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Audit Report No.24 2012–13  
Performance Audit

# **The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria**

**Department of Regional Australia, Local Government,  
Arts and Sport**

Australian National Audit Office

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Canberra ACT  
26 February 2013

Dear Mr President  
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Regional Australia, Local Government, Arts and Sport with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament. The report is titled *The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Abbreviations

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|              |  |
|--------------|--|
| AGD          | Attorney-General's Department  |
| ANAO         | Australian National Audit Office   |
| CDO          | Counter Disaster Operations  |
| CEO          | Chief Executive Officer  |
| CFO          | Chief Financial Officer  |
| COAG         | Council of Australian Governments  |
| DIT          | Department of Infrastructure and Transport                                 |
| DTMR         | Queensland Department of Transport and Main Roads                          |
| EMA          | Emergency Management Australia   |
| FaHCSIA      | Department of Families, Housing, Community Services and Indigenous Affairs |
| Finance      | Department of Finance and Deregulation                                     |
| Inspectorate | Australian Government Reconstruction Inspectorate                          |
| LGA          | Local Government Authority   |
| MYEFO        | Mid-Year Economic and Fiscal Outlook                                       |
| NDRRA        | Natural Disaster Relief and Recovery Arrangements                          |
| NPA          | National Partnership Agreement   |
| PM&C         | Department of the Prime Minister and Cabinet                               |
| QLCP         | Queensland Local Council Package   |
| QRA          | Queensland Reconstruction Authority  |

|                    |   |
|--------------------|---|
| Regional Australia | Department of Regional Australia, Local Government, Arts and Sport (from 14 December 2011) – formerly Department of Regional Australia, Regional Development and Local Government |
| REPA               | Restoration of Essential Public Assets  |
| RDA                | Regional Development Authority  |
| SDA                | State Departments and Agencies  |
| SOCG               | Senior Officials Coordination Group (Victoria)  |
| Taskforce          | National Disaster Recovery Taskforce  |
| TC                 | Tropical Cyclone  |



# **Summary and Recommendations**

# Summary

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## Introduction

1. The eastern states were subject to widespread flooding during the 2010–11 Australian spring and summer seasons, and Queensland was also impacted by a number of tropical cyclones. In this context, on 27 January 2011, the Prime Minister announced that preliminary estimates indicated that the Australian Government would need to contribute \$5.6 billion to the rebuilding of flood-affected regions. Funding was to be provided under the existing Natural Disaster Relief and Recovery Arrangements (NDRRA). The majority of expenditure was expected to be on rebuilding essential infrastructure.

2. On 7 February 2011, the Prime Minister announced new oversight and accountability measures to ensure value for money would be obtained in the rebuilding of flood-affected regions. In particular:

- to ensure the Commonwealth's interests are protected and there is effective coordination across levels of government, two Australian Government representatives are on the board of the Queensland Reconstruction Authority (QRA)<sup>1</sup>;
- the Australian Government Reconstruction Inspectorate was being established with the objective of providing assurance that value for money was received in the recovery effort. The Inspectorate is to perform its functions by:
  - working collaboratively with any reconstruction agency on the development of contractual frameworks, tendering processes and project management systems used;
  - where necessary, undertaking scrutiny of requests for reimbursement by local government for completed reconstruction projects;
  - undertaking scrutiny of contracts and benchmark prices, to ensure value for money;

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<sup>1</sup> QRA was established by the Queensland Government to provide, manage and coordinate a range of recovery and reconstruction programs on behalf of the state. This includes a range of state and Commonwealth funding and assistance programs, including NDRRA.

- undertaking scrutiny prior to execution for complex or high value contracts;
  - monitoring achievement against agreed milestones; and
  - responding to and investigating complaints or issues raised by the public; and
- a dedicated taskforce (the National Disaster Recovery Taskforce, located within the Department of Regional Australia, Local Government, Arts and Sport (Regional Australia)) would be established to provide support for reconstruction work.<sup>2</sup>

3. These measures are in addition to the existing oversight, acquittal and audit requirements of NDRRA and do not alter States' obligations under those arrangements. They are also in addition to the establishment of a Secretaries' Steering Committee and the National Disaster Recovery Cabinet Sub-Committee, the appointment of the Minister Assisting on Queensland Floods Recovery and, for Victoria, the Minister for Regional Australia, Regional Development and Local Government was given an oversight role in respect of recovery. Further, Queensland established the Queensland Reconstruction Authority. In Victoria, the state established the Secretaries' Flood Recovery Group and the Senior Officials' Coordination Group (with one Commonwealth member on the latter).

4. To give effect to the additional oversight and accountability arrangements<sup>3</sup>, separate National Partnership Agreements<sup>4</sup> (NPAs) were signed with the Queensland and Victorian state governments in February and May 2011 respectively. Among other matters<sup>5</sup>, the NPAs required that a

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<sup>2</sup> Initially, the Taskforce was funded to operate until the end of 2012. The May 2012 Budget included additional funding to extend the operation of the Taskforce by one year. This was in response to the increased time granted to the Queensland Government for the completion of reconstruction projects.

<sup>3</sup> The existing NDRRA arrangements continue to apply to expenditure covered by the NPAs. These arrangements include states providing audited financial statements to acquit expenditure, including expenditure of advance payments.

<sup>4</sup> The NPA with Queensland relates to the reconstruction of communities that were affected by the 2010–11 floods and Tropical Cyclone Yasi. The NPA with Victoria relates to the early 2011 flooding in Victoria. NDRRA continues to apply to those natural disasters covered by the NPAs, with payments to the states controlled by Emergency Management Australia (EMA) within the Attorney-General's Department (which administers NDRRA).

<sup>5</sup> For example, the NPAs also included provisions relating to the Australian and state Auditors-General undertaking complementary performance audit work in respect to the NDRRA funding governed by each NPA.

recovery work plan be developed by each state, outlining a set of projects to assist with reconstruction and/or recovery. Each work plan was to be agreed between the relevant state and the Australian Government. The NPAs also included reporting obligations in respect to the work plans, with these reports to include:

- progress against the relevant work plan and in meeting specified project milestones and outcomes;
- progress with expenditure under NDRRA, including advice on the level of expenditure in key areas of the reconstruction effort;
- revisions to estimates of costs; and
- progress against community recovery plans, including the extent to which milestones are being achieved.

5. The Taskforce was the lead Australian Government agency in terms of developing the work plans with Queensland and Victoria. The Taskforce is also responsible for:

- providing secretariat support to the Inspectorate;
- reporting to relevant Ministers and providing the National Disaster Recovery Cabinet Sub-Committee with monthly progress reports on state plans for recovery, including updated estimates of the Commonwealth's liability under NDRRA;
- assessing spending on recovery and reconstruction efforts arising from the flooding and cyclone events so as to ensure consistency with NDRRA;
- assessing requests for Commonwealth funding assistance outside of those automatically triggered by a NDRRA declaration; and
- ensuring that a strategic approach is taken to reconstruction and recovery efforts.

6. The Taskforce and the relevant state body completed reviews of the Queensland and Victorian NPAs in 2012. The reviews found that the new arrangements were largely effective at coordinating and overseeing reconstruction activity and did not recommend any changes to either NPA. Nevertheless, the review of the Victorian NPA noted some areas relating to Commonwealth-state collaboration in emergency recovery that would benefit from further consideration between the Australian Government and the states

for future events.<sup>6</sup> A second review of each NPA is scheduled for 2013, once further progress has been made on the reconstruction program.

## Audit objective, scope and criteria

7. The ANAO is undertaking three audits of key aspects of the NPAs signed with Queensland and Victoria in relation to natural disasters over the 2010–11 Australian spring and summer seasons.

8. The objective of this audit was to assess the extent to which the disaster recovery work plans for Queensland and Victoria were prepared, and appropriate monitoring reports provided, in accordance with the relevant NPA.

9. The audit criteria were based on the NPAs, which: outlined the three priority areas each work plan was to target; and required that they build on the planning work undertaken by Regional Development Australia committees and local governments. The NPAs also required that the work plans identify a set of specific reconstruction projects, and that each state provide monthly reports against the relevant work plan, including in respect to progress in meeting the project milestones and outcomes specified in the work plan for their state.

10. Separate but related ANAO performance audits are also underway, with the objective of assessing the effectiveness of the Inspectorate, supported by the Taskforce, in providing assurance that value for money is being achieved in recovery and reconstruction expenditure in Victoria and Queensland. The report of the first audit, relating to value for money oversight in respect to Victorian reconstruction projects, is being tabled in conjunction with this report. The report of the third audit, examining the Inspectorate's value for money oversight activities in respect to Queensland reconstruction projects, is expected to be tabled in the 2013 Budget sittings.

## Overall conclusion

11. Given their wide geographic impact and the high level of damage to public assets, the natural disasters in Queensland and Victoria over the 2010–11 summer presented significant challenges to the Australian, state and local governments to restore infrastructure and services and provide support

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<sup>6</sup> See further at paragraph 2.19.

to affected communities. In the context of the significant Australian Government contribution to the cost of recovery and reconstruction under NDRRA, new accountability and oversight measures were announced by the Prime Minister. These measures were given effect through separate NPAs signed with Queensland and Victoria. Among the new measures was a requirement for a flood recovery work plan for each state that listed the specific recovery and reconstruction projects that were being undertaken.

12. The Taskforce is overseeing reconstruction in Queensland and Victoria worth more than \$7 billion in relation to the natural disasters in Queensland and Victoria over the 2010–11 summer, of which the Commonwealth is contributing up to 75 per cent. Recovery and reconstruction in both states has been reported as well underway, with significant project expenditure set out in the reports provided by each state.

13. A work plan has been agreed with each state. The Queensland plan was finalised in August 2011 and the Victorian plan in December 2011. Commencement of the Victorian plan was delayed because of the additional time taken to negotiate the NPA with that state.

14. The key role of each work plan was to identify the reconstruction and recovery projects towards which NDRRA funding was contributing. The contents of the two plans differ significantly, but neither meets the requirement of the NPA that it identify a set of specific reconstruction projects. Accordingly, neither work plan has provided the additional oversight and accountability that had been envisaged.

15. At the suggestion of the Taskforce, the one-page Queensland work plan does not identify any specific reconstruction projects.<sup>7</sup> The Taskforce also suggested that reliance could be placed on the already developed state plan. However, the state plan titled *Operation Queenslander: The State Community Economic and Environmental Recovery and Reconstruction Plan 2011–2013* does not identify specific reconstruction and recovery projects (as this was not its purpose). Rather, it is a strategic, high-level framework that aligns recovery efforts into six ‘lines of reconstruction’.

16. It would have been difficult to complete a list of reconstruction projects during the early stages of reconstruction. The approach proposed by the

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<sup>7</sup> See further at paragraph 2.21.

Taskforce was that it would be sufficient for 'high level descriptions of work' to be provided initially in the work plan with 'further details added progressively'.<sup>8</sup> However, the work plan for Queensland has not been updated as project details have become available. Some project level information is provided by Queensland to the Taskforce both for the purpose of the Inspectorate selecting projects for value for money reviews, and in monthly reporting prepared for the QRA board. However, this data has not been updated into the work plan (as the Taskforce had originally proposed to do) and the project level data has remained dispersed rather than being collated to include all metrics referred to in the NPA. As a result, neither source of data provides the full range of project information referred to in the NPA, for both state and council-delivered projects. Accordingly, through this data it is difficult to measure the progress of the projects making up the reconstruction program against the work plan and in meeting project milestones and outcomes (as required by the NPA).

17. The Victorian work plan is more substantial than the Queensland plan. It identifies 41 reconstruction initiatives costed at \$1.02 billion. However, in many instances, the work plan simply identifies broad categories of work rather than specific reconstruction projects<sup>9</sup>, and therefore is also not fully consistent with the relevant NPA. In November 2012, Victoria advised the ANAO that: it agreed that the work plan did not provide specific detail as to which roads or sections of the regional rail network required work; these details are held by LGAs and/or relevant state departments; but the Taskforce did not seek this information from Victoria.

18. In this context, in November 2012, Regional Australia advised the ANAO that 'as the new oversight and governance arrangements were implemented, it became clear that the specific requirements of the NPAs did not necessarily reflect the practicalities of rolling out the reconstruction programs'. However, this issue was not raised in the reviews of each NPA

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<sup>8</sup> Similarly, the 2012 review of the Queensland NPA observed that a work plan 'may need to be a living document where further detail, such as project level information, is added as it becomes available so as to meet the project monitoring and reporting requirements of the NPA and ensure value for money'.

<sup>9</sup> For example, one initiative is \$121.5 million for repair of flood damage to arterial roads, with the arterial roads involved not identified or even the number of roads requiring repairs.

undertaken in 2012.<sup>10</sup> Regional Australia also has not provided advice to Ministers on this matter, and there have been no recommendations put forward by the department that the NPAs be amended in respect to the requirement for a work plan to identify specific reconstruction projects.

**19.** The Taskforce's development and administration of reporting arrangements has also not been to a sufficiently high standard. There was early recognition that Australian Government oversight of the recovery and reconstruction efforts in Queensland and Victoria was reliant on timely and high quality data. However, the Taskforce relied on the data it received from the states even where this data did not provide the information required by the NPAs. Of note was that, since the project level information contained in the work plans was limited, monthly reporting has not provided for adequate oversight of whether project milestones and outcomes are being met (a key matter that each NPA required to be addressed by the monthly reports). There is also limited evidence of the Taskforce analysing the information that has been reported by the states or raising questions about: omitted data (in relation to agreed reporting metrics); overly-aggregated data that provided limited transparency of actual reconstruction progress in relation to the events covered by the NPAs; and the consistency of the data that was provided over time.

**20.** The development of the work plans occurred at the same time that the Taskforce was developing its approach for undertaking value for money reviews of individual reconstruction projects. Conducting these reviews is the primary component of the approach adopted by the Inspectorate and the Taskforce to provide assurance that value for money is being achieved in recovery and reconstruction expenditure in those two states. In this context, the work of the Taskforce was more focused on supporting the Inspectorate in the development and implementation of a framework to conduct value for money reviews of Queensland reconstruction projects. As noted at paragraph 10, the ANAO is undertaking separate but related audits of the conduct of the value for money assurance activities in Queensland and Victoria.

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<sup>10</sup> In 2012, the Taskforce and the relevant state body undertook reviews of the Queensland and Victorian NPAs. The reviews found that the new arrangements were largely effective at coordinating and overseeing reconstruction activity and did not recommend any changes to either NPA. Nevertheless, the review of the Victorian NPA noted some areas relating to Commonwealth-state collaboration in emergency recovery that would benefit from further consideration between the Australian Government and the states for future events (see further at paragraph 2.19).



21. The ANAO has made two recommendations in respect to the preparation and delivery of the recovery work plans for Queensland and Victoria, which were components of new accountability and oversight measures announced by the Prime Minister and agreed to by the respective state governments. The first recommendation is focused on obtaining the project level information on the respective reconstruction programs that was required by the respective NPAs to be included in each work plan. The second recommendation relates to improving data collection, analysis and reporting arrangements of reconstruction progress. This audit also provides a useful reminder to Commonwealth officials that measures agreed to by governments are expected to be implemented unless, in light of new information or circumstances, Ministers decide otherwise.

## Key findings by Chapter

### The Work Plans (Chapter 2)

22. The Queensland work plan was developed through five drafts over a period of five months, between February and June 2011. The plan was forwarded to the office of the Australian Government Minister Assisting the Attorney-General on Queensland Floods Recovery for agreement in early July 2011. The Minister was advised that the purpose of the work plan was to identify specific projects to assist with reconstruction and/or recovery but he was not provided with any advice as to whether the work plan met the requirements of the NPA. The Minister approved the work plan on 26 August 2011.

23. The Queensland work plan is a one-page document, with an additional one-page spreadsheet attachment that outlines the format of the monthly progress reports to be submitted by the state. The key role of the work plan was to identify the reconstruction and recovery projects towards which NDRRA funding was contributing. However, in developing the work plan, the Taskforce suggested to QRA that, rather than identifying specific projects, it would be sufficient for 'high level descriptions of work' to be provided initially with 'further details added progressively as matters develop'. The Taskforce further proposed that, rather than developing a work plan specific to the Commonwealth's needs, reliance be placed on public documentation already developed by the state (although the state planning document does not identify specific projects, as that was not its purpose). The result is that the work plan does not identify a list of specific projects.

24. Rather than progressively updating the work plan as it had originally proposed, the Taskforce has obtained some information on reconstruction projects through other means, but this information has not fully satisfied the requirements of the NPA. In particular, some data on approved projects is provided to the Taskforce to inform its sampling of Queensland reconstruction projects for the Inspectorate's value for money reviews. In addition, since mid-2011, some information on projects being delivered by LGAs has also been reported each month to the QRA board (the Taskforce receives these reports).

25. Development of the Victorian work plan commenced later than that of Queensland, due to the additional time taken to negotiate the Victorian NPA. Drafts were exchanged between Victorian representatives and the Taskforce over the period June to September 2011 before the Victorian flood recovery work plan was agreed to by the Australian Government Minister for Regional Australia, Regional Development and Local Government on 16 December 2011.

26. The finalised Victorian flood recovery work plan is a more substantial document than that developed for Queensland. The work plan includes an appendix that listed 41 proposed reconstruction and recovery 'initiatives' for which the Victorian Government requested Commonwealth funding. The work plan costed these initiatives at some \$1.02 billion, comprising \$827.2 million in gross expenditure, \$122.5 million in insurance offsets and \$69.1 million in internal reprioritisation of funding by the state. However, in many instances, the 'initiatives' listed in the work plan do not identify specific reconstruction and recovery projects but relate to general categories of work.

27. In addition to the key requirement to list specific projects, the Victorian NPA also required that the Victorian work plan outline project plans and strategies for projects over \$5 million. In total, 21 of the 41 initiatives listed in the appendix to the work plan were costed at greater than \$5 million (recognising that an 'initiative' may comprise a number of projects). However, for none of these initiatives did the work plan outline the project plans and strategies that the state proposed to adopt, meaning the NPA requirement was not met. This impacted on the Inspectorate's ability to be satisfied that the proposed plans and strategies were likely to deliver value for money.<sup>11</sup>

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<sup>11</sup> The Inspectorate's terms of reference included reviewing contractual frameworks, tendering processes and project management systems.

## Reporting on Work Plan Delivery (Chapter 3)

28. The Taskforce's terms of reference required it to provide the National Disaster Recovery Committee of Cabinet with monthly progress reports on progress with recovery and reconstruction, as well as updated estimates of the Australian Government's liability under NDRRA.<sup>12</sup> In this context, each NPA required that the two states provide the Taskforce with regular reports on progress against the work plan for their state, expenditure under NDRRA and revisions to cost estimates.

