

Senate Rural and Regional Affairs and Transport Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Supplementary Budget Estimates October 2009
Agriculture, Fisheries and Forestry

Question: WEA 01

Division/Agency: Wheat Exports Australia
Topic: WEA audits of accredited wheat exporters
Hansard Page: Written

Senator NASH asked:

1. In budget estimates WEA advised of the number of audits conducted and the type of audits conducted of accredited wheat exporters (refer Budget Estimates May 2009 - WEA07) - Further to this question:
2. Could the WEA please advise as to which audit was conducted for which accredited wheat exporter eg. Financial audits were conducted on? Risk management on?
3. Please outline the process for any follow up which is done on any of the areas where findings and recommendations have been made?
4. Of the audits undertaken, which ones were random audits conducted by the WEA and which ones were undertaken by appointed external auditors?
5. Currently what costs have been incurred by the WEA in having these audits conducted – both internal and by externally appointed auditors?

Answer:

2. In accordance with section 31 of the *Wheat Export Marketing Act 2008* (the Act), WEA can direct an accredited wheat exporter to arrange for an external auditor to carry out an audit and to provide WEA with a written report setting out the audit results.

During the 2008/09 marketing year, WEA conducted a total of 26 external audits on the operations of 16 accredited exporters.

Of these audits 26 external audits, 21 were in connection to:

- the accuracy of information given to WEA by the accredited wheat exporter (whether orally, in writing or by any other means), and/or
- the accuracy of one or more statements made in the application that were considered in the assessment of the application for accreditation.

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The following accredited exporters were issued notices to conduct this type of audit:

CATEGORY	Financial	Risk management	Policies, systems and procedures
Name of Exporter	- Emerald Group Australia - OzEpulse Pty Ltd - J.K. International Pty Ltd* - PentAG Commodities Pty Ltd - Glencore Grain Pty Ltd - AWB Harvest Finance Limited	- Lempriere Grain - Riverina (Australia) Pty Ltd - Louis Dreyfus Australia Pty Ltd - Cargill Australia Limited - Concordia Agritrading (Australia) Pty Ltd - Queensland Cotton Corporation Pty Ltd - OzEpulse Pty Ltd - J.K. International Pty Ltd * - ABB Grain Ltd	- AWB (Australia) Limited - Emerald Group Australia - OzEpulse Pty Ltd - GrainCorp Operations Ltd

* Note: Two external audits were conducted for this accredited exporter during the 2008/09 marketing year for both financial and risk management arrangements.

WEA directed a further five external audits be conducted in relation to the accredited wheat exporter's compliance with one or more conditions of accreditation imposed by WEA under section 8(4) of the Wheat Export Accreditation Scheme (the Scheme).

The following accredited exporters were issued notices to conduct this type of audit:

CONDITION	Shipping stem	Pools management	Chartering services
Name of Exporter	- GrainCorp Operations Ltd - Grain Pool Pty Ltd - ABB Grain Ltd	- AWB Harvest Finance Limited	- AWB Harvest Finance Limited

3. In accordance with section 31 of the Act, WEA can direct an accredited wheat exporter to arrange for an external auditor to carry out an audit and to provide WEA with a written report setting out the audit results.

WEA requires each audit report to include matters such as:

- the specific details of audit methodology
- an overview of the systems and controls in place (by way of narrative or in the form of a flow chart)
- a conclusion on each of the areas to be covered during the audit.

If the audit relates to the accredited wheat exporter's compliance with conditions of accreditation, WEA may request the auditor further provide:

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- an assessment of the accredited wheat exporter's existing capacity to comply with one or more conditions of accreditation under the Scheme
- an assessment of what the accredited wheat exporter will need to do, or continue to do, to comply with one or more conditions of accreditation under the Scheme.

The accredited exporter is required to submit an audit report to WEA, together with management comments where relevant, following the completion of an external audit. The audit reports are then assessed by WEA.

WEA will consider what action, if any, should be taken under the Scheme with respect to the accreditation of the accredited wheat exporter.

WEA will inform the accredited exporter of the outcome of the external audit in writing. This may include one or more of the following outcomes:

- WEA notes the findings of the audit report and requires no further action on behalf of the accredited exporter.
- WEA identifies specific finding(s) of the audit report and management comment(s) where relevant, and requests the accredited exporter to address the recommendation(s) of the auditor.
- WEA may require the accredited exporter to supply documentary evidence within a nominated timeframe to demonstrate how the recommendation(s) of the auditor are being addressed.
- WEA may give notice to conduct an additional external audit within a nominated timeframe, where it is not satisfied with the audit report.

4. During the 2008/09 marketing year, WEA conducted 26 external audits, of these a total of nine were selected at random, as shown in the table below:

CATEGORY	Financial	Risk management	Policies, systems and procedures
Name of Exporter	- Emerald Group Australia - AWB Harvest Finance Limited	- Riverina (Australia) Pty Ltd - Louis Dreyfus Australia Pty Ltd - Cargill Australia Limited - ABB Grain Ltd	- AWB (Australia) Limited - Emerald Group Australia - GrainCorp Operations Ltd

An accredited exporter's external auditor is eligible for use by WEA where WEA considers that the auditor's familiarity with the exporter is an advantage. This provision was used for two of the 26 audits conducted in the 2008/09 marketing year. In all other cases, WEA nominated the external auditor.

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5. During the 2008/09 marketing year, WEA incurred approximately \$300,000 in direct (external) costs in having the program of 26 audits conducted by external auditors.

In addition, total internal costs of approxim Member costs as follows:

- One FTE (EL1) was involved in the administration of the audit program in the 2008/09 marketing year, at an approximate cost of \$140,000 (salary plus on-costs)
- Three days of members' time was occupied with the audit program, at an approximate cost of \$20,000.