAO audit report and further explored by the Committee. Fully and rapidly implementing the recommendations of both the ANAO and the Committee would enable ACMA to better perform its regulatory role as well as to effectively respond to the public and report to the Parliament.

23 Mr Cheah, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 4.

24 Ms O'Loughlin, ACMA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 27 (2007-08) to 2 (2008-09), p. 16.



Appendix A – Conduct of the Committee’s review

Selection of Audit Reports 2006-07 and 2007-08

At various times throughout 2007 and 2008, the Committee considered the following Audit Reports which were tabled in Parliament in the period from 7 August 2007 to 26 August 2008:

- No. 48 2006-07, *Superannuation Payments for Contractors Working for the Australian Government – Follow-up Audit*;
- No. 49 2006-07, *Non-APS Workers*;
- No. 50 2006-07, *The Higher Education Loan Programme*;
- No. 51 2006-07, *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the Year Ending 30 June 2007*;
- No. 52 2006-07, *The Australian Taxation Office's Approach to Regulating and Registering Self Managed Superannuation Funds*;
- No. 53 2006-07, *Australian Federal Police Overseas Operations*;
- No. 1 2007-08, *Acquisition of the ABRAMS Main Battle Tank*;
- No. 2 2007-08, *Electronic Travel Authority – Follow-up Audit*;
- No. 3 2007-08, *Australian Technical Colleges Programme*;
- No. 4 2007-08, *Container Examination Facilities Follow-up*;
- No. 5 2007-08, *National Cervical Screening Program-Follow-up*;
- No. 6 2007-08, *Australia's Preparedness for a Human Influenza Pandemic*;

- No. 7 2007-08, *The Senate Order for Departmental and Agency Contracts (Calendar Year 2006 Compliance);*
- No. 8 2007-08, *Proof of Identity for Accessing Centrelink Payments;*
- No. 9 2007-08, *Australian Apprenticeships;*
- No. 10 2007-08, *Whole of Government Indigenous Service Delivery;*
- No. 11 2007-08, *Management of the FFG Capability Upgrade;*
- No. 12 2007-08, *Administration of High Risk Income Tax Refunds in the Individuals and Micro Enterprises Market Segments;*
- No. 13 2007-08, *The Australian Taxation Office's Approach to Managing Self Managed Superannuation Fund Compliance Risks;*
- No. 14 2007-08, *Performance Audit of the Regional Partnerships Programme;*
- No. 15 2007-08, *Administration of Australian Business Number Registrations – Follow-up Audit;*
- No. 16 2007-08, *Data Integrity in the Child Support Agency;*
- No. 17 2007-08, *Management of the IT Refresh Programme;*
- No. 18 2007-08, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2007;*
- No. 19 2007-08, *Administration of the Automotive Competitiveness and Investment Scheme;*
- No. 20 2007-08, *Accuracy of Medicare Claims Processing;*
- No. 21 2007-08, *Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality;*
- No. 22 2007-08, *Administration of Grants to the Australian Rail Track Corporation;*
- No. 23 2007-08, *The Management of Cost Recovery by Selected Regulators;*
- No. 24 2007-08, *DIAC's Management of the Introduction of Biometric Technologies;*
- No. 25 2007-08, *Administering Round the Clock Medicare Grants;*
- No. 26 2007-08, *Tasmanian Forest Industry Development and Assistance Programs;*
- No. 27 2007-08, *Emergency Management Australia;*
- No. 28 2007-08, *Defence's Compliance with the Public Works Committee Approval Processes;*
- No. 29 2007-08, *Parent School Partnerships Initiative;*

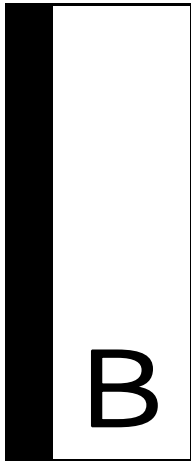
- No. 30 2007-08, *The Australian Taxation Office's Use of Data Matching and Analytics in Tax Administration*;
- No. 31 2007-08, *Management of Recruitment in the Australian Public Service*;
- No. 32 2007-08, *Preparation of the Tax Expenditures Statement*;
- No. 33 2007-08, *The National Capital Authority's Management of National Assets*;
- No. 34 2007-08, *Administration of the Pathology Quality and Outlays Memorandum of Understanding*;
- No. 35 2007-08, *Building Certification of Residential Aged Care Homes*;
- No. 36 2007-08, *The Australian Taxation Office's Strategies to Address Tax Haven Compliance Risks*;
- No. 37 2007-08, *Management of Credit Cards*;
- No. 38 2007-08, *Administration of Job Network Service Fees*;
- No. 39 2007-08, *Managing e-Business Applications – Follow-up Audit*;
- No. 40 2007-08, *Taxpayers' Charter – Follow-up Audit*;
- No. 41 2007-08, *Management of Personnel Security – Follow-up Audit*;
- No. 42 2007-08, *Management of Customer Debt – Follow-up Audit*;
- No. 43 2007-08, *Third Tranche Sale of Telstra Shares*;
- No. 44 2007-08, *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the Year ending 30 June 2008*;
- No. 45 2007-08, *Specific Purpose Payments: General Recurrent Grants for Government Schools*;
- No. 46 2007-08, *Regulation of Commercial Broadcasting*;
- No. 1 2008-09, *Employment and Management of Locally Engaged Staff*;
and
- No. 2 2008-09, *Tourism Australia*.