29. Reporting from Queensland commenced with a report for March 2011. In respect to Victoria, the first monthly report received related to July 2011, but also included comparative data for June 2011.

30. The Taskforce does not obtain reports from Queensland that meet the requirements of the NPA. Rather, the Taskforce has relied on monthly reports prepared by QRA for the state's purposes. More recent reports have included data relating to natural disasters that occurred both before and after the timeframe covered by the NPA but this was also not addressed by the Taskforce. Over the first few months of 2012–13, QRA has been progressively separating the disaster events in its reporting but up to the date this ANAO report was prepared this was only for selective metrics or at a high level.

31. A key matter that each NPA required to be addressed by the monthly reports from each state was whether project milestones and outcomes are being met. While not containing information on project milestones, monthly reports from Queensland have included some data on projects being delivered by LGAs. However, the more recent reports have not included information on the value of each such project. Similar data has not been reported for those projects being delivered by state agencies. In addition, QRA reporting of the value of projects completed includes works in progress. There is limited evidence of the Taskforce analysing the information that has been reported to it by Queensland. Such analysis could usefully have focused on trends, and would beneficially have also drawn attention to the lack of project-specific reporting in respect to state delivery agencies and lack of clarity surrounding progress towards actual completion of the state reconstruction program.

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<sup>12</sup> See further at paragraph 3.1.

32. Victoria has also consistently provided monthly reports to the Taskforce. These reports were broadly consistent with the terms of the NPA. They included progress made with the initiatives contained in the work plan, together with updated expenditure reports. However, as noted at paragraph 26, a high proportion of the 'initiatives' listed in the work plan do not identify specific reconstruction and recovery projects. In addition, similar to the situation with the reports from Queensland, there is no evidence that this data was analysed by the Taskforce in a systematic way. The reports also did not include progress against the recovery plans of the communities in Victoria that had been identified as being the most severely flood-affected (as required by the NPA to be included in the work plan and monthly reports).

33. Transparency and accountability was also less than originally envisaged, because of the inclusion by Victoria of recovery and reconstruction activities originating from events that either pre-dated or post-dated the disaster events specified in the NPA. Ideally, these activities should have been separated. Although Queensland has commenced this process, at the time of preparation of this audit report, there had been no similar move in this direction in relation to the Victorian flood progress reporting. In late-January 2013, Regional Australia advised the ANAO that it agrees that the work plan could be amended to exclude initiatives not related to the early 2011 flooding and that discussions with Victorian officials in relation to this have taken place. However, the department did not advise of the outcome of those discussions in relation to the work plan, nor whether the events covered by the NPA would be separately disclosed in future in the Victorian flood progress reports.

## Agency responses

34. The proposed audit report was provided to Regional Australia, the Chair of the Inspectorate, the Attorney-General's Department, the Department of Finance and Deregulation, the Department of the Prime Minister and Cabinet, the Department of the Treasury, the Victorian Senior Officials Coordination Group and the Queensland Reconstruction Authority. Regional Australia, the Victorian Senior Officials Coordination Group and the Queensland Reconstruction Authority provided formal comments on the proposed report. These are included at Appendix 1. PM&C also provided a departmental response on the recommendations.

# Recommendations

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*Set out below are the ANAO's recommendations and the responding agencies' abbreviated responses. More detailed responses are shown in the body of the report immediately after each recommendation.*

## Recommendation No.1

### Paragraph 2.64

The ANAO recommends that the Department of Regional Australia, Local Government, Arts and Sport, in preparation for the forthcoming reviews of the National Partnership Agreements, identify the most effective means of obtaining the project level information on the respective reconstruction programs required by the Agreements to be reported on and, if appropriate, seek amendments to the Agreements.

**Regional Australia's response:** Agreed.

**PM&C's response:** Noted.

## Recommendation No.2

### Paragraph 3.86

The ANAO recommends that the Department of Regional Australia, Local Government, Arts and Sport improve its monitoring of the delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria by:

- (a) seeking from each state the project level data that is required to report to Ministers on reconstruction progress in the manner required by each National Partnership Agreement (or as may otherwise be agreed); and
- (b) undertaking analysis of relevant data that has been reported by each state over time to identify significant trends and other matters of importance, and updating this analysis as and when further data is reported.

**Regional Australia's response:** Agreed.

**PM&C's response:** Noted.



## **Audit Findings**

# 1. Introduction

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*This chapter provides an overview of the key Australian Government mechanism for providing financial assistance in response to natural disasters, and outlines the additional oversight and accountability mechanisms introduced for the significant financial assistance being provided to Queensland and Victoria in response to widespread flooding in those states during the 2010–11 spring and summer. It also sets out the audit objective, scope and criteria.*

## Background

**1.1** Prime responsibility for the response to a disaster rests with state and territory governments. Nevertheless, as natural disasters often result in large-scale expenditure by state governments in the form of disaster relief and recovery payments and infrastructure restoration, the Commonwealth has established arrangements to provide financial assistance to the states in certain circumstances.

**1.2** The key national mechanism for providing financial assistance is the Natural Disaster Relief and Recovery Arrangements (NDRRA), which is a Commonwealth ministerial determination. NDRRA assistance takes account of a state/territory's capacity to fund disaster recovery and is usually in the form of partial reimbursement of actual state expenditure. Advance payments may be provided through NDRRA if the relevant Minister is satisfied that exceptional circumstances exist. States are required to provide audited financial statements to acquit expenditure, including expenditure of advance payments, and repay to the Commonwealth amounts not properly spent.

**1.3** The determination defines those natural disasters that are covered by NDRRA, and identifies those measures that are eligible for NDRRA funding. Subject to administrative rules set out in the determination, upon notification of the natural disaster to the Commonwealth Attorney-General by the affected state, Commonwealth assistance will be provided in respect to eligible measures. In this context, there are four categories of assistance:

- Category A — emergency assistance provided to individuals;
- Category B — restoration of essential public assets, concessional loans and counter disaster operations;



- Category C — community recovery (for community facilities) and clean-up and recovery grants for small businesses and primary producers; and
- Category D — exceptional circumstances assistance.

**1.4** In November 2012, the Department of Regional Australia, Local Government, Arts and Sport (Regional Australia) provided the ANAO with its perspective on the operation of NDRRA, by way of background to the introduction of additional oversight and accountability measures in response to the 2010–11 flooding in Queensland and Victoria. Specifically, Regional Australia advised that:

Prior to 2011, Commonwealth support for disaster reconstruction was managed primarily by Emergency Management Australia under the terms of the Natural Disaster Relief and Recovery Arrangements. ... NDRRA operates on a reimbursement basis, with the Commonwealth having little oversight of reconstruction as it occurs. Limited Commonwealth oversight at the conclusion of reconstruction is afforded by audited claims submitted by states and territories. No project level information is provided in these claims.

## Additional oversight and accountability measures

**1.5** The eastern states were subject to widespread flooding during the 2010–11 Australian spring and summer seasons, and Queensland was also impacted by Tropical Cyclones (TC) Tasha, Anthony and Yasi. In this context, on 27 January 2011, the Prime Minister announced that preliminary estimates<sup>13</sup>, following consultation with the Queensland Government, indicated that the Australian Government would need to contribute \$5.6 billion to the rebuilding of flood-affected regions, with the vast majority going on rebuilding essential infrastructure. The Prime Minister also announced that, to ensure recovery and rebuilding could start as soon as possible, and to provide certainty to the Queensland Government and local authorities, the Australian Government had agreed to make an advance payment of \$2 billion to Queensland.

**1.6** Subsequently, on 7 February 2011 the Prime Minister announced new oversight and accountability measures to ensure value for money would be obtained in the rebuilding of flood-affected regions. Accordingly, under

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<sup>13</sup> Excluding the effects of Tropical Cyclone Yasi, which reached the mainland in the early hours of 3 February 2011.

National Partnership Agreements (NPAs) signed with the Queensland and Victorian state governments in February and May 2011 respectively:

- a recovery work plan was required to be developed by each state, outlining a set of projects to assist with reconstruction and/or recovery, with each work plan to be agreed between the relevant state and the Australian Government; and
- the Australian Government Reconstruction Inspectorate was established with the objective of providing assurance that value for money was received in the recovery effort. The Inspectorate is to perform its functions by:<sup>14</sup>
  - working collaboratively with any reconstruction agency on the development of contractual frameworks, tendering processes and project management systems used;
  - where necessary, undertaking scrutiny of requests for reimbursement by local government for completed reconstruction projects;
  - undertaking scrutiny of contracts and benchmark prices, to ensure value for money;
  - undertaking scrutiny prior to execution for complex or high value contracts;
  - monitoring achievement against agreed milestones; and
  - responding to and investigating complaints or issues raised by the public.

**1.7** These measures are in addition to the existing oversight, acquittal and audit requirements of NDRRA and do not alter States' obligations under those arrangements. They are also in addition to the establishment of a Secretaries' Steering Committee and the National Disaster Recovery Cabinet Sub-Committee, the appointment of the Minister Assisting on Queensland Floods Recovery and, for Victoria, the Minister for Regional Australia, Regional Development and Local Government being given an oversight role in respect of recovery. Further, Queensland established the Queensland Reconstruction Authority (with two Commonwealth appointments to its board). In Victoria,

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<sup>14</sup> As set out in the Inspectorate's terms of reference, which were also reflected in the Queensland NPA.

the state established the Secretaries' Flood Recovery Group and the Senior Officials' Coordination Group (with one Commonwealth member on the latter).

**1.8** Advance payments of \$2 billion for Queensland and \$500 million for Victoria were made after finalisation of the respective NPAs. NDRRA continues to apply to those natural disasters covered by the NPAs, with payments to the states made (through the Department of the Treasury) by the Attorney General's Department (which administers NDRRA). The stated intention of each NPA was to strengthen and complement the NDRRA governance and accountability provisions.

**1.9** The Reconstruction Inspectorate is supported by the National Disaster Recovery Taskforce located within Regional Australia. The Taskforce is responsible for Commonwealth engagement with the Queensland and Victorian reconstruction agencies during the recovery phase and is responsible for the implementation of the additional oversight requirements contained in the NPAs.<sup>15</sup> It was also the lead Australian Government agency in terms of developing the work plans with Queensland and Victoria. As specified in its terms of reference and the Queensland NPA, the Taskforce is also responsible for:

- providing secretariat support to the Inspectorate;
- reporting to relevant Ministers and providing the National Disaster Recovery Cabinet Sub-Committee with monthly progress reports on state plans for recovery, including updated estimates of the Commonwealth's liability under NDRRA;
- assessing spending on recovery and reconstruction efforts arising from the flooding and cyclone events so as to ensure consistency with NDRRA;
- assessing requests for Commonwealth funding assistance outside of those automatically triggered by a NDRRA declaration; and
- ensuring that a strategic approach is taken to reconstruction and recovery efforts.

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<sup>15</sup> Initially, the Taskforce was funded to operate until the end of 2012. The May 2012 Budget included additional funding to extend the operation of the Taskforce by one year. This was in response to the increased time granted to the Queensland Government for the completion of reconstruction projects.

## **Coverage of the NPAs**

**1.10** The NPA with Queensland relates to the reconstruction of communities that were affected by the 2010–11 floods and TC Yasi. The NPA with Victoria relates to the early 2011 flooding in Victoria.

## **Audit objective, scope and criteria**

**1.11** The ANAO is undertaking three audits of key aspects of the NPAs signed with Queensland and Victoria in relation to natural disasters over the 2010–11 Australian spring and summer seasons.

**1.12** The objective of this audit was to assess the extent to which the disaster recovery work plans for Queensland and Victoria were prepared, and appropriate monitoring reports provided, in accordance with the relevant NPA.

**1.13** Separate but related ANAO performance audits are also underway, with the objective of assessing the effectiveness of the Inspectorate, supported by the Taskforce, in providing assurance that value for money is being achieved in recovery and reconstruction expenditure in Victoria and Queensland. The report of the first audit, relating to value for money oversight in respect to Victorian reconstruction projects, is being tabled in conjunction with this report. The report of the third audit, examining the Inspectorate's value for money oversight activities in respect to Queensland reconstruction projects, is expected to be tabled in the 2013 Budget sittings.

**1.14** These audits focus on the performance of the relevant Australian Government entities in discharging their responsibilities following agreements reached with the Queensland and Victorian Governments by the Australian Government.

## **Audit scope and criteria**

**1.15** The audit focused on the development and approval of the work plans for Queensland and Victoria. It also included examination of state monitoring and reporting (to the Australian Government) of delivery against the agreed work plans.

**1.16** The audit criteria were based on the NPAs, which: outlined the three priority areas each work plan was to target; and required that they build on the planning work undertaken by Regional Development Australia committees and local governments (so as to ensure a strategic approach to reconstruction

and recovery efforts, incorporating the principles of local input and leverage). In addition:

- the Victorian NPA required that the work plan for that state provide information on Victorian procurement policies, outline a set of projects to assist with reconstruction and recovery and outline project plans and strategies for projects over \$5 million; and
- the Queensland NPA required that the work plan for that state be developed consistently with principles outlined in a schedule to the NPA (including various requirements as to the information needed to support proposals).

**1.17** The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$465 000.

## Report structure

**1.18** The structure of the report is outlined in Table 1.1.

**Table 1.1**

### Structure of the report

| Chapter title                      | Chapter overview   |
|------------------------------------|--|
| 2. The Work Plans                  | Examines the development of the work plans and assesses the extent to which the plans comply with the terms set out in the NPAs. |
| 3. Reporting on Work Plan Delivery | Examines the Taskforce's role in state monitoring and reporting of delivery against the work plans.                              |

## 2. The Work Plans

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*This chapter examines the development of the work plans and assesses the extent to which the plans complied with the terms set out in the National Partnership Agreements.*

### Introduction

**2.1** Through the Queensland NPA, the state agreed to prepare a natural disaster recovery work plan which ‘will identify a set of specific projects to assist with reconstruction and/or recovery’. The NPA defined a natural disaster recovery work plan as:

The collection of projects developed by the states, and agreed with the Commonwealth, for the reconstruction and/or recovery following the 2010–11 floods and Cyclone Yasi.

**2.2** Similarly, the Victorian NPA required that state to develop a flood recovery work plan that would: provide information on Victorian procurement policies; outline a set of projects to assist with reconstruction and/or recovery; and outline project plans and strategies for projects over \$5 million. The Victorian NPA included a similar definition of work plan as that adopted in the Queensland NPA, as follows:

The collection of major projects developed by Victoria and agreed with the Commonwealth, for reconstruction and/or recovery following the 2011 Victorian floods.

**2.3** The Queensland and Victorian flood NPAs each indicate that projects included in the work plans would target three priority areas to assist in the reconstruction process. The priority areas are:

- reconstruction: supporting communities to rebuild major essential public assets;
- people and communities: assistance and services to support individuals and communities to manage their own recovery; and
- the economy: recovery packages to support business and employment in flood-affected areas.

**2.4** In this context, the ANAO examined the:

- process for agreeing to the work plans; and
- contents of the work plans for each state.

**2.5** In examining the development of the work plans, the ANAO took into account the overall environment in which the recovery and reconstruction assistance was designed and operated. In particular, the ANAO's analysis recognised that the Taskforce faced a difficult task because of the range of divergent perspectives of the various Australian, state and local government entities involved in the recovery and reconstruction processes.

## Earlier adoption of the work plan approach

**2.6** The first occasion that a NPA and a natural disaster recovery work plan were used in respect to NDRRA funding was in the aftermath of the Victorian bushfires in 2009. In response to that earlier natural disaster, the Victorian Government developed a rebuilding plan titled *Rebuilding Together: A Statewide Plan for Bushfire Reconstruction and Recovery*.

**2.7** The *Rebuilding Together* plan was publicly released on 16 October 2009. Projects within the plan were funded by: the Australian and Victorian Governments (\$117 million); the Victorian Bushfire Appeal Fund (\$56 million); and corporate, community and philanthropic donors (\$20 million). The plan stated that it was based on the disaster recovery framework being used by the Victorian Bushfire Reconstruction and Recovery Authority to guide its activities, and was to be delivered across four recognised 'pillars' of disaster recovery—people, reconstruction, economy and environment.

**2.8** The *Rebuilding Together* plan noted that more than 900 projects had been identified by communities in Community Recovery Plans. The plan outlined that it would fund a range of these projects, focusing on those that were expected to contribute to the economic and social recovery of communities following the bushfires. Particular projects were highlighted throughout the document, together with a section that identified each project by location.

**2.9** The Commonwealth provided funding to Victoria to implement selected measures from the state plan, under the terms of the NPA on the Victorian Bushfire Reconstruction and Recovery. The NPA was signed in March 2010, thirteen months after the bushfires. The NPA scope related to the bushfires that occurred after 29 January and until 28 February 2009.

**2.10** Through the bushfires NPA, the Australian Government agreed to provide \$31.1 million to Victoria. This funding was in addition to the assistance

Victoria was to receive through NDRRA.<sup>16</sup> By way of comparison, the funding covered by the NPAs signed with the Queensland and Victorian Governments in respect to the 2010–11 flooding was not intended to increase Australian Government spending above that already provided for by the NDRRA determination. Rather, those two NPAs each stated that they were intended to strengthen and complement the governance and accountability provisions of NDRRA.

**2.11** The Victorian Bushfire Recovery NPA incorporated clearly defined projects from the *Rebuilding Together* Plan, listing those that were to be funded by the Commonwealth and the manner in which funds were to be allocated. The agreed total provided by the Commonwealth was for 25 initiatives, over 2009–10 and 2010–11. The NPA was administered within the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).<sup>17</sup>

**2.12** In respect to bringing the lessons learned from this earlier experience to bear, the current Secretary of Regional Australia had been the FaHCSIA officer responsible for coordinating a whole-of-government response, in partnership with the Victorian Government, to the Victorian bushfire tragedy. She also chaired the Commonwealth Victorian Bushfire Inter-Departmental Committee. Further in this respect, Regional Australia advised the ANAO in November 2012 that:

The Commonwealth had recent experience assisting Victoria to recover from the 2009 bushfires and this informed the creation of the Queensland NPA. However, there are considerable differences between the acute and conspicuous damage caused by a bushfire and the widespread and often concealed damage caused by flooding. Damage levels from flooding remain as estimates until well into the reconstruction program, when more accurate data becomes available. Unsurprisingly, this has resulted in the Commonwealth's estimated exposure to reconstruction costs varying over time.

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<sup>16</sup> Specifically, clause 5 of the bushfires NPA stated: 'The primary mechanism for the Commonwealth to support the States and Territories following a natural disaster is through the NDRRA. This agreement will cover projects that are not funded under the NDRRA.'

<sup>17</sup> The NPA provided that the Minister for Families, Housing, Community Services and Indigenous Affairs was authorised to agree or amend schedules to the Agreement, and certify that payment may be made to Victoria. In addition, the Government appointed the Hon Bill Shorten MP as Parliamentary Secretary for Victorian Bushfire Reconstruction.



## The Queensland work plan

**2.13** The Queensland work plan was developed through five drafts over a period of five months, between February and June 2011. The plan was forwarded to the office of the Minister Assisting the Attorney-General on Queensland Floods Recovery for agreement in early July 2011. The Minister was advised that the purpose of the work plan was to identify specific projects to assist with reconstruction and/or recovery but he was not provided with any advice as to whether the work plan met the requirements of the NPA. The Minister approved the work plan on 26 August 2011.

**2.14** The Queensland work plan is a one-page document, with an additional one-page spreadsheet attachment that outlines the format of the monthly progress reports to be submitted by the state. As illustrated in Appendix 2, the work plan comprises nine clauses, under three headings as follows:

- the first heading ('Work Plan') covers a single clause referring to the obligation under the NPA for a work plan to be prepared;
- the second heading ('Content of Work Plan') comprises three clauses that reflect and summarises various statements made in the NPA concerning the content of the work plan; and
- the third heading ('Reporting') comprises five clauses outlining the requirement for reporting on a monthly basis in the format of the one-page attachment, and that the work plan and reporting template may be amended to reflect changing circumstances and provides for the Commonwealth to request in writing:
  - additional data and reporting; and/or
  - regular reports on nominated key projects, or where a project tolerance breach is anticipated or has occurred.

**2.15** In this context, in January 2013 Regional Australia advised the ANAO that:

The Queensland work plan comprises the one-page document, the monthly progress reporting and the Queensland State Plan (Operation Queenslander). The Queensland and Commonwealth Governments agreed that the State Plan was intended to accompany the work plan as it guides reconstruction and recovery in Queensland. The State Plan identifies the framework of the Six Lines of Reconstruction, which specifies the key strategic milestones to be met for each line of reconstruction to ensure timely recovery is achieved.

**2.16** Similar to the work plan, the state plan does not include project level information. Some project level information is provided by Queensland to the Taskforce both for the purpose of the Inspectorate selecting projects for value for money reviews, and in monthly reporting prepared for the QRA board. However, this data has not been updated into the work plan (as the Taskforce had originally proposed to do) and the project level data has remained dispersed rather than being collated to include all metrics referred to in the NPA. As a result, neither source of data provides the full range of project information referred to in the NPA, for both state and council-delivered projects. Accordingly, through this data it is difficult to measure progress of the projects making up the reconstruction program against the work plan and in meeting project milestones and outcomes (as required by the NPA).

### **Practicality of the NPA requirement**

**2.17** The key role of the work plan was to identify the reconstruction and recovery projects towards which NDRRA funding was contributing. Accordingly, 'natural disaster recovery work plan' was defined (in clause 12 of the NPA) as 'a collection of projects developed by the States and agreed with the Commonwealth, for reconstruction and/or recovery'. In addition, as one of the specified outputs of the NPA, clause 15 stated that:

Each State that is party to this Agreement agrees to prepare a Natural Disaster Recovery Work Plan which will identify a set of specific projects to assist with reconstruction and/or recovery in their State. *[emphasis added]*

**2.18** In November 2012, Regional Australia advised the ANAO that:

As the new oversight and governance arrangements were implemented, it became clear that the specific requirements of the NPAs did not necessarily reflect the practicalities of rolling out the reconstruction programs. For example, the NPAs required that the work plans identify a set of specific projects to assist with reconstruction and/or recovery in each state. In Queensland alone, over 1500 projects have been identified to date by local councils and state agencies, and as recently as a month ago, new project applications were still being submitted. It is inconceivable that such a list could have been compiled in a timeframe to be included in a work plan. More to the

point, the establishment of such a list would not have augmented the Commonwealth's oversight of reconstruction in any practical sense.<sup>18</sup>

**2.19** In 2012, the Taskforce and the relevant state body (QRA and representatives of the Victorian Secretaries' Flood Recovery Group) undertook reviews of the Queensland and Victorian NPAs. The reviews found that the new arrangements were largely effective at coordinating and overseeing reconstruction activity and did not recommend any changes to either NPA.<sup>19</sup> Nevertheless, the review of the Victorian NPA noted some areas relating to Commonwealth-state collaboration in emergency recovery that would benefit from further consideration between the Australian Government and the states for future events.<sup>20</sup> In terms of the work plans requirement, the Queensland review stated that:

- the scale of the required reconstruction program across the state made the compilation of a work plan 'very difficult';
- there had been extensive negotiation on the content of the work plan and it had been agreed that the work plan would include the Operation Queenslander planning documents prepared by the state as well as the QRA's monthly reporting to the Commonwealth; and
- a work plan 'may need to be a living document where further detail, such as project level information, is added as it becomes available to

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<sup>18</sup> Regional Australia further commented that: 'It was inevitable that the applications in support of the original (and very speculative) damage estimates would be slow coming in. There were also brand new application processes that had to be understood and complied with by LGAs. The Queensland Reconstruction Authority said to LGAs early on that this should not stop them getting on with the work if they were confident that the claims would be honoured.'

<sup>19</sup> A second review of each NPA is scheduled for 2013, once further progress has been made on the reconstruction program.

<sup>20</sup> The review suggested that the following items should be considered for discussion and clarification:

- the appropriate cost threshold and methodology for value for money assessments;
- the scale-of-event threshold to initiate a NPA for joint Commonwealth-state recovery and reconstruction actions;
- the appropriate types of performance monitoring and reporting in line with different scales-of-events taking into account consideration of accountability and transparency objectives together with the relative governance and cost burdens;
- principles and guidelines pertaining to the use of and the threshold scale-of-event for advances to the states of Commonwealth funding; and
- clarification of the process and responsibilities for determining eligibility of reconstruction and recovery initiatives for NDRRA funding, should a NPA be put in place.

meet the project monitoring and reporting requirements of the NPA and ensure value for money.'

## Identifying specific projects

**2.20** Against this background, in developing the work plan, the Taskforce suggested to QRA that, rather than identifying specific projects, it would be sufficient for 'high level descriptions of work' to be provided initially with 'further details added progressively as matters develop'. The Taskforce further proposed that, rather than developing a work plan specific to the Commonwealth's needs, reliance be placed on public documentation already developed by the state (referred to as the State Plan<sup>21</sup>).<sup>22</sup> As a result, clause 2b of the work plan states:

To allow consistency between the State Plan and the requirements for the Work Plan under the NPA, it would be sufficient for Queensland to specify in the Work Plan high priority reconstruction projects in line with Part 2, Clause 15 of the NPA.

**2.21** In this respect, in January 2013 Regional Australia advised the ANAO that:

It was due to the anticipated large number of individual reconstruction projects and the difficulty in collating this information in a meaningful timeframe that the Taskforce suggested that the Queensland work plan need not identify specific projects, but rather be combined with other sources to provide the Commonwealth with the required information. The work plan does not therefore list all projects and indeed, even now, two years later, such a list would still be evolving. The QRA advises that there will be more than 1,800 discrete reconstruction projects in Queensland.

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<sup>21</sup> The 'State Plan' is a separate public document prepared by the state titled *Operation Queenslander: The State Community Economic and Environmental Recovery and Reconstruction Plan 2011–2013*. The State Plan also does not identify specific reconstruction and recovery projects but, rather, is a strategic, high-level framework that aligns recovery efforts into six 'lines of reconstruction'. The state also prepared an Implementation Plan (providing key statistics relating to recovery, such as damage estimates and a broad overview of the major tasks and deadlines for reconstruction) and a Local Plan Guide (providing a practical guide for Councils to develop their own local recovery plans).

<sup>22</sup> Specifically, on 11 April 2011, the Taskforce suggested to QRA that 'although the NPA specified three target areas for priority projects, encompassing reconstruction, people and communities, and the economy, I note that *Operation Queenslander: The State Community, Economic and Environmental Recovery and Reconstruction Plan 2011–2013* identifies six lines of reconstruction. To allow consistency, it would seem sufficient for Queensland to specify in the (Work) Plan high priority reconstruction projects under each of these six areas.' In this context, in January 2012, during the planning of this performance audit, the Taskforce advised the ANAO that the State Plan 'accompanies' the Queensland work plan.

**2.22** At the time the Queensland floods work plan was provided to the responsible Australian Government Minister for approval, relatively little project-specific information had been received by QRA from councils and state delivery agencies. In this context, on 24 February 2011, QRA sent an information request to affected Local Government Authorities (LGAs). The QRA submission process involved councils and state departments and agencies (principally the Department of Transport and Main Roads – DTMR) providing QRA with various project details<sup>23</sup> to enable it to assess whether the proposed works were eligible for NDRRA funding and, subsequently, whether the project represented value for money.<sup>24</sup>

**2.23** By 27 May 2011, QRA had received 225 applications from LGAs and state departments and agencies (SDAs) for NDRRA funding. The total value of these submissions was \$170 million, significantly less than the \$6.7 billion that was forecast at that time as being required to repair damage to essential state and local government infrastructure. Of particular note was that very few applications had been received in relation to the work to be undertaken by SDAs (the value of applications from these entities was 12 per cent of the total received), notwithstanding that \$4 billion (nearly 60 per cent) of the budgeted NDRRA expenditure related to works to be undertaken by SDAs.

**2.24** This situation had not changed significantly by early July 2011, when the work plan was forwarded by the Taskforce to the relevant Australian Government Minister's office for agreement. Specifically, the value of applications received had risen, but only to \$443.3 million. Again, relatively few applications had been received from SDAs, with the majority of the applications received (by number and value) having been submitted by LGAs.<sup>25</sup>

**2.25** It was not until after the work plan was provided by the Taskforce to the responsible Minister for approval (in early July 2011) that submissions

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<sup>23</sup> The details included in each submission provided to QRA for assessment included: the location of the works; a description of the works to be undertaken; data to support the cost estimate; as well as the planned project start and completion dates.

<sup>24</sup> In November 2012, QRA advised the ANAO that: 'The estimate request sent to the LGAs was for an initial estimate of their total damage and a list of potential projects to assist with the development of the state damage estimate.'

<sup>25</sup> In November 2012, Regional Australia commented that: 'By July 2011, QRA had received 368 submissions for individual reconstruction projects from local government authorities, which is quite significant considering the new approval processes that had to be developed by QRA and understood and complied with by local government authorities.'

representing a significant proportion of the expected cost of natural disaster reconstruction and recovery began to be received by QRA. As it eventuated, it was not until May 2012 that the value of submissions received exceeded \$6 billion.

**2.26** In its February 2012 third report to the Prime Minister, the Inspectorate stated that it had 'emphasised strongly to QRA its expectation that all applications for funding should have been submitted by 30 June 2012.' However, this timeline was not met. Instead, as of August 2012, QRA reported that its forecast pipeline of works indicated that, based on current submission rates and processing, it expected that processing of all submissions for the 2010–11 events would be, as a minimum, in progress by October 2012.<sup>26</sup>

**2.27** By November 2012, QRA was reporting that nine LGAs and DTMR had indicated that they have outstanding submissions for the 2010–11 events, totalling \$80.4 million and \$135.7 million respectively. It also reported that approximately 90 per cent of the submissions received by QRA had been processed, with \$1237.4 million either 'Under Assessment' or 'Awaiting Additional Information'.<sup>27</sup> Accordingly, actual progress to October 2012 did not meet QRA's stated expectations, and no revised timing has been provided to indicate when all submissions in relation to the events covered by the NPA are expected to be received and processed.

**2.28** In the context of meeting the NPA requirement that the work plan identify a set of specific projects to assist with reconstruction and/or recovery, the protracted process of identifying projects could have been addressed in a number of ways. The approach that the Taskforce had proposed (see paragraph 2.20) was that 'high level descriptions of work' be provided initially with 'further details added progressively as matters develop'. QRA did not record any disagreement with such an approach, but it was not implemented by the Taskforce. Specifically:

- the work plan agreed in July 2011 did not include high level descriptions of work in respect to project submissions received and/or approved to that date. Although the work plan referred to the state

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<sup>26</sup> QRA had advised the Inspectorate in mid-February 2012 that it had written to all Queensland LGAs regarding the 30 June 2012 deadline for project application submissions. However, the advice did not indicate whether all SDAs had been similarly notified.

<sup>27</sup> However, there was no disaggregation provided on the number or value of unprocessed submissions that relate to the events covered by the NPA.

plan, it did not explicitly incorporate the state plan as part of the work plan and, in any event, the state plan does not include project-specific information (as that was not its purpose); and

- there have been no updates to the work plan as at the end of January 2013.

**2.29** Against this background, QRA has periodically provided the Taskforce with a listing containing limited details<sup>28</sup> of all approved projects. In respect to its role in providing assurance that value for money is being achieved in recovery and reconstruction expenditure<sup>29</sup>, the Taskforce selects projects from this list using a Cumulative Monetary Amount<sup>30</sup> sampling technique and requests the relevant project files from QRA. The Taskforce also selects projects by other means.<sup>31</sup> A total of approximately 109 projects had been selected as at November 2012. However, as indicated above, while full details are made available for selected projects, the Taskforce receives very limited information on the vast majority of projects submitted to and approved by QRA (around 2550 projects). Nevertheless, this data might have proven a useful starting point for the development and periodic updating of a work plan listing specific projects. It was also within the Taskforce's purview to request any relevant information and documentation necessary to track the use of NDRRA funding.

**2.30** Some project-specific information has also been reported to the Taskforce through monthly reports prepared by QRA for its own purposes. Specifically, an appendix currently included in both the Chief Financial Officer report and the Reconstruction and Governance report (see further at paragraphs 3.11 to 3.15) included, for projects being delivered by LGAs, information on category of work being undertaken, project start and completion dates, whether the project had been approved by QRA and the extent to which physical work has been completed. At the time of preparation

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<sup>28</sup> Specifically: name of applicant; submission number; date approved; submission value; approved value; and values identified as: day labour; not eligible; or under investigation by QRA.

<sup>29</sup> As outlined at paragraph 1.13, the ANAO is conducting a separate performance audit of the Taskforce's value for money work.

<sup>30</sup> Under Cumulative Monetary Amount sampling, the projects are listed in the order in which they were approved, a running total of the cumulative total value of the projects is maintained, and projects that cross a predetermined threshold are selected.

<sup>31</sup> Such as projects representing particular interest or risk to the Commonwealth, greater stratification of location or delivery agent, or identified through complaints.

of this ANAO report, the information being reported did not include the project value. In addition, the project-specific reporting did not include reconstruction work being delivered by state agencies, notwithstanding that this is where the majority of reconstruction expenditure is expected to occur. QRA has indicated to the ANAO that this information could be made available to the Taskforce, should it be requested.

**2.31** In this context, in January 2013, Regional Australia advised the ANAO that:

... instead of a list within the work plan, the QRA regularly provides the Taskforce with a list containing every single reconstruction project that it has approved for NDRRA funding. This list includes local council and state agency projects. In addition, as the ANAO report notes, progress information on local government and Department of Transport and Main Roads (DTMR) projects is currently provided to the Commonwealth monthly.<sup>32</sup> Further progress information on specific reconstruction projects (including those of DTMR) is provided to the Commonwealth monthly through its representatives on the QRA Board and through the QRA Reconstruction and Governance report.

Given this level of regular reporting and access to project level information, including at the QRA Board level, Regional Australia believed that the inclusion of this information in the work plan was an unnecessary duplication.

In addition, the Taskforce requests progress information relating to all the projects it has assessed and is assessing for value for money – until the project is completed. There are currently 84 projects that the Taskforce is monitoring, including 38 DTMR projects.

**2.32** As indicated by Regional Australia, some project level information is provided by Queensland to the Taskforce in a number of different formats for purposes other than work plan development and reporting. The list of approved projects is provided for the purposes of selecting a sample of projects for Inspectorate value for money reviews, and does not include important project metrics such as milestones (as this is not the purpose of that list). The monthly reports prepared for the QRA board also include some project level information. However, as outlined at paragraph 2.30, this reporting (prepared for the QRA board's purposes rather than to meet NPA reporting obligations) does not include the project value and does not include reconstruction work being delivered by state agencies. In addition, progress reports for individual

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<sup>32</sup> Information on DTMR projects was included for the first time in the December 2012 reports.



projects are only able to be obtained by the Taskforce in respect to those projects that have been sampled for a value for money review, and where a progress report has been submitted by the delivery agency to QRA, and then provided by QRA to the Taskforce.

## The Victorian work plan

**2.33** As noted at paragraph 2.2, 'natural disaster recovery work plan' was defined in clause 10 of the Victorian NPA as 'the collection of major projects developed by Victoria, and agreed with the Commonwealth, for reconstruction and/or recovery following the 2011 Victorian floods'. In addition, as one of the specified outputs of the NPA, clause 13 stated that:

Victoria will develop a Flood Recovery Work Plan in consultation with the Commonwealth, which will form a Schedule to this agreement. The Flood Recovery Work Plan will:

- (a) provide information on Victorian procurement policies;
- (b) outline a set of projects to assist with reconstruction and/or recovery in Victoria; and
- (c) outline project plans and strategies for projects over \$5 million.

**2.34** Development of the Victorian work plan commenced later than that of Queensland, due to the additional time taken to negotiate the Victorian NPA. A draft of the Victorian work plan was provided at the June 2011 meeting of the Senior Officials Coordination Group (SOCG)<sup>33</sup>, and progress with the work plan was subsequently discussed.<sup>34</sup>

**2.35** When the Victorian flood recovery work plan was agreed to by the Australian Government Minister for Regional Australia, Regional Development and Local Government on 16 December 2011, seven months had elapsed from the finalisation of the Victorian NPA,<sup>35</sup> and 11 months had passed since the flood event. The finalised Victorian flood recovery work plan

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<sup>33</sup> The SOCG is composed of Commonwealth representatives from the Taskforce and EMA (Attorney-General's Department), and Victorian representatives from the Departments of: Primary Industries; Premier and Cabinet; Treasury and Finance; Human Services; and Health. It met monthly in 2011, but now meets bi-monthly.

<sup>34</sup> In November 2012, Regional Australia advised the ANAO that there were multiple drafts of the Victorian work plan considered at three SOCG meetings between June and September 2011.

<sup>35</sup> The National Partnership Agreement for Victorian Flood Reconstruction and Recovery was signed by the Premier of Victoria on 10 May 2011.

is 46 pages long, and is a more substantial document than that developed for Queensland.

## Coverage of the work plan

**2.36** Although clause 13 of the NPA required that a Victorian work plan be developed, clause 10(a) restricted the coverage of the work plan to the ‘floods for which NDRRA assistance was activated in early 2011’. Notwithstanding this specific requirement, the work plan produced by Victoria was titled *2010–11 Victorian Flood Recovery Work Plan* and stated at clause 4.3.2 that the plan ‘encompasses all recovery activities undertaken by the state in response to the major flood events between September 2010 and March 2011’ (emphasis as per work plan).

**2.37** In this regard, the Taskforce’s brief to the Minister in October 2011 recommending that the work plan be signed noted that it included activities in relation to earlier flood events but also advised that it ‘specifically identifies those that relate to the events relevant to the NPA (January–March 2011)’. The Victorian work plan provides high-level estimates of funding initiatives for the September to December 2010 events, as well as the January to March 2011 events. However, there is insufficient information in the work plan to attribute each of the initiatives to the costs of the projects that were planned, or would be undertaken in relation to the 2010 and 2011 flooding events. For example, in relation to the period September to December 2010, the work plan stated that:

- 45 LGAs were impacted by floods;
- the floods caused widespread damage to local roads, numerous bridges, footpaths and walking tracks (but no damage estimates were provided); and
- the Victorian Department of Transport identified approximately \$14.83 million in damage to parks, recreation sites, roads, tracks and bridges as a result of the December 2010 floods.

**2.38** Given the work plan was required specifically in relation to the early 2011 flooding events, there was no rationale provided in the work plan for including earlier events that are not subject to coverage under the NPA.<sup>36</sup> On this basis, to provide appropriate transparency and accountability, there

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<sup>36</sup> Other than to state that the 2011 events compounded the effects of the previous events.

would have been benefit in the Taskforce requesting that the recovery initiatives in relation to the early 2011 events be clearly delineated and separately costed.

## **Information on Victorian procurement policies**

**2.39** In respect to the NPA requirement that the work plan provide information on Victorian procurement policies, the document includes a discrete section titled 'procurement management'. This two-page section outlines the role of the Victorian Government Purchasing Board and key procurement requirements under the state procurement framework. It also outlines the operation of 'standard procurement' procedures and 'critical incident procurement' procedures.

**2.40** The Purchasing Board's policies apply to Victorian Government departments and a number of administrative offices but they do not apply to outer budget agencies and local government. In respect to local government entities, Victoria advised the ANAO in November 2012 that:

An email was received from the Taskforce on 20 June 2012 advising they were writing up the next Inspectorate report and wanted to include a summary on Victorian procurements. Additional information included in the Victorian response to the Taskforce included procurement information about LGAs. This information was supplied via email on 28 June 2012.

**2.41** This information was included in the Inspectorate's fourth report to the Prime Minister, submitted on 29 June 2012.<sup>37</sup> The advice provided to the Prime Minister was that the Victorian government has a 'comprehensive process for ensuring value for money in the reconstruction projects undertaken by local councils and state agencies'. The initial drafting proposed by the Taskforce (but later amended by Victoria) had suggested that quality assurance processes were in place that involved VicRoads (for local council roads) and the Department of Transport (for works undertaken by VicRail) assessing 'whether the tender process had been properly carried out, that the works meet appropriate standards and that the works are eligible under NDRRA'. No such advice was included in the Inspectorate's fourth report, and the Taskforce did

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<sup>37</sup> However, the work plan has not been updated to include the information obtained on LGAs.

not otherwise seek to establish how assurance concerning such matters is provided by the extant procurement framework.<sup>38</sup>

**2.42** As a statutory authority, VicRoads is also not subject to the Purchasing Board's policies. In this context, while the Inspectorate and the Taskforce received in July 2011 a presentation on VicRoads procurement processes, the work plan does not outline procurement policies specific to VicRoads. This approach was taken notwithstanding that a significant proportion of estimated reconstruction expenditure was expected to be the responsibility of VicRoads. In November 2012, Victoria advised the ANAO that VicRoads 'generally conduct their work practices in line with the Victorian Government Purchasing Board procurement practices and policies'.

**2.43** In addition, the Board's policies relate to procurement of goods and services only and do not apply, for example, to building and construction works.<sup>39</sup> In November 2012, Victoria advised the ANAO that 'the rules of procurement in relation to construction procurement are very similar to those for goods and services'. It also provided the ANAO with an overview of the procurement rules for building and construction works (information that is not reflected in the work plan).

## **Identifying reconstruction and recovery projects**

**2.44** In being asked to agree to the Victorian work plan, the Minister for Regional Australia, Regional Development and Local Government was advised by the Taskforce that:

As required under the National Partnership Agreement for Natural Disaster Reconstruction and Recovery, Victoria has developed a Flood Recovery Work Plan that identifies specific projects to assist with reconstruction and recovery, and outlines the reporting arrangements with the Commonwealth.

**2.45** In this context, the work plan includes an appendix that listed 41 proposed reconstruction and recovery initiatives for which the Victorian

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<sup>38</sup> Queensland also had in place an existing procurement framework. In June 2011, QRA wrote to the Inspectorate outlining that the value for money framework developed by QRA provides an 'overarching platform that links with and leverages off the many other policies, processes and governance requirements established by state and local governments' and explaining that QRA had also developed a submission guide for NDRRA applications. QRA also introduced a process for assessing NDRRA applications in terms of value for money.

<sup>39</sup> See further at <http://www.procurement.vic.gov.au/CA2575BA0001417C/pages/home-about-the-vqpb-scope-of-policies> [accessed 27 September 2012].

Government requested Commonwealth funding. The work plan costed these initiatives at some \$1.02 billion, comprising \$827.2 million in gross expenditure, \$122.5 million in insurance offsets and \$69.1 million in internal reprioritisation of funding by the state (see Table 2.1).

**Table 2.1**

**Victorian work plan initiatives by NDRRA funding category**

| NDRRA category   | Number of initiatives | Gross expenditure<br>\$m | Insurance offsets<br>\$m | Internal reprioritisation<br>\$m |
|--|-----------------------|--------------------------|--------------------------|----------------------------------|
| Category A – emergency assistance provided to individuals  | 4                     | 22.99                    | Nil                      | Nil                              |
| Category B – restoration of essential public assets, concessional loans and counter disaster operations                                | 19                    | 637.57                   | 122.52                   | 68.86                            |
| Category C – Community Recovery (for community facilities) and clean-up and recovery grants for small businesses and primary producers | 8                     | 58.14                    | Nil                      | 0.20                             |
| Category D – exceptional circumstances assistance  | 9                     | 96.39                    | Nil                      | Nil                              |
| Fully funded by the state  | 1                     | 12.08                    | Nil                      | Nil                              |
| <b>Total</b>   | <b>41</b>             | <b>827.17</b>            | <b>122.52</b>            | <b>69.06</b>                     |

Source: ANAO analysis of Victorian work plan.

**2.46** For each initiative, the work plan identified the relevant NDRRA funding category, the lead state department, the expected expenditure and (for most of the initiatives) various performance targets. However, as outlined below, in many instances the work plan did not identify specific projects but, rather, broad categories of expenditure. This was the case notwithstanding that, in late-August 2011, the Inspectorate (after reviewing a draft of the work plan) had directed the Taskforce to ‘suggest to Victoria that the work plan include all projects, not just those in excess of \$5 million’. There was no evidence of this matter being raised with Victoria. In addition, although the directive was recorded as an action item arising from the August meeting, there was no report back to the Inspectorate’s next meeting in relation to the

action taken on this item.<sup>40</sup> In this respect, in January 2013, Regional Australia advised the ANAO that:

The Inspectorate's suggestion re the inclusion of all projects in the work plan was raised by the Head of the Taskforce at the following SOCG meeting. It was agreed however by SOCG representatives that this was not feasible.<sup>41</sup> ...Ultimately, the only Inspectorate suggestion that was reflected in the work plan related to the key performance indicators.

**2.47** In addition to the work plan often identifying broad categories of expenditure rather than specific projects, in a number of instances the performance targets for initiatives were recorded as 'TBA' or 'N/A'. Relevant data has not, subsequent to the finalisation of the work plan, been incorporated by way of an update to the work plan. Subsequent monthly reports submitted by Victoria<sup>42</sup> also did not provide the missing data, with the result that the monthly reports provided less useful data than would otherwise have been the case.<sup>43</sup>

**2.48** The value of performance targets being included in the work plan is illustrated by the initiative to repair the Lower Loddon Levees and Groundwater Bore Damages, which included a target of repairing 371 groundwater monitoring bores<sup>44</sup> and 152 levee breaches. As of the June 2012 monthly report, Victoria was reporting that 371 bores had been repaired (that is, the full original target had been achieved) and 186 levee breaches had been repaired (22 per cent higher than the target number). However, cumulative expenditure to June 2012 of \$1.91 million was significantly below the original estimate of \$6.55 million included in the work plan<sup>45</sup>, as well as the updated June 2012 estimate of \$3.62 million.<sup>46</sup>

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<sup>40</sup> However, the Taskforce's update for the Inspectorate's 13 October 2011 meeting advised in relation to 'Victoria progress' that the work plan was currently with the Minister for signature and that comments made by Inspectorate members on the work plan have been reflected in the document.

<sup>41</sup> The minutes of the SOCG meeting do not record that the matter was raised, nor that it was agreed that it was not feasible to include all projects in the work plan.

<sup>42</sup> The work plan reporting is examined in Chapter 3.

<sup>43</sup> In November 2012, Victoria advised the ANAO that 'where possible, targets have been amended and will continue to do so for future flood monthly reports'.

<sup>44</sup> This target was reported until the May 2012 report, when the target was removed and replaced with 'TBC'. The Taskforce did not question the removal of the target.

<sup>45</sup> Comprising \$5.02 million of gross expenditure and \$1.53 million in insurance offsets.

**2.49** The Taskforce did not inquire of Victorian officials as to reasons for the updated estimate. In November 2012, Victoria advised the ANAO that the initial damage estimates for the levees and bores were undertaken at a time when the flood water levels were still quite high and access to all sites was limited. It also advised that two rounds of public consultations were conducted, assessments were undertaken, and repairs that would result in private benefits only were removed. As a result, the cost to undertake the repairs was significantly less than first anticipated.

*Specification of transport infrastructure projects*

**2.50** As indicated by Table 2.1, the majority of expenditure was expected to relate to restoration of essential public assets, concessional loans and counter disaster operations. The majority of the gross expenditure in this category (72 per cent or \$461.9 million<sup>47</sup>) related to four particular initiatives, as follows:

- \$314 million for 'Local government roads – Advance Payments';
- \$121.5 million for 'Repair of Flood Damage to Arterial Roads';
- \$20.4 million for 'Repair of Flood Damage to the Regional Rail Network'; and
- \$6 million for 'Repair of Wilsons Promontory entrance road leading to Tidal River'.

**2.51** However, apart from the last mentioned initiative in respect to the Wilsons Promontory entrance road, the work plan did not provide any details as to which particular roads or sections of the regional rail network required work. For the Wilsons Promontory entrance road initiative, the work plan indicated that one road had been damaged and had been reopened and further stated that one bridge repair was in progress, one bridge had been repaired, 10 kilometres of road had been repaired, and repairs were in progress for a further 10 kilometres of road. However, as illustrated in Table 2.2, in respect to

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<sup>46</sup> In connection with the June 2012 monthly report, Victoria advised that 'the gross expenditure target for 10 initiatives has been reduced due to a Budget and Expenditure Review Committee decision in May 2012 to reallocate a portion of the funding to more recent flood events'. However, the monthly report only identified four initiatives as having their expenditure target reduced and, in one of these instances, the reported expenditure target remained the same as that included in the work plan. In November 2012, Victoria advised the ANAO that the explanation of changes had been omitted in error and that, for future reporting, it would ensure that material changes will be explained.

<sup>47</sup> A further \$66.85 million from internal state funding reprioritisation and \$55.2 million in insurance offsets were identified for these four initiatives. Accordingly, overall, these four initiatives represented 57 per cent of the total funding requirement identified in the work plan.

the other three initiatives, the work plan did not seek to identify the specific location and nature of work that was proposed to be undertaken and, in other instances, relevant summary data was not reported. Accordingly, for none of these initiatives did the work plan provide sufficient details to support effective governance.

**Table 2.2**

**Information provided in the work plan for major land transport initiatives**

| Initiative  | Information provided in work plan   | Information the work plan recorded as 'Not reported' or 'Not applicable'  |
|---|---|---|
| Local government roads – Advance payments           | Number of Local Government Areas requesting grants and advance payments – 28<br>Total amount paid and finalised - \$140 million                       | Total advance payments made to Councils – Not applicable  |
| Repair of Flood Damage to Arterial Roads            | Number of bridges repaired – 68<br>Number of bridge repairs in progress or have commenced – 68  | Number of roads reopened – Not reported<br>Number of damaged roads on which repairs have commenced – Not reported<br>Number of work areas – repairs completed – Not reported<br>Number of work areas – repairs in progress – Not reported |
| Repair of Flood Damage to the Regional Rail Network | Number of bridge repairs in progress – 2<br>Number of bridges repaired – 2<br>Number of damaged tracks repaired – 16<br>Number of tracks reopened – 2 | Number of kms of track repaired – Not reported<br>Number of kms of track repairs in progress – Not reported   |

Source: ANAO analysis of Victorian work plan.

**2.52** Shortly before the Victorian work plan was approved by the Minister for Regional Australia, Regional Development and Local Government, the Victorian Government published the *Victorian Floods 2010–11 Recovery Progress Report*. The report was provided to the Taskforce for comment on 3 November 2011, prior to its release on 8 December 2011. Among other things, that report outlined that:

In total, more than 2,000 roads were damaged. At the peak of the floods in February 2011, 66 arterial roads were closed. ... Approximately 220 bridges,



including 49 railway bridges, were estimated to have suffered extensive damage because of floods.

**2.53** However, the Victorian work plan did not include such metrics before it was presented to the Minister for approval, or included different quantities and has not subsequently been amended to reflect relevant data on the extent of damage for the major land transport initiatives included in the work plan. In this context, Victoria advised the ANAO in November 2012 that:

Agreed, the work plan did not provide specific detail as to which roads or sections of the regional rail network required work apart from the Wilsons Promontory entrance road and (we) were never asked for it from the Taskforce.

Details of specific road or rail sections to be repaired are held by councils and/or relevant state departments (for example, VicRoads or Transport). An example was provided to the Inspectorate for the Gannawarra Shire Council during their inspection tour in September 2011.

The Wilsons Promontory entrance road was a late inclusion into the Victorian budget process (having occurred the week before), necessitating it to be a separate initiative in the state budget as opposed to the damage which occurred to other arterial roads in Victoria. This flowed through to the work plan.

## **Outline of plans and strategies for projects over \$5 million**

**2.54** As outlined at paragraph 2.2, the NPA required that the Victorian work plan outline project plans and strategies for projects over \$5 million. The NPA further provided that:

To assist the Inspectorate in providing assurance that value for money is being achieved in the expenditure of Commonwealth funds during the reconstruction phase, the Victorian Government will seek the views of the Inspectorate on proposed project plans and strategies for projects over \$5 million.

**2.55** In total, 21 of the 41 initiatives listed in an appendix to the work plan were costed at greater than \$5 million (recognising that an 'initiative' may comprise a number of projects). The \$5 million threshold became particularly significant in the context of the Taskforce's role in providing assurance that value for money is being achieved in recovery and reconstruction

expenditure.<sup>48</sup> Specifically, the Taskforce has operated on the basis that the NPA prescribes that the Inspectorate may not conduct a value for money review of a Victorian project with a value less than \$5 million.

**2.56** In respect to the requirement that the work plan outline project plans and strategies for projects over \$5 million, as noted at paragraphs 2.44 to 2.47, in many instances the initiatives listed in the work plan do not identify specific reconstruction and recovery projects but related to general categories of work. In any event, for none of these initiatives did the work plan outline the project plans and strategies that the state proposed to adopt. In addition, the views of the Inspectorate have not been sought on proposed plans and strategies for any Victorian reconstruction projects.

## Conclusions

**2.57** The Queensland work plan was developed through five drafts over a period of five months, between February and June 2011. The plan was forwarded to the office of the Minister Assisting the Attorney-General on Queensland Floods Recovery for agreement in early July 2011. The Minister was advised that the purpose of the work plan was to identify specific projects to assist with reconstruction and/or recovery but he was not provided with any advice as to whether the work plan met the requirements of the NPA.<sup>49</sup> The Minister approved the work plan on 26 August 2011.

**2.58** The Queensland work plan is a one-page document, with an additional one-page spreadsheet attachment that outlines the format of the monthly progress reports to be submitted by the state. The key role of the work plan was to identify the reconstruction and recovery projects towards which NDRRA funding was contributing. However, in developing the work plan, the Taskforce suggested to QRA that, rather than identifying specific projects, it would be sufficient for 'high level descriptions of work' to be provided initially with 'further details added progressively as matters develop'. The Taskforce further proposed that, rather than developing a work plan specific to the

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<sup>48</sup> As outlined at paragraph 1.13, the ANAO is conducting a separate performance audit of the Taskforce's value for money work.

<sup>49</sup> By way of comparison, in being asked to agree to the Victorian work plan, the Minister for Regional Australia, Regional Development and Local Government was advised by Regional Australia that: 'As required under the National Partnership Agreement for Natural Disaster Reconstruction and Recovery, Victoria has developed a Flood Recovery Work Plan that identifies specific projects to assist with reconstruction and recovery, and outlines the reporting arrangements with the Commonwealth.'

Commonwealth's needs, reliance be placed on public documentation already developed by the state. However, the work plan did not include high level descriptions of work and it has not been updated as project-specific information has been reported by QRA or otherwise provided to the Taskforce (for the purposes of sampling projects for the conduct of value for money reviews). The result is that the work plan does not identify a list of specific projects.

**2.59** Rather than progressively updating the work plan as it had originally proposed, the Taskforce has obtained some information on reconstruction projects through other means, but this information has not fully satisfied the requirements of the NPA. In particular, some data on approved projects is provided to the Taskforce to inform its sampling of Queensland reconstruction projects for the Inspectorate's value for money reviews. In addition, since mid-2011, some information on projects being delivered by LGAs has also been reported each month to the QRA board (the Taskforce receives these reports).

**2.60** Regional Australia has advised the ANAO that, as the new oversight and governance arrangements were implemented, it had become clear that the specific requirements of the NPAs did not necessarily reflect the practicalities of rolling out the reconstruction programs. However, the reviews completed by the Taskforce and the relevant state body in August and September 2012 found that the arrangements were largely effective at coordinating and overseeing reconstruction activity and did not recommend any changes to either NPA.

**2.61** Development of the Victorian work plan commenced later than that of Queensland, due to the additional time taken to negotiate the Victorian NPA. A draft was provided at the June 2011 meeting of the SOCG, and progress with the work plan was subsequently discussed. The Victorian flood recovery work plan was agreed to by the Australian Government Minister for Regional Australia, Regional Development and Local Government on 16 December 2011.