The JCPAA discussed the above audit reports and considered whether the issues and findings in the reports warranted further examination at a public hearing. In making this assessment the Committee considered, in relation to each audit report:

- the significance of the program or issues canvassed in the audit report;
- the significance of the audit findings;
- the response of the audited agencies, as detailed in each audit report; and
- the extent of any public interest in the audit report.

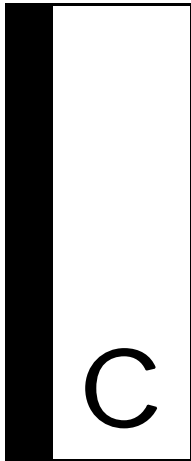
The Committee selected the following reports for review:

- *Audit Report No. 10 2007-08, Whole of Government Indigenous Service Delivery;*
- *Audit Report No. 21 2007-08, Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality;*
- *Audit Report No. 32 2007-08, Preparation of the Tax Expenditures Statement;*
- *Audit Report No. 42 2007-08, Management of Customer Debt – Follow Up Audit; and*
- *Audit Report No. 46 2007-08, Regulation of Commercial Broadcasting.*



Appendix B – List of Submissions

- 1 Department of Agriculture, Fisheries and Forestry/Department of Environment, Water, Heritage and the Arts
- 2 Australian National Audit Office
- 3 Australian Communications and Media Authority
- 4 The Treasury
- 5 Centrelink
- 6 Department of Families, Housing, Community Services and Indigenous Affairs



Appendix C – Witnesses Appearing at Public Hearings

Wednesday 18 June 2008

Australian National Audit Office

Mr M Cahill, Group Executive Director, Performance Audit Services Group

Ms B Cass, Executive Director, Performance Audit Services Group

Mr P McVay, Audit Manager

Department of Agriculture, Fisheries and Forestry

Mr P Creaser, Director, Australian Government Natural Resources Management Team

Mr R Shaw, General Manager, Landcare and Sustainable Production

Mr J Talbot, General Manager, Australian Government Natural Resource Management Team

Mr I Thompson, Executive Manager, Sustainable Resource Management Division

Department of the Environment, Water, Heritage and the Arts

Ms A Rankin, First Assistant Secretary, National Resource Management Programs Division

Mr H Taylor, Assistant Secretary, Natural Resource Management Programs Division

Wednesday 25 June 2008

Australian National Audit Office

Mr M Cahill, Group Executive Director, Performance Audit Services Group

Mr S Lack, Executive Director

Department of Education, Employment and Training

Ms M Golightly, Deputy Secretary, Employment

Mr T Greer, Group Manager, Indigenous Education

Department of Families, Housing, Community Services and Indigenous Affairs

Ms D Hawgood, Acting Deputy Secretary

Ms D Moody, Group Manager, Program Performance

Department of Health and Ageing

Mr P Davies, Deputy Secretary

Department of Prime Minister and Cabinet

Ms S Wilson, Acting Deputy Secretary

Wednesday 17 September 2008

Australian National Audit Office

Mr K Bond, Senior Director, Performance Audit Services Group

Mr B Boyd, Executive Director, Performance Audit Services Group

Mr P White, Group Executive Director, Performance Audit Services Group

Department of the Treasury

Mr P Gallagher, Manager, Retirement and Intergenerational Modelling Unit

Mr P McCullough, Revenue Group Executive Director

Ms M Mrakovcic, Division Manager, Taxation Analysis Division

Wednesday 24 September 2008

Australian Communications and Media Authority

Ms D Carlos, General Manager, Corporate Services Division

Mr C Cheah, Acting Deputy Chair

Ms N O'Loughlin, General Manager, Industry Outputs Division

Australian National Audit Office

Mr M Cahill, Group Executive Director, Performance Audit Services Group

Mr G Caine, Senior Director, Performance Audit Services Group

Ms B Cass, Executive Director, Performance Audit Services Group

Mr S Chapman, Deputy Auditor-General

Wednesday 12 November 2008**Australian National Audit Office**

Mr M Cahill, Group Executive Director, Performance Audit Services Group

Mr S Chapman, Deputy Auditor-General

Mr A Wilkinson, Senior Director, Performance Audit Services Group

Mr Nathan Williamson, Executive Director, Performance Audit Services Group

Centrelink

Ms C Rule, Acting General Manager, Business Integrity

Mr G Tidswell, Acting Deputy Chief Executive Officer

Department of Education, Employment and Workplace Relations

Ms Malisa Golightly, Deputy Secretary, Employment

Ms Marsha Milliken, Group Manager

Department of Families, Housing, Community Services and Indigenous Affairs

Mr W Cassidy, Acting Branch Manager

Mr B Gemmell, Section Manager, Compliance and Debt