**2.62** The finalised Victorian flood recovery work plan is a more substantial document than that developed for Queensland. The work plan includes an appendix that listed 41 proposed reconstruction and recovery 'initiatives' for which the Victorian Government requested Commonwealth funding. The work plan costed these initiatives at some \$1.02 billion, comprising \$827.2 million in gross expenditure, \$122.5 million in insurance offsets and \$69.1 million in internal reprioritisation of funding by the state. However, in

many instances, the 'initiatives' listed in the work plan do not identify specific reconstruction and recovery projects but relate to general categories of work.<sup>50</sup> The Victorian SOCG has advised the ANAO that it had never been asked for project-specific information to include in the work plan, and that such data is held by LGAs and/or relevant state delivery agencies.

**2.63** In addition to the key requirement to list specific projects, the Victorian NPA also required that the Victorian work plan:

- provide information on Victorian procurement policies. In this respect, the work plan includes a discrete section titled 'procurement management' that outlines the role of the Victorian Government Purchasing Board, key procurement requirements under the state procurement framework and the operation of 'standard procurement' procedures and 'critical incident procurement' procedures.<sup>51</sup> In any event, the procurement policies outlined in the work plan do not apply to important elements of the recovery and reconstruction effort; and
- outline project plans and strategies for projects over \$5 million. In total, 21 of the 41 initiatives listed in the appendix to the work plan were costed at greater than \$5 million. However, for none of these initiatives did the work plan outline the project plans and strategies that the state proposed to adopt, meaning the NPA requirement was not met and limiting the Inspectorate's ability to be satisfied that the proposed plans and strategies were likely to deliver value for money.<sup>52</sup>

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<sup>50</sup> They also do not separate the costs of the recovery and reconstruction activities arising from the 2011 events (covered by the NPA) from earlier flooding events that are not within the scope of the NPA, particularly for LGAs.

<sup>51</sup> The latter enables streamlined and flexible procurement policies and processes to be adopted in circumstances such as those that arose as a result of the flooding.

<sup>52</sup> The Inspectorate's terms of reference included reviewing contractual frameworks, tendering processes and project management systems.

## Recommendation No.1

**2.64** The ANAO recommends that the Department of Regional Australia, Local Government, Arts and Sport, in preparation for the forthcoming reviews of the National Partnership Agreements, identify the most effective means of obtaining the project level information on the respective reconstruction programs required by the Agreements to be reported on and, if appropriate, seek amendments to the Agreements.

### **Regional Australia's response:**

**2.65** *Agreed. The department agrees that any future National Partnership Agreements or extensions thereof should be informed by the practical experiences and learnings derived from supporting the current arrangements and efforts to date in respect of disaster recovery and reconstruction.*

### **PM&C's response:**

**2.66** *Noted.*

### 3. Reporting on Work Plan Delivery

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*This chapter examines the Taskforce's role in state monitoring and reporting of delivery against the work plans.*

#### Introduction

**3.1** The Taskforce's terms of reference required it to provide the National Disaster Recovery Committee of Cabinet with monthly progress reports on state plans for recovery, including updated estimates of the Commonwealth's liability under NDRRA. In January 2013, Regional Australia advised the ANAO that:

The Taskforce did report monthly to the National Disaster Recovery Committee of Cabinet (later the Regional Australia and Regional Development Committee of Cabinet) until the Committee agreed that the Taskforce should report every other month. On top of the Cabinet memoranda, the Taskforce provided weekly updates to the Cabinet Committee members until February 2012, then fortnightly until April 2012, then monthly until June 2012, and continues to report in the alternate month to that in which a memorandum on reconstruction progress is submitted to the Committee.

**3.2** In addition, the Taskforce has advised the ANAO that it has provided meetings of the Australian Government Reconstruction Inspectorate with an overview of recovery and reconstruction progress in Victoria and Queensland.

**3.3** In this context, the Victorian NPA outlined that the state and the Commonwealth acknowledged that the circumstances of the Agreement provided 'a clear need for reporting arrangements that are particular to this Agreement.' It also stated that the state and the Commonwealth would agree on the form and content of the reporting, with Victoria to report to the Commonwealth<sup>53</sup> on:

- (a) progress against the Flood Recovery Work Plan and in meeting project milestones and outcomes as specified;
- (b) progress with expenditure under NDRRA, including advice on the level of expenditure in key areas of the reconstruction effort;
- (c) revisions to estimates of costs; and

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<sup>53</sup> Reporting was to operate monthly for a period of six months, with the frequency and format of subsequent reporting to be agreed in light of the milestones and projects specified in the work plan.

- (d) progress against the recovery plans of the most severely affected communities as agreed by Victoria and the Commonwealth, including the extent to which milestones are being achieved.

**3.4** The work plan reporting obligations included in the Victorian NPA were broadly the same as those that had been included in the Queensland NPA. The only area of substantive difference related to the fourth data item. Specifically, the Queensland NPA required reporting against the strategic plans of each affected community (rather than being limited to the most severely affected communities) as well as data on any additional funding that was being leveraged (no such data was required to be reported by Victoria).<sup>54</sup>

**3.5** To assess the Taskforce's administration of the requirements included in the two NPAs for each state to report on their delivery of their respective work plans, the ANAO examined the:

- reporting obligations specified in the respective work plans; and
- contents of the reports obtained by the Taskforce from the two states in respect to the recovery work plans.

## Inclusion of reporting obligations in the work plans

**3.6** The Victorian work plan restated the reporting obligations included in the NPA with that state, including for reporting on progress with the delivery of the identified initiatives in terms of their stated key performance indicators (targets). It also restated the obligation under the NDRRA determination for audited financial statements to be provided at the time the state acquits its spending of the \$500 million advance payment.

**3.7** A different approach was adopted in the Queensland work plan. Specifically, as had been proposed by the Taskforce, the work plan outlined reduced reporting obligations to those included in the NPA. In this respect, the work plan stated that:

The parties have agreed that it will be sufficient for progress against the work plan to be reported by Queensland through the provision of the monthly report in the format at Attachment A.

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<sup>54</sup> Specifically, the fourth item in clause 25 of the Queensland NPA was '(d) progress against the strategic plans of each affected community, including the extent to which milestones are being achieved and what additional funding is being leveraged.'

**3.8** Reflecting that the Queensland work plan did not identify any specific projects, Attachment A to the work plan did not require any reporting on specific reconstruction and recovery projects.<sup>55</sup> Rather it required that aggregate financial data be provided for each LGA area, the four elements of the Queensland Local Council Package<sup>56</sup>, each DTMR region and each other state department and agency. The financial data to be reported was:

- 2011–12 budget for that entity;
- the amount of any advance payments that had been released;
- summary data on project submissions received by QRA (the amount of funding sought divided by NDRRA category together with data on amounts under assessment, amounts assessed as ineligible and amounts approved by QRA); and
- the current NDRRA budget estimate, divided in one section into various funding categories and in another section by asset class.

**3.9** The work plan also provided that the Commonwealth may request that Queensland provide regular reports on nominated key projects as well as where a ‘project tolerance breach’ is anticipated or has occurred. In November 2012, the Taskforce advised the ANAO that it requests progress reports for all projects it selects for value for money assessment, and also requests updates on other projects on an ‘as required’ basis. However, by late-November 2012, only around 10 progress reports had been examined by the Taskforce and the ANAO’s examination of Taskforce records did not identify any instances where updates on other projects had been requested or provided. As well, there have been no instances where the Taskforce has nominated any key projects on which regular reports are required. There have also been no instances where a ‘project tolerance breach’ has led to a request for regular project reports.

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<sup>55</sup> Not requiring the state to report on specific reconstruction projects was proposed by the Taskforce, at the same time that the Taskforce proposed that the work plan not identify specific reconstruction projects (see further at paragraph 2.20).

<sup>56</sup> Namely: utilities; day labour; Brisbane City Council - Ferries and Riverwalk; and Cassowary Coast – Category D.



## Reporting by Queensland

**3.10** Under Section 41(1) of the *Queensland Reconstruction Authority Act 2011*, as soon as practicable after the end of each month, the QRA board is required to give its Minister a report about the performance of the authority's functions and the exercise of its powers during the month. The Act further requires that the report be available on the department's website.

**3.11** At a meeting between the Taskforce and QRA on 15 March 2011, QRA outlined the format and content it proposed for its monthly reports:

- each month QRA would generate a series of reports to inform its board, Minister, Queensland Cabinet, federal ministers and the public of progress on recovery and reconstruction. The high level, public Chief Executive Officer (CEO) report was to be initially focused on recovery, with subsequent reports to shift to reconstruction and transition. The CEO report was intended to provide a summary of Queensland flood and cyclone events, an outline of information sourced from government agencies and present a number of metrics;
- further detail would be provided in Chief Financial Officer (CFO) reports to government, including an outline of NDRRA payments and financial reports for internal budgeting; and
- the reports would evolve as matters progress and in light of feedback received.

**3.12** The publication of the CEO report commenced with the March 2011 report<sup>57</sup>, shortly after the NPA was signed but some months before the work plan was approved (on 26 August 2011). In March 2011, QRA commenced reporting on its 'recovery phase' which was to be from January to June 2011. This was to be followed by the 'reconstruction phase' from June 2011 to December 2012 (subsequently extended to June 2014). Definitions of the work to be completed under the recovery and reconstruction phases were not supplied by QRA, nor requested by the Taskforce. However, in October 2011, DTMR defined recovery work as follows:

Network recovery is defined as the recovery of the network to post speed and legal load limits. A road or rail line may be recovered but operating below full

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<sup>57</sup> See <http://www.qldreconstruction.org.au/publications-guides/reports/monthly-reports/2011>.

capacity and require repairs to restore it to full operating capacity (i.e. damaged and requiring reconstruction).

**3.13** Although the work plan reporting template was established during the recovery phase, the work plan itself was not agreed until the reconstruction phase had commenced. Also, DTMR's definition of the recovery phase was not provided until the reconstruction phase had commenced.

**3.14** The first CFO report was prepared in April 2011. The April and May 2011 CFO reports were distributed at the QRA board meetings and are not held in the Taskforce's records. Following a request from the Taskforce in April 2011, electronic copies of the board documents were distributed monthly from June 2011. Later, a weekly report was provided (but with the project data included therein updated monthly) and, from July 2011, a Reconstruction and Governance Report was also provided.

**3.15** These reports were prepared by QRA for its purposes, and not in response to the signing of the NPA. Neither the CEO report nor the CFO report was prepared in the format specified in Attachment A to the approved work plan (see paragraph 3.8). In November 2012, the Taskforce advised the ANAO that from August 2011, the QRA Reconstruction and Governance Report contained an appendix that was in a format very close to that agreed between the Taskforce and QRA. However, the ANAO noted that appendix contained the same data as an appendix to the CFO report.

**3.16** Against this background, the CFO reports categorise reconstruction funding arrangements according to the following broad categories:

- Counter Disaster Operations (CDO);
- Emergent Works, (defined by the Queensland state government<sup>58</sup> as: 'Necessary during the course of a disaster to protect eligible public assets or to restore essential services and maintain public safety.');
- Restoration of Essential Public Assets (REPA);
- State Departments and Agencies (SDAs); and
- Local Government Authorities (LGAs).

**3.17** However, several important terms specified in the CFO reports and Attachment A to the work plan, including emergent works, are not defined

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<sup>58</sup> A fuller definition and further discussion of Emergent Works is at Appendix 3.

under NDRRA. The CFO reports note that REPA can include reconstruction and emergent works for the restoration of uninsured essential public assets. This would potentially place REPA under Category B for NDRRA purposes, whereas the NDRRA determination defines some elements of restoration assistance as Category C. These ambiguities were not addressed by the Taskforce, nor did it seek to amend the reporting template<sup>59</sup> to align it with the NDRRA definitions.<sup>60</sup>

**3.18** From December 2011 and May 2012 respectively, the CFO reports also included data on additional 2011 and 2012 disaster events that were not covered by the NPA. The May 2012 report also noted that QRA was now the administering authority in relation to all 'open' submissions for an additional 10 declared 'prior events' that had occurred in Queensland between August 2007 and May 2009. As a result, it was not always clear whether the reported metrics included all events managed by QRA, only those events covered by the NPA, or some other combination. In this context, QRA advised the ANAO in November 2012 that:

The report in the majority identifies the events included within each piece of information. I also note that NPA events are separated in appendix D of the report.

**3.19** The data sets included in the appendix referred to by QRA have varied over time. The appendix currently includes (for LGAs but not state delivery agencies) some project-specific data. Specifically: the project identifier; a categorisation of the type of works being undertaken (such as emergent works or counter-disaster operations); whether the project submission has been approved or not; project start and completion dates; and the extent to which physical works have been completed (as a percentage of the total works). Although earlier reports included the value of the project (but without details about project timing and physical progress), the more recent reports do not include the approved value for each listed project.

**3.20** Regional Australia also commented to the ANAO in November 2012 on the reporting by Queensland, as follows:

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<sup>59</sup> The work plan provided (at clause 8) that the reporting template can be amended to reflect changing circumstances.

<sup>60</sup> The definitions of recovery and reconstruction are discussed in more detail in Appendix 4.

The CEO reports on a monthly basis to the Inspectorate on QRA's progress in respect of the events covered by the NPA. Further, additional information is provided in QRA Reconstruction and Governance Reports and there is significant ongoing dialogue between the Taskforce and QRA on the damage and reconstruction from the events covered in the NPA.

**3.21** Nevertheless, the reporting has not included the four elements of the Queensland Local Council Package and each DTMR region (there are 12 regions). Also, reporting on each SDA ceased in September 2012, when this was replaced by aggregated reporting for DTMR and for 'Other SDAs Combined' from October 2012. Accordingly, reporting to the Commonwealth has not met the requirements set out at Attachment A of the work plan (see paragraph 3.8).

### **Progress with NDRRA expenditure**

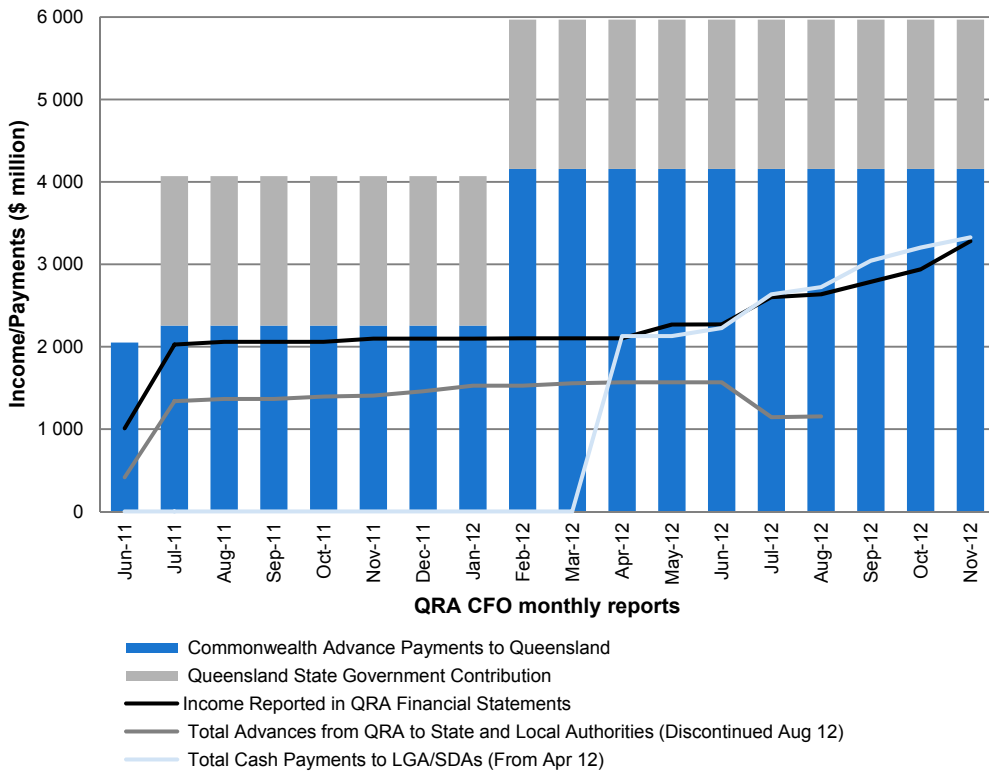
**3.22** Financial reporting, including the reporting required through the work plan (Attachment A), was provided through the CFO reports. The QRA 2010–11 Annual Report notes the following accounting treatment in relation to NDRRA grants received:

Grants received by the Authority from the Commonwealth and State Governments are nonreciprocal in nature. The Authority treats these grants as revenue upon receipt as it obtains control at this point based on the terms of the National Partnership Agreement.

**3.23** The CFO monthly reports provided to the Commonwealth were prepared on a different basis.<sup>61</sup> Grants received by QRA from Commonwealth and state governments are held in a separate account within the state government, and interest earned is credited to state consolidated funds rather than QRA. The accounting policy adopted by QRA also meant that grants to LGAs and SDAs were expensed when paid. The effect of the accounting policy was that the full extent of Commonwealth and state government financial assistance was not visible from the CFO reports. A summary of income and expenses reported in the CFO monthly reports is shown in Figure 3.1.

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<sup>61</sup> In November 2012, QRA advised the ANAO that the CFO report is a monthly management report and that financial and management reports do not have to be prepared on the same basis.

**Figure 3.1****Total income to QRA and income/expense reported in CFO reports**

Source: ANAO analysis of QRA CFO monthly reports and Commonwealth Budget Papers.

**3.24** The data shows that neither the \$2 billion<sup>62</sup> that had been advanced by the Commonwealth to Queensland by the end of June 2011, nor the Queensland state government contribution of \$1.8 billion in July 2011, is fully reflected in the CFO reports. The additional \$1.9 billion<sup>63</sup> advance payment

<sup>62</sup> In two installments, the first advance payment of \$1 billion was made to QRA on 7 March 2011, and the second advance payment of \$1.050 billion was made on 7 June 2011. A third payment of \$206 million was made on 28 June 2011, for the Commonwealth's share of the \$330 million Local Government Package.

<sup>63</sup> The additional advance to Queensland comprised \$500 million announced in the 2011–12 Budget that was expected to be paid in 2011–12 and a further advance payment of \$1.4 billion in 2011–12 to meet: the cost of claims by the Queensland Government to ensure reconstruction work could progress as quickly as possible; higher than expected costs for the Queensland 2010–11 floods and TC Yasi; and delays in claims for reimbursement for disaster restoration work undertaken in 2008, 2009 and 2010. The Australian Government had also advanced Financial Assistance Grants, which are delivered under a program separate to NDRRA, to assist local governments in responding to the disaster events.

made by the Commonwealth on 7 February 2012 is also not reflected in QRA reports. The March 2012 CFO report notes that:

The total of funding received for the financial period to 29 February 2012 is \$2 162 million.

**3.25** The less than full disclosure discussed above highlights the shortcomings of the Taskforce placing reliance wholly on the reports produced by the states (for their own specific governance and legislative requirements), irrespective of whether these reports fully met the Australian Government's information needs. In this respect, QRA's financial reports included only those advance payments made to the state that had been received by QRA, and did not account for that proportion of the advance payments that had not been on-paid by the Queensland Treasury to QRA. Accordingly, the CFO reports did not include the 'outline of NDRRA payments' as proposed by QRA and agreed by the Taskforce in March 2011 (see paragraph 3.11).

**3.26** The advance payments were made under the exceptional circumstances provisions of the NDRRA determination, sub-clause 1.2.3, which provides that the Commonwealth may provide advance payments if the Minister (the Attorney-General) is satisfied that exceptional circumstances exist. Exceptional circumstances are not further defined under NDRRA. The advance payments from the Commonwealth and the state contribution increased the overall budget available to QRA to approximately \$6 billion. Figure 3.1 shows that payments made to LGAs and SDAs by QRA have significantly lagged Commonwealth advance payments and state contributions through the 14 months to August 2012. In November 2012, Regional Australia advised the ANAO that:

The advance payments were a decision of Government. The Taskforce did not provide advice on the size or timing of these payments, nor is it responsible for the NDRRA Determination under which they were made. Whether the advance payments lagged demand or not is irrelevant.

**3.27** In relation to the relevance of the work of the Taskforce to the situation where advance payments were lagging demand<sup>64</sup>, where LGAs and state delivery agencies do not require additional NDRRA funding for projects above that advanced to them, there is little financial incentive for progress reports to

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<sup>64</sup> In terms of the relevance of the timing and quantum of the advance payments to the Taskforce, clause 41 of the Queensland NPA requires the Taskforce to have 'as its sole focus the oversight and coordination of Commonwealth interests in relation to recovery and reconstruction efforts'.

be submitted. The lack of progress reports on projects<sup>65</sup> is a matter that has impacted on the conduct of value for money reviews by the Inspectorate.<sup>66</sup>

### *Applications for NDRRA funding*

**3.28** The reporting template agreed as part of the work plan (Attachment A) committed QRA to the provision of data on project submissions received by QRA, including the amount of funding sought divided by NDRRA category, together with data on amounts under assessment, amounts assessed as ineligible, and amounts approved by QRA. However, there were a number of changes in the data series over time, and a complete set of information compliant with the work plan requirement is not available from the CFO reports.

**3.29** The continuous data sets that are available relate to applications for NDRRA funding approved by QRA. This is shown in Figure 3.2, together with the advance payments made under the exceptional circumstances provisions, the state contribution and the amounts paid by QRA to LGAs and SDAs.

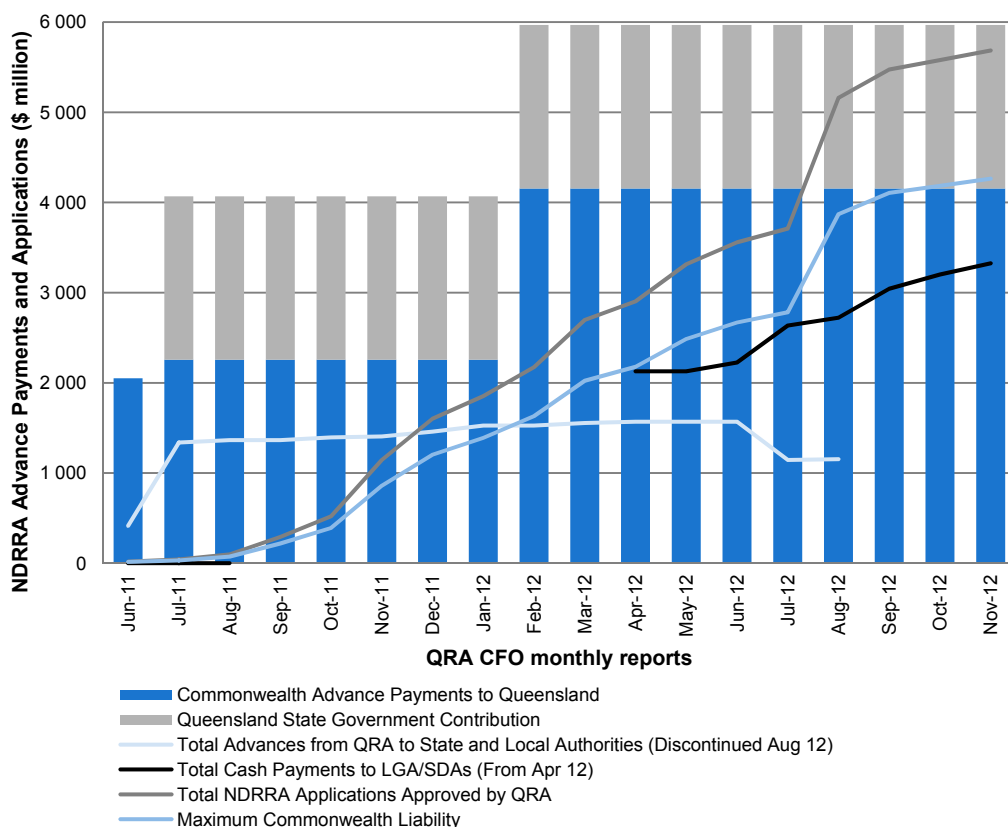
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<sup>65</sup> In this regard, the November 2012 CFO report indicates how very few progress and finalisation reports have been received, including that there have been none from state delivery agencies. This situation is notwithstanding that the disaster events occurred more than 21 months earlier and in excess of \$5.8 billion of works were reported as 'complete'.

<sup>66</sup> The 'talking points' prepared by the Taskforce for the Regional Australia Secretary's attendance at the November 2012 QRA board meeting noted that project progress reports are often received only after the project has been completed and that no project completion reports had been received to date by the Taskforce. (This was also still the case at the time of preparation of this ANAO report).

**Figure 3.2**

**Advance payments to and from QRA - approved applications for NDRRA funding and maximum Commonwealth liability**



Source: ANAO analysis of QRA CFO reports and Commonwealth budget papers.

**3.30** The data shows that approved applications for recovery and reconstruction initiatives have increased over time but have remained significantly lower than the Commonwealth and state contributions. In this context, under the NDRRA determination the Commonwealth liability is approximately 75 per cent of the face value of the QRA approved applications.

**3.31** The data shows that, in February 2012, when the additional advance payment of \$1.9 billion was made to Queensland, there was less than \$2.2 billion in approved applications on hand, compared to the \$4 billion available from Commonwealth and state contributions. At the end of January 2012, when the additional advance payment to Queensland was being processed, maximum Commonwealth liabilities were less than \$1.4 billion in comparison to the \$2.0 billion that had been advanced by the Commonwealth.



Advance payments by QRA to LGAs and SDAs remained at approximately earlier levels, notwithstanding the exceptional circumstances. In this context, Regional Australia advised the ANAO in November 2012 that:

This is not an issue for which the Taskforce has direct responsibility. Funding (including advance funding) is made by the Treasury in consultation with Emergency Management Australia. The Taskforce was not consulted on any advance payments including the payment made in February 2012.

## Insurance arrangements

**3.32** Clause 17 of the NPA with Queensland indicates that the work plan should be developed consistently with Schedule A 'Principles Related to Proposals for Additional Natural Disaster Assistance'. Schedule A in turn, sets out that proposals should not distort the obligations on parties for security, business continuity or insurance. The NDRRA determination was amended in April 2011 to clarify that a condition of Commonwealth assistance for eligible measures in the future would be an independent assessment of state insurance arrangements.

**3.33** On 16 February 2011, the Queensland Under Treasurer informed the House of Representatives Standing Committee on Economics that the Queensland Government had in place appropriate insurance through its captive insurer. The Under Treasurer also observed that there were insurances in place for certain assets that had been impacted by the floods that do not qualify for NDRRA arrangements.<sup>67</sup>

**3.34** It was also clarified that Queensland's captive insurer covers government budget-funded agencies, and outside of that, public utilities and commercial entities would make their own decisions in relation to insurance arrangements, and many would seek external insurance to cover events.<sup>68</sup> In this context, QRA reporting against the six lines of reconstruction (the building line) indicates that 'insurance' is one of its metrics. However, when this metric was reported, it related only to insurance of domestic dwellings. QRA reports are silent on the amount and type of insurance held over government assets and the amount of insurance offset that would be available

<sup>67</sup> Mr Bradley, Proof Committee Hansard, House of Representatives Standing Committee on Economics, 16 February 2011, p.20.

<sup>68</sup> Ibid.

against the Commonwealth and state funding assistance provided to those entities. In November 2012, QRA advised the ANAO that this was because:

Under the NDRRA determination, section 5.2.5 state expenditure does not include amounts that the state has recovered or may recover from any source, for example insurance. The submission received by the QRA is net of monies received by the LGA or state departments.

### **Cost estimate revisions**

**3.35** The Taskforce is required by the Queensland NPA, as well as the fourth item specified in the Taskforce's terms of reference, to provide Ministers with 'updated estimates of the Commonwealth's liability under NDRRA'.

**3.36** Of necessity, the development of the NPAs and associated work plans, and the Australian Government's decisions to make substantial advance payments to each state, were based on early damage estimates. In Queensland, damage assessments from the flooding events prior to TC Yasi indicated that there had been \$5.6 billion of damage, including \$2.3 billion of damage to Queensland state-controlled roads.

**3.37** Following TC Yasi, QRA requested a twelve month extension of time to claim for earlier NDRRA eligible disaster events that occurred between September 2009 and February 2011. Normally the allowable time limit for claims is 24 months after the end of the financial year in which the relevant disaster occurred. QRA's request was based on an assessment that it would not be possible to complete the earlier reconstruction work within normal NDRRA time limits. The request also assumed savings would be derived from reduced project management costs, by bundling Queensland and local government works within regions as single projects. Although the supporting assumptions were not supplied, Queensland DTMR analysis indicated the net present value of a three year program of works to be \$300 million to \$500 million less than that of a two year program.

**3.38** The Queensland work plan had not been agreed at the time the request was considered. The implications of the extension were that Commonwealth funding would cover larger bundles of work, rather than the specific disaster events described in the NPA and through the work plans. The Australian

Government agreed to the extension request from QRA subject to three conditions:<sup>69</sup>

- assurance that the extension will not result in an increase in the scope of works being reimbursed under NDRRA;
- provision of a detailed profile of expected expenditure for the specified disaster events, to allow the Commonwealth to adjust its forward budget estimates; and
- inclusion of both state and local government works in the revised profile and reasonable allowance for the associated savings or efficiencies.

**3.39** QRA responded that it noted the terms of the extension and had written to all councils in order to clarify the arrangements and to request further information on expected expenditure profiles for the (now expanded) specified events. QRA also engaged a consultant firm of quantity surveyors to review the budget estimates for the 2011–12 MYEFO update.<sup>70</sup> The report methodology did not involve any independent engineering assessments of damage, but rather a collation of financial estimates provided by Queensland local government and state departments and authorities. The Australian Government is not listed as a stakeholder in this report, which recommended an overall increase to the NDRRA eligible damage assessment of \$861 million. Relevant events, and factors contributing to the changes in the estimates from May 2011 to October 2011, are shown in Table 3.1.

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<sup>69</sup> This letter was from AGD and on 17 August 2011, the Secretary of Regional Australia wrote to the Inspectorate along similar lines.

<sup>70</sup> In November 2012, Regional Australia advised the ANAO that the MYEFO budget estimates process does not involve the Taskforce.

**Table 3.1****Changes in Queensland budget estimates from May 2011 to October 2011**

| Queensland State Authority          | Initial estimate for 2011–12 Budget \$'000 | Revised estimate for 2011–12 MYEFO update \$'000 | Change in estimate – 2011–12 Budget to MYEFO \$'000 |
|-------------------------------------|--|--|---|
| DTMR 2009 events <sup>71</sup>      | 404 000                                    | 404 000  | —   |
| DTMR 2010 events <sup>72</sup>      | 1 728 000                                  | 1 365 000  | (363 000)   |
| DTMR 2011 events                    | 2 893 000                                  | 3 256 000  | 363 000   |
| Additional 2011 events (DTMR)       | —  | 275 000  | 275 000   |
| SDA 2011 events                     | 1 031 000                                  | 875 854  | (155 146)   |
| Additional 2011 events (SDA)        | —  | 10 000   | 10 000  |
| Local Government Authorities 2011   | 2 415 744                                  | 2 784 015  | 368 271   |
| Queensland Local Government Package | 330 000                                    | 330 000  | —   |
| <b>Total</b>                        | <b>6 669 744</b>                           | <b>7 530 869</b>                                 | <b>861 125</b>                                      |

Source: ANAO analysis of QRA Independent Quantity Surveyor Review, Summary Report, Review of Forecast Cost Estimate for Local Government Authorities Reconstruction and Review of Forecast Budget Estimate for State Department Agencies Reconstruction, November 2011.

**3.40** Examination of the data relating to the consultant's report shows that, of the 73 LGAs in Queensland, 24 either had no damage to report, or reduced their estimate of damage at 2011–12 MYEFO, and 49 other LGAs reported increases. A summary of the adjustments is in Table 3.2.

<sup>71</sup> The estimate from 2009 is not included in the overall total, but is shown to illustrate the financial impact on the scope of work to be undertaken as a result of the extension discussed at paragraph 3.37.

<sup>72</sup> To avoid double counting, this row is not included in the overall total, but is shown to illustrate the transfer of previous year events into the 2011 estimate.

**Table 3.2****2011–12 MYEFO LGA adjustment summary**

| Change   |           | Reconciliation<br>\$'000 |
|--|-----------|--------------------------|
| Consultant's recommended MYEFO adjustment – LGA component<br>(from Row 7 of Table 3.1) |           | 368 271                  |
| 24 LGAs with nil damage, or decreases from<br>initial damage estimate                  | (355 222) | —                        |
| 49 LGAs with increased damage estimate   | 517 038   | —                        |
| Net increase in LGA damage estimate  |           | 161 816                  |
| <b>Difference – LGA contingency retained by QRA</b>                                    |           | <b>206 455</b>           |

Source: ANAO analysis of Taskforce documents.

**3.41** The data also shows that, if the LGA assessments of damage were taken at face value, the LGA adjustment would have been \$162 million, instead of \$368 million. The consultant's report contains a number of qualifying statements over the reliability of LGA estimates but does not disclose the calculation that led to the \$368 million adjustment recommended in the report. The end result is that QRA established and retained \$206 million as an 'LGA contingency'. The need for a contingency was not discussed in the consultant's report. No further enquiries were made by the Taskforce about the report and as a result, there is a lack of adequate documentation that explains the Commonwealth's agreement to the amount and use of the LGA contingency funds retained by QRA.

**3.42** Ministers were briefed on the content of the report by the Taskforce. Notwithstanding the envisaged focus for the Taskforce on oversighting and coordinating the Commonwealth's interests, the report was not provided to central and stakeholder agencies. For example:

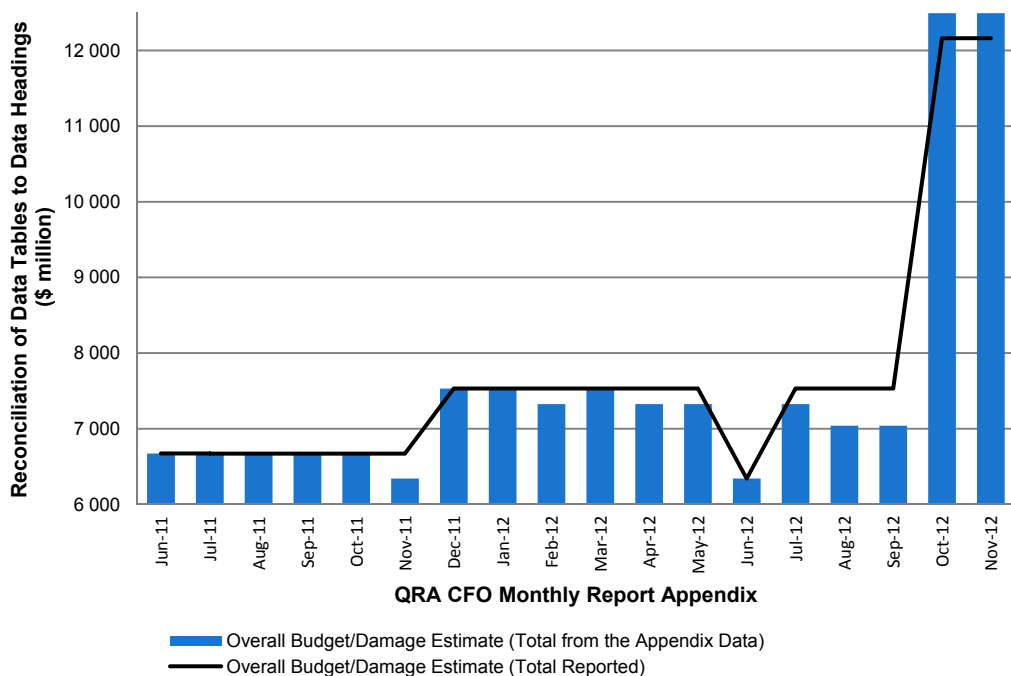
- the Taskforce's advice to Ministers did not include Finance's perspective of the impact the increase would have on the Australian Government's position; and
- as the terms and conditions applying to the Australian Government's agreement to extend the time for lodging NDRRA claims had been developed by EMA, consultation with EMA would have been beneficial. As a result, EMA's assessment of the extent to which the gross annual figures provided in the report met the requirement of detailed expenditure profiles and savings targets was not provided in

the briefs. As well, EMA advice was not sought on whether or not it was appropriate to include the additional events such as the \$10 million SDA adjustment for 2011, observing that it related to bushfires in Queensland in October 2011.<sup>73</sup>

**3.43** In November 2012, Regional Australia advised the ANAO that the Taskforce ‘did not accept the QRA report in any formal arrangement’. Nevertheless, by not seeking a wider view from the central agencies and stakeholder departments, the Taskforce increased the risk to the Commonwealth that the damage estimates would be managed to maximise Commonwealth funding contributions. In this context, Figure 3.3 provides a time series analysis of data in the CFO reports from the work plan, against the budget estimate figures before and after the 2011–12 MYEFO adjustment.

**Figure 3.3**

### Reconciliation of CFO report data to totals reported



Source: ANAO analysis of QRA CFO reports.

<sup>73</sup> Other SDA inclusions indicate the estimate for Queensland Health had increased from \$18 million to \$55.8 million as a result of the inclusion of a mental health package.

**3.44** The revised forecast funding requirement to repair damage to state and local government infrastructure was increased to \$12.2 billion in October 2012, following the completion of QRA's September review of NDRRA estimates. This additional funding requirement is outside the scope of the NPA, as it relates to additional natural disasters that occurred after the period covered by the NPA, but within the scope of QRA's responsibilities within that state. This situation again highlights the divergence between the scope and purpose of QRA's reporting produced for its purposes, and the scope of the Taskforce's responsibilities, with the Taskforce not seeking any reporting specific to its responsibilities. In addition, no explanation was sought by the Taskforce in relation to the anomalous June 2012 reported amounts.

**3.45** Following the 2011–12 MYEFO (published on 29 November 2011), the reports and tables in the CFO report were adjusted and the revised figures were reflected in the December 2011 and January 2012 reports.<sup>74</sup> In response to ANAO analysis of these and subsequent CFO reports, in November 2012, Regional Australia acknowledged to the ANAO that there were a number of reporting errors (which Regional Australia indicated had been raised with QRA by the Taskforce) but that 'they are irrelevant in the end as NDRRA funding is a reimbursement arrangement on the basis of audited statements'. Nevertheless, one of the Taskforce's defined roles is to provide updated estimates to Australian Government Ministers on the estimated liability under NDRRA.

## **QRA CEO reporting**

**3.46** As indicated at paragraph 3.11, the other monthly report provided by QRA was the CEO report. This report was intended to provide a summary of Queensland flood and cyclone events, an outline of information sourced from government agencies and present a number of metrics.

**3.47** The headline metrics of the CEO reports were aligned to the six lines of reconstruction set out in the Operation Queenslander plan. At the time, QRA stated that an expanded range of headline metrics would be presented quarterly. While there were some revisions to the headline metrics over time, monthly CEO reports continued, supplemented by several reconstruction and

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<sup>74</sup> In November 2012, Regional Australia advised the ANAO that 'MYEFO updates were settled between the Commonwealth and the Queensland treasuries. QRA and EMA also feed into the process. The Taskforce was not part of this process.'

governance reports. The supplementary reports contained similar information as that found in the CFO reports. On 24 September 2011, QRA also released a discussion paper, titled 'Resources for Reconstruction'. However, no quarterly reports with expanded metrics were received by the Commonwealth.

**3.48** The CEO monthly reports contained extensive data, charts and information. However, problems evident with the CFO data, particularly the reporting of non-contiguous data sets between the 'recovery' and 'reconstruction' phases, were similarly evident in the CEO reports. For example, the transport and main roads line of recovery, which is where the major portion of Commonwealth funds will be applied, was aimed at reconnecting people and enabling the re-supply of communities across the state. In the sixteen months between April 2011 and August 2012, there were four non-contiguous data sets used to report on roads damaged and recovered, with QRA advising the ANAO in November 2012 that the 'data metrics continued to evolve as the stages of recovery changed'. A summary of the differences is in Table 3.3.



**Table 3.3****Summary of data series to report road damage, repair and recovery — QRA CEO report**

| QRA CEO report - Roads and Transport Reporting Metrics |                              |   |                              |   |   |
|--|------------------------------|---|------------------------------|---|---|
| First Series   |                              |   |                              |   |   |
| Date of Report   | Roads Affected<br>Km         | Roads Recovered<br>Km                       | Roads to be recovered<br>Km  | Roads affected since previous report<br>Km  | Roads recovered as at previous report<br>Km |
| May – 11   | 9 170                        | 6 627                                       | –                            | –   | –   |
| Jun – 11   | 9 170                        | 6 934                                       | 2 236                        | 307   | 6 627                                       |
| Jul – Aug 11   | 9 170                        | 8 482                                       | 688                          | 1 548 – 0                                   | 6 934 – 8 484                               |
| Second Series  |                              |   |                              |   |   |
| Date of Report   | Roads Damaged<br>Km          | Roads Reconstructed<br>Km                   | Roads to be recovered<br>Km  | Roads Requiring Reconstruction<br>Km        | Roads recovered<br>Km                       |
| Sep – Oct 11   | 6 070                        | 157 – 208                                   | 688                          | 5 913 – 5 862                               | 8 482                                       |
| Nov 11 – Feb 12  | 6 709                        | 556 – 1 133                                 | 688 – 687                    | 6 153 – 5 576                               | 8 482 – 8 483                               |
| Third Series   |                              |   |                              |   |   |
| Date of Report   | 2010–11 Roads Affected<br>Km | 2010–11 Roads Recovered/<br>Re-opened<br>Km | 2011–12 Roads Affected<br>Km | 2011–12 Roads Recovered/<br>Re-opened<br>Km | Roads Reconstructed<br>Km                   |
| Mar – May 12   | 9 170                        | 8 482                                       | 7 330 – 10 890               | 2 906                                       | 1 133 – 1 510                               |
| Fourth Series  |                              |   |                              |   |   |
| Jun – Aug 12   | 20 610                       | 19 922                                      | 10 890                       | 8 947 – 9 737                               | 1 540 – 1 821                               |

Source: ANAO analysis of QRA CEO reports.

**3.49** The table shows that the first data series was straightforward and simple to interpret. The CEO report of September 2011, which introduces the second data series, notes that in line with the transition to the reconstruction phase, metrics reporting the progress on reconstruction of state roads and rail assets were revised to align with the Queensland Transport Network Reconstruction Program Strategic Plan.<sup>75</sup> As illustrated in Table 3.3, this

<sup>75</sup> This plan also included earthworks/batter locations, silt and debris locations and structure locations (that is, bridges, causeways and culverts in the road corridor) which were not previously reported.

represented a fundamental shift in the damage assessment. There is a marked difference between the numbers of kilometres of road being reported as damaged for recovery purposes and damaged for reconstruction purposes. As discussed in Appendix 4, there is no provision under the NDRRA determination for a distinction to be made between funding 'recovery' and 'reconstruction'. As well, no explanation was provided for the additional 639 kilometres of damage reported between October and November 2011.

**3.50** The third data series began in March 2012 as a result of additional NDRRA activations arising from North Queensland storms and flooding and the East Coast hybrid low, which was combined into the one activation. The reason for the increase in the number of kilometres of roads affected shown in the fourth data series is not clear from the reports. The June 2012 report indicates that a further 'baseline' process had been conducted at the time, although few details were provided to support the revised estimate. In particular, no explanation was provided for the 125 per cent increase in one month in the number of kilometres of roads affected by the 2010–11 events, from 9170 reported in May 2012, to 20 610 in June 2012.

**3.51** Frequent changes to the reporting metrics over a relatively short period of time create uncertainty over the status of actual reconstruction work on roads. Although there were additional metrics provided on road reconstruction not shown above, there was no overall reconciliation conducted and no explanation provided for the difference between the numbers of kilometres reported as being 'baselined' in September 2011 and the revised baseline figure of 2012.

**3.52** Although the CEO reports are structured according to the six lines of reconstruction, specific details are not provided to enable the identification of projects that were selected for Commonwealth funding. Important information such as key dates, costs, milestones and state/local council contributions were not available. However, the Taskforce accepted the CEO reports without seeking additional information.

**3.53** In November 2012, the Taskforce advised the ANAO that the reason for the change in reporting was to better convey progress in the reconstruction of roads. However, the ANAO notes that the frequent changes in data series meant that it was not possible to assess whether progress was being made.

## Progress against each community recovery plan

**3.54** The fourth and final item that each NPA required be reported on by the states each month related to progress against the recovery plans of affected communities.

**3.55** For Queensland, the NPA required reporting against the strategic plans of each affected community (rather than being limited to the most severely affected communities as was the case with Victoria). This reporting was also to include data on any additional funding that was being leveraged (no such data was required to be reported by Victoria). As discussed above, the reporting template agreed in the Queensland work plan consists of a table showing expenditure, NDRRA advance payments made, and expenditure assessed by QRA for each Queensland LGA and SDA. However, the agreed reporting provisions do not provide for community recovery plans.

**3.56** While the Taskforce did not request any specific reporting against the recovery plans of affected communities, QRA's monthly CEO reports contained a brief summary of community recovery initiatives in several sections of the report. For example, under the Human and Social line of reconstruction, progress has been reported on community recovery and coordination centres and outreach teams being managed and monitored.

**3.57** In addition, on 21 February 2012, QRA published a progress report on the first 12 months of Operation Queensland. This report discussed progress with community recovery and coordination centres and provided further details on a \$39 million Community Recovery and Wellbeing Package. The progress report noted that local councils had received funding through the flexible funding program to support recovery activities and discussed the establishment of 24 community development officers to work as part of the community development and engagement initiative. However, the progress report provided insufficient detail on the strategic plans of each affected community and funding arrangements to be considered compliant with the terms of the NPA. In any event, the NPA required that reporting on progress against community recovery plans occur monthly.

**3.58** Notwithstanding the unamended requirement in the NPA for reporting of progress against the recovery plans of affected communities, Regional Australia advised the ANAO in November 2012 that:

The Taskforce did not request specific reporting against recovery plans as this was already provided in QRA's existing reporting. Given the extent of damage,

it was not feasible for Queensland to do a plan for each community; the Commonwealth accepted this.

## Reporting by Victoria

**3.59** Reporting by Victoria commenced in July 2011, prior to the work plan being finalised and signed. The Victorian reports were provided monthly via email to the Taskforce and also tabled at SOCG meetings.

**3.60** For the period July to October 2011, records from Victoria indicate that the monthly reports were provided on average within 25 days of the end of the month. In accordance with this timeframe, the meeting of 26 October 2011 considered the performance report for 30 September 2011. However there is no record of the 31 August 2011 report (which was forwarded to the Taskforce on 23 September 2011) having been received and considered by the Taskforce prior to the October meeting.

**3.61** The next meeting was held on 8 December 2011, at which time the progress report for October 2011 was provided. This was 37 days after the end of October and is considerably longer than the 25 day average taken by Victoria to supply data in the earlier periods. The average period of time taken to supply reports from December 2011 to June 2012 was 36 days. The December 2011 report was provided for the 7 February 2012 meeting. However, the November performance report, which was forwarded to the Taskforce on 9 January 2012, was not held in the Taskforce's records and had not been separately analysed, in preparation for the February 2012 meeting.

**3.62** There is no documented process within the Taskforce to analyse the information reported each month. In addition, on occasions the Inspectorate has been provided with relatively dated information. For example, at its 18 September 2012 meeting, the Inspectorate was provided with data on Victorian flood recovery progress. However, the data relied upon by the Taskforce was drawn from the June 2012 monthly report. The briefing from the Taskforce stated that these were 'the latest figures released by the Victorian Government'. However, records provided to the ANAO by Victoria indicated that the July 2012 report had been forwarded to the Taskforce on 13 September 2012.

**3.63** Over time, changes were made to the reports provided, and this made it difficult to assess whether or not progress was being made in key areas. For example, of the eligible and potentially eligible initiatives in the work plan, there were 119 performance metrics initially reported. Twenty-two of these

were subsequently discontinued and 16 added. There were other gaps and changes in reporting methodology in the reports submitted. While Victoria has advised the ANAO that the data contained in the monthly report has progressively developed and evolved over time and performance indicators have been established that are 'easy to be collected', the work plan has not been updated.

## Reporting of progress against the work plan

**3.64** As indicated above, the NPA and the work plan envisages regular reporting to the Australian Government to facilitate monitoring of progress towards specified outcomes. Monthly reports prepared by Victoria specifically related to the work plan. Accordingly, the reports included data specific to each of the initiatives listed in the work plan appendix.

### *Aggregate Commonwealth financial liabilities*

**3.65** At the time the work plan was compiled, eligible and potentially eligible spending for Victoria across all NDRRA categories was between \$560.3 million, and \$623.5 million. The likely cost to the Australian Government, under the NDRRA cost-sharing arrangements<sup>76</sup>, was between \$420 million and \$468 million.

**3.66** The cost of recovery and reconstruction was contingent upon the finalisation of insurance claims and other offsets from Victoria. However, at the outset, Australian Government liabilities under the NPA were forecast to be less than the \$500 million advance provided in May 2011. In June 2011, the Victorian Department of Treasury and Finance wrote to EMA to confirm that at the expiration of the NPA, any difference between the funds claimed as Commonwealth assistance and the advance payment would be repaid by Victoria to the Commonwealth. Later advice from EMA to Victoria indicated that, in view of the increasing damage estimates from current and past disaster events, the unspent portion of the advance could be retained by Victoria to offset against later financial year entitlements.

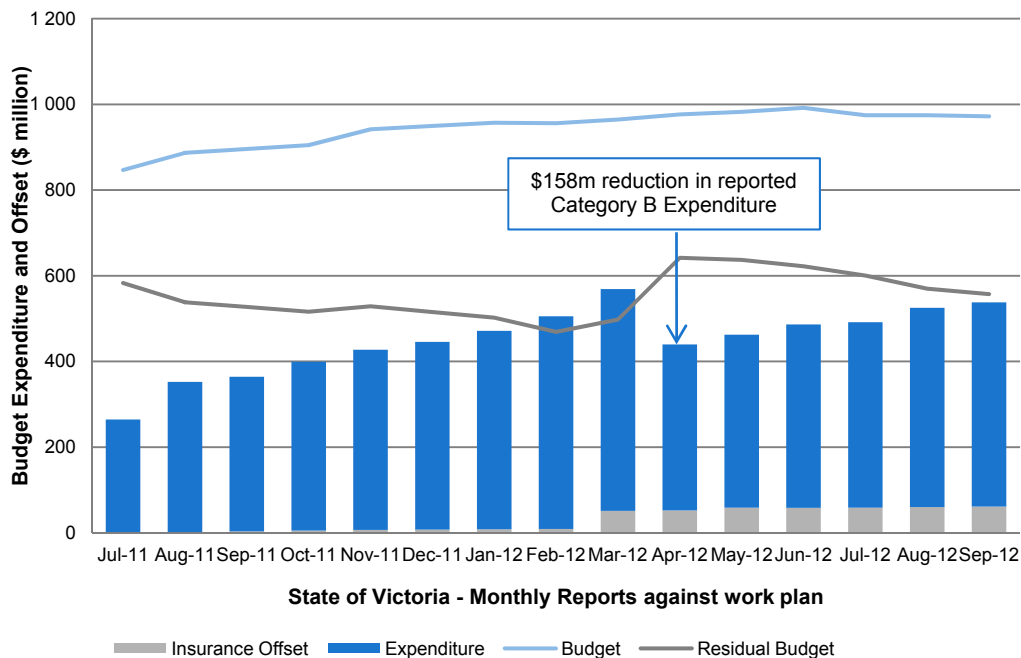
**3.67** The overall financial position provided through the Victorian progress reports is shown in Figure 3.4. This figure shows that the overall budget

<sup>76</sup> Through the operation of the NDRRA cost share threshold. In the case of Victoria, the threshold for Category B is set at 50 per cent reimbursement of costs where the total exceeds \$88.4 million and increasing to 75 per cent reimbursement of costs where the total exceeds \$154.7 million per year. Category D cost share is subject to the terms of the agreement for each Category D proposal.

increased from \$847 million to \$992 million over the period. As the expenditure figures were updated over time, the remaining budget was adjusted to take account of accumulated expenditure and insurance offsets.

**Figure 3.4**

**Victorian reporting – budget and expenditure year to date**



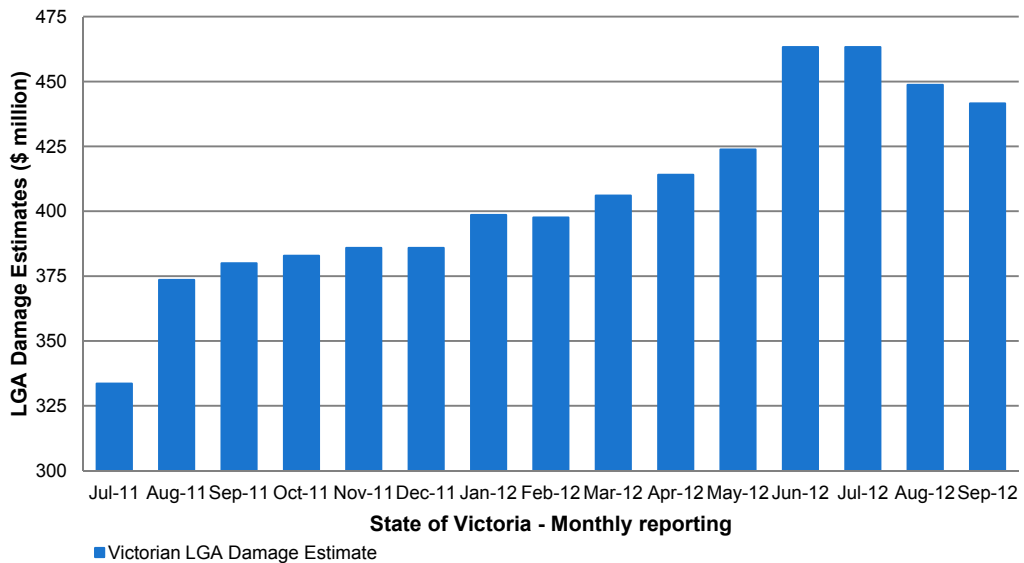
Source: ANAO analysis of Victorian progress reports.

**3.68** Figure 3.4 highlights a marked variation in May 2012, involving a retrospective adjustment to the April 2012 expenditure figures. The adjusted figure became the new baseline for expenditure reporting for April, May and June 2012, with consequential impacts on the residual budget. There was no corresponding change to the overall budget. The expenditure reduction occurred in Category B, essential public assets. Victoria advised the ANAO in November 2012 that, to minimise duplication between the advances and expenses paid, advances were removed from the total expenditure calculation. This explanation was provided to the Taskforce in the email covering the May 2012 monthly report from Victoria and discussed at the August 2012 SOCG meeting. However, there was no reconciliation of the adjustment to the initiatives included in the work plan.

**3.69** Although expenditure in NDRRA Category B was adjusted downwards, the overall budget estimate has increased from \$656.2 million in the original work plan to \$777.9 million in June 2012. The higher estimate is largely made up of \$129.9 million in increased damage assessments submitted by LGAs throughout the year. In this context, the initial work plan stated that the floods had impacted 56 LGAs. By May 2012, 61 LGAs had submitted claims or estimates for damages from the floods. In June 2012, four of the 61 LGAs had damage estimates reset to zero. The overall damage estimate for the remaining 57 LGAs was increased by almost \$40 million between May and June 2012. Changes in Victorian LGA damage assessments over the period are shown in Figure 3.5.

**Figure 3.5**

### Changes in Victorian LGA damage assessments



Source: ANAO analysis of Victorian progress reports.

**3.70** The progress reports from Victoria also contained other unexplained variations in sections of the data presented. In some instances where variance explanations were provided by Victoria, the advice indicated that the damage estimates had been revised to include flood events from 2012 which were not covered in the NPA. As indicated in Chapter 2, the work plan initiatives also combined activities from the period covered by the NPA with those from earlier flooding events. This flowed through to the reporting and made tracking costs and progress more difficult.

## *Insurance*

**3.71** In its September 2012 Phase 2 report examining the insurance arrangements of state and territory governments under the NDRRA determination<sup>77</sup>, Finance found that there were generally well-developed commercial insurance arrangements to protect the non-road assets of states, but there remained a significant gap with respect to the insurance of road assets. In respect to Victoria, the review found that the state's insurance arrangements for non-road assets were appropriate, cost-effective for both the state and the Commonwealth, and met the obligations under the determination to minimise the financial exposure of taxpayers at both levels of government.

**3.72** In this context, anticipated insurance recoveries were a key part of the initial Victorian work plan. The plan stated that there was an expected \$122 million of insurance coverage for \$115 million of Victorian state government losses.<sup>78</sup> The report noted that Victorian departments each take up disaster insurance as a business decision and that this had limited the funding shortfall for flood repairs.

**3.73** The first progress report shows insurance recovery targets of \$122.5 million against a number of the eligible Category B initiatives from the work plan. No insurance offsets were shown in relation to the initiatives for: the Charlton Hospital; local government roads; and the Catchment Management Authorities and Melbourne Water. The Charlton Hospital was insured through the Victorian Managed Insurance Authority<sup>79</sup> for \$10.845 million. As well, the Annual Report for Melbourne Water states that it has a comprehensive insurance portfolio.<sup>80</sup> However, the extent to which any

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<sup>77</sup> <http://www.finance.gov.au/publications/review-natural-disaster-relief-recovery-arrangements/docs/ndrra-finance-phase-2-report-sep-2012.pdf> [accessed 29 September 2012].

<sup>78</sup> No explanation was provided by Victoria (or sought by the Taskforce) as to why insurance recoveries were expected to exceed the actual damage reportedly incurred to these items. In January 2013, Victoria advised the ANAO that the figure of \$115 million was an error.

<sup>79</sup> A statutory authority reporting through the Victorian Department of Treasury and Finance.

<sup>80</sup> [http://www.melbournewater.com.au/content/library/about\\_us/who\\_we\\_are/annual\\_report\\_2011-12/MW\\_1040\\_Melbourne\\_Water\\_Annual\\_Report\\_2012\\_FA\\_All.pdf](http://www.melbournewater.com.au/content/library/about_us/who_we_are/annual_report_2011-12/MW_1040_Melbourne_Water_Annual_Report_2012_FA_All.pdf) [accessed 18 October 2012].



of the insurance coverage held by these entities operated in relation to the flood events was not disclosed in the work plan.<sup>81</sup>

**3.74** As shown in Table 3.4, initially the insurance estimate was expected to meet 48 per cent of the gross expenditure estimate for the sub-set of Category B initiatives with identified insurance offsets. However, by August 2012, Victoria had reported that insurance recoveries obtained were \$60.15 million, some 49 per cent below that originally estimated.<sup>82</sup> Up to the time of preparation of this ANAO report, the Taskforce has not inquired of Victoria as to whether further recoveries are expected and their quantum and likely timing, or whether the shortfall is expected to add to the cost to be met by the state and the Australian Government (through NDRRA).

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<sup>81</sup> The damage assessment for Melbourne Water and the Catchment Management Authorities' assets was \$38.4 million. In November 2012, Victoria advised the ANAO that: Melbourne Water has a cost effective commercial insurance portfolio however this does not cover all asset types. The assets considered as part of the eligible expenditure are not covered by insurance.'

<sup>82</sup> The monthly progress reports provided limited year-to-date information on the status of insurance claims, up to and including the May 2012 report which noted the Victorian government's expectation that \$123 million would be recovered through insurance. The June and July 2012 progress reports stated that it was anticipated that \$102 million would be recovered through insurance. This was further reduced in the August 2012 report to \$76.6 million, with \$60.15 million recovered to that point in time. However, although the reduction in the June 2012 estimate was attributed to the 'Flood recovery repair on public land' initiative (revised from \$23.83 million to \$4.5 million), the initiative(s) with reduced insurance estimates in August 2012 were not identified and none of the insurance offset targets in the monthly report were amended to reflect the overall \$25.4 million reduction.

**Table 3.4****Victorian work plan – insurance cover**

| Work plan initiative                                 | Expected gross expenditure<br>\$'000 | Initial insurance estimate<br>\$'000 | Per cent  | Insurance outcome at 31 August 2012<br>\$'000 |
|--|--------------------------------------|--------------------------------------|-----------|---|
| Flood warning system recovery                        | 7 141                                | 800                                  | 11        | -   |
| Flood recovery repair on public land                 | 34 024                               | 23 830                               | 70        | 1   |
| Lower Loddon levees and bores                        | 5 023                                | 1 527                                | 30        | -   |
| Restoring and reopening Victoria's parks             | 60 255                               | 41 159                               | 68        | 16 257  |
| Repair of flood damage to arterial roads             | 121 500                              | 36 000                               | 30        | 38 600  |
| Repair of flood damage to regional rail network      | 20 400                               | 14 700                               | 72        | 3 591   |
| Repair of Wilsons Promontory entrance to Tidal River | 6 000                                | 4 500                                | 75        | 1 700   |
| <b>Total</b>   | <b>254 343</b>                       | <b>122 516</b>                       | <b>48</b> | <b>60 149</b>                                 |

Source: ANAO analysis of Victorian progress reports.

**Cost estimate revisions**

**3.75** As discussed at paragraph 3.70 and illustrated at Figure 3.4, there were significant estimate variations in the monthly reports provided by Victoria. However, there was no evidence that the data in the reports was analysed by the Taskforce to develop an overall financial profile of the assistance being provided to Victoria. As a result, there was no evidence that changes in the estimates had been identified and followed up.

**3.76** In November 2012, Regional Australia advised the ANAO that:

Before every SOCG meeting and out-of-session where required, the Taskforce has analysed the flood recovery performance report and asked for further

information pertaining to identified anomalies or unusual changes.<sup>83</sup> Further, the Taskforce has regularly sought advice from the Victorian Government that the Commonwealth's share of the costs of the 2011 flooding events will not exceed the \$500 million that has already been advanced. The Department of Finance and Deregulation also undertakes regular, detailed financial analysis of financial assistance provided under NDRRA.

## Reporting on reconstruction progress

**3.77** The reports produced by QRA provide only limited visibility regarding progress towards completion of reconstruction in Queensland. Although QRA reports against the metric 'Works Complete', this term is not defined in the reports. Instead, the term 'Works Delivered' is included under the 'Pipeline of Works Definitions' and is defined as 'Expenditure on packages in delivery or completed'. Accordingly, although QRA reported, for example, that some \$5.82 billion of works had been completed as at November 2012, this figure overstates the actual reconstruction progress as it includes projects that recently commenced or were still underway at that time. The number and value of projects where works have actually been completed or delivered is not reported. Up to the time of preparation of this ANAO report, the Taskforce has not requested that QRA provide an appropriate separation of data that would enable the Taskforce and the Inspectorate to monitor and reliably report to the Australian Government on actual project completion.

## Progress against recovery plans for the most severely affected communities

**3.78** The fourth and final item that each NPA required be reported on by the states each month related to progress against the recovery plans of affected communities. In Victoria, this reporting was to relate to the recovery plans of the most severely affected communities as agreed by Victoria and the Commonwealth. The work plan identified the most severely impacted communities to be the shires of Central Goldfields, Buloke, Hepburn, Mildura,

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<sup>83</sup> Also in November 2012, Regional Australia advised that 'The Taskforce questions the value of undertaking time series analysis of the available data. The analysis undertaken by the Taskforce to date has identified anomalies and issues that have been further investigated and, where relevant, resolved.' In this regard, the ANAO observed that some analyses of the March, June and July 2012 reports (only), which included commentary on significant changes since the previous report, was included in the summary prepared by Victoria on the front of these reports. However, it was not apparent that the Taskforce had analysed the reports over the period in which they had been provided, identified anomalies, or raised and resolved issues in relation to the contents of the reports.

Northern Grampians, Pyrenees, Swan Hill, Gannawarra, Loddon, Campaspe and Wilsons Promontory.

**3.79** Victoria advised the ANAO in November 2012 that although specific information was not requested by the Taskforce, information concerning specific LGAs was available and in some instances, provided to the Taskforce. In January 2013, Victoria further advised that SOCG meetings have been provided with regular updates regarding LGA progress. Nevertheless, the requirement of the work plan to include progress against the recovery plans of affected communities in the monthly reports was not met. In addition, the minutes of the SOCG meetings did not indicate that there had been any specific reporting on the recovery plans or progress against those plans for the communities identified as being most severely affected.

## Conclusions

**3.80** Reporting from Queensland commenced with a report for March 2011. In respect to Victoria, the first monthly report received related to July 2011, but also included comparative data for June 2011.

**3.81** The Taskforce has not obtained reports from Queensland that have met the requirements of the NPA. Rather, the Taskforce has relied on monthly reports prepared by QRA for the state's purposes. More recent reports have included data relating to natural disasters that occurred both before and after the timeframe covered by the NPA but this was also not addressed by the Taskforce. Over the first few months of 2012–13, QRA has been progressively separating the disaster events in its reporting but at the time of preparation of this ANAO report this was only for selective metrics or at a high level.

**3.82** A key matter that each NPA required to be addressed by the monthly reports from each state was whether project milestones and outcomes are being met. While not containing information on project milestones, monthly reports from Queensland have included some data on projects being delivered by LGAs. However, the more recent reports have not included information on the value of each such project. Similar data has not been reported for those projects being delivered by state agencies. In addition, QRA reporting of the value of projects completed includes works in progress. There is limited evidence of the Taskforce analysing the information that has been reported to it by Queensland. Such analysis could usefully have focused on trends, and would beneficially have also drawn attention to the lack of project-specific

reporting in respect to state delivery agencies and lack of clarity surrounding progress towards actual completion of the state reconstruction program.

**3.83** Victoria has also consistently provided monthly reports to the Taskforce. These reports were broadly consistent with the terms of the NPA. They included progress made with the initiatives contained in the work plan, together with updated expenditure reports. However, as noted at paragraph 2.62, a high proportion of the 'initiatives' listed in the work plan do not identify specific reconstruction and recovery projects. In addition, similar to the situation with the reports from Queensland, there is no evidence that this data was analysed by the Taskforce in a systematic way. The reports also did not include progress against the recovery plans of the communities in Victoria that had been identified as being the most severely flood-affected.

**3.84** Transparency and accountability was also less than originally envisaged, because of the inclusion by Victoria of recovery and reconstruction activities originating from events that either pre-dated or post-dated the disaster events specified in the NPA. Ideally, these activities should have been separated. Although Queensland has commenced this process, at the time of preparation of this audit report, there had been no similar move in this direction in relation to the Victorian flood progress reporting. In this regard, Regional Australia advised the ANAO in January 2013 that:

The Department agrees that the work plan could be amended to exclude initiatives not related to the early 2011 flooding. Discussions with Victorian officials in relation to this have taken place.

**3.85** However, the department did not advise of the outcome of those discussions in relation to the work plan, nor whether the events covered by the NPA would be separately disclosed in future in the Victorian flood progress reports.

## Recommendation No.2

**3.86** The ANAO recommends that the Department of Regional Australia, Local Government, Arts and Sport improve its monitoring of the delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria by:

- (a) seeking from each state the project level data that is required to report to Ministers on reconstruction progress in the manner required by each National Partnership Agreement (or as may otherwise be agreed); and
- (b) undertaking analysis of relevant data that has been reported by each state over time to identify significant trends and other matters of importance, and updating this analysis as and when further data is reported.

### **Regional Australia's response:**

**3.87** *Agreed. The department agrees that it will continue to seek project-level data consistent with the intent of the respective National Partnership Agreement. Analysis will be undertaken as project details become available in the rolling out of the reconstruction program, and as resources allow.*

### **PM&C's response:**

**3.88** *Noted.*

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Ian McPhee  
Auditor-General

Canberra ACT  
26 February 2013

# Appendices

## Appendix 1: Agency responses

### Department of Regional Australia, Local Government, Arts and Sport

The flooding throughout eastern Australia in late 2010 and early 2011 and the impact of Tropical Cyclone Yasi in February 2011 were unprecedented in Australia's history. Combined, these disasters caused \$7.5 billion of damage, resulted in 37 deaths and affected communities as distant as Cooktown in Queensland and Mildura in Victoria. All local government areas in Queensland were disaster-declared. In recognition of the significant investment being made by the Australian Government in reconstruction under the Natural Disaster Relief and Recovery Arrangements ('the NDRRA'), including more than \$4.5 billion in advance payments to kick-start recovery and reconstruction, two National Partnership Agreements ('the NPAs') were negotiated with the Queensland and Victorian Governments. These NPAs put in place comprehensive governance and oversight arrangements in addition to the usual NDRRA arrangements to ensure value for money is delivered in the large task of rebuilding the disaster-affected regions.

The focus of the Commonwealth and both States has been on ensuring a practical response to the 2010–11 disasters, which allowed support to be provided to disaster-affected communities as soon as possible for both recovery and reconstruction. The priority was to facilitate the flow of funds under the NDRRA to enable communities to restore their economic and community assets in as short a timeframe as possible. Two years after the flooding, significant progress has been made in rebuilding essential infrastructure. In particular, the World Bank has commended local, state and federal authorities on the approach taken to recovery and reconstruction in Queensland. In Queensland there will be over 1,800 reconstruction projects primarily funded by the Commonwealth. The Commonwealth will provide reconstruction funding of almost \$5 billion to Queensland and \$500 million to Victoria.

The Australian National Audit Office (ANAO) report has focused on only one element of the governance and oversight framework – the development of the work plans – and provides no insight into its relative importance in achieving the Australian Government's objectives, as set out in the NPAs.<sup>84</sup>

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<sup>84</sup> **ANAO comment:** As explained in paragraphs 4, 1.6, 2.1 and 2.2, the requirement for work plans was jointly agreed by the Australian Government and the governments of Queensland and Victoria respectively. The work plans were part of the new oversight and accountability measures designed to ensure value for money would be obtained in the rebuilding of flood-affected regions. It was not a discretionary element of the NPAs that the work plans outline the specific set of reconstruction projects that were to be undertaken.

Footnote continued on the next page...



The report argues that transparency and accountability are less than was originally envisaged. The Department strongly disagrees with this and reiterates that, from the Commonwealth's perspective, the level of oversight and assurance across the reconstruction programs in Queensland and Victoria far exceeds anything that existed prior – both within each State and between the Commonwealth and the States.<sup>85</sup>

In addition to the NDRRA framework, arrangements put in place for jurisdictions to effectively maintain and oversight progress and to provide assurance to governments around value for money included:

- for the Commonwealth:
  - the Australian Government Reconstruction Inspectorate;
  - the National Disaster Recovery Taskforce;
  - the Secretaries' Steering Committee (the responsibility later transferred to the Secretaries' Committee on Regional Australia);
  - the National Disaster Recovery Cabinet Sub-committee (the responsibility later transferred to the Regional Australia and Regional Development Committee of Cabinet);
  - the Prime Minister's Business Taskforce;
  - the Commonwealth Disaster Reconstruction Working Group; and
- for Queensland:
  - the QRA;
  - two Commonwealth members on the QRA Board (to effectively represent the Commonwealth's interests);

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*Further, as outlined at paragraphs 1.11 to 1.14, the ANAO is undertaking three audits of key aspects of the NPAs signed with Queensland and Victoria in relation to natural disasters over the 2010–11 Australian spring and summer seasons. Regional Australia was afforded the opportunity to comment on the proposed audit strategy during the development of ANAO's published audit work program, and again at the commencement of the audits.*

<sup>85</sup> **ANAO comment:** *The audit report acknowledges that the work plans were an important element of new oversight and accountability measures adopted for flooding over the 2010–11 summer (see, for example, paragraphs 2 to 3 and 1.2 to 1.7). The audit objective was to assess the extent to which the disaster recovery work plans for Queensland and Victoria were prepared, and appropriate monitoring reports provided, in accordance with the relevant NPA. A key aspect of the additional accountability and oversight expected to be provided by a work plan was that the plan identify the set of specific reconstruction projects that would be undertaken. While the information that has been obtained on reconstruction projects is greater than would have been obtained in the absence of the NPAs, neither work plan identified the reconstruction projects that were being undertaken. The ANAO then examined whether other information provided to the Taskforce otherwise identified all reconstruction projects being undertaken in each state. Although information provided by Queensland has provided some project level information, this information has not fully satisfied the requirements of the NPA. Information on specific reconstruction projects has not been included in the reporting from Victoria.*

- the appointment of the Minister Assisting the Attorney-General on Queensland Floods Recovery (later the Minister Assisting on Queensland Floods Recovery), Senator the Hon Joe Ludwig;
- Minister Ludwig’s participation in the Queensland Government’s Disaster Recovery Cabinet Committee; and
- for Victoria:
  - the Victorian Secretaries’ Flood Recovery Group;
  - the Senior Officials’ Coordination Group; and
  - the Minister for Regional Australia, Regional Development and Local Government’s oversight role in respect of Victorian floods recovery.

Further, the report does not reflect the major achievements that have come about as a result of the new oversight arrangements. While much of the reconstruction in Queensland is still underway and final costs are not yet known, more than \$1 billion (representing more than \$750 million to the Commonwealth) in value has been generated as a result of the Queensland Reconstruction Authority’s (QRA) robust value for money and eligibility assessment processes, which were developed in conjunction with the Australian Government Reconstruction Inspectorate (‘the Inspectorate’). An additional cost reduction of an estimated \$93 million has been achieved through the identification by the National Disaster Recovery Taskforce (‘the Taskforce’) of ineligible expenditure being claimed by Queensland state government-owned businesses, and a further \$70 million in project value has been generated through the Commonwealth-approved use of internal council labour for these events in Queensland, again driven by the Taskforce.<sup>86</sup>

Significant achievements were also delivered in the frameworks put in place. For example, the Inspectorate provided advice on the development of the QRA’s value-for-money framework in Queensland, which was subsequently adopted and has greatly strengthened the governance arrangements. In particular, this included the addition of the criterion of local engagement in the value-for-money framework.

In addition, the improvements to the NDRRA Determination recommended by the Taskforce and the Inspectorate as the reconstruction efforts rolled out will generate

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<sup>86</sup> **ANAO comment:** *The achievements referred to in this paragraph and the following paragraph all relate to the conduct of value for money reviews of reconstruction projects in one state (Queensland). As noted at paragraph 1.13, a separate audit report is being prepared (and is expected to be tabled in the 2013 Budget sittings) examining the Inspectorate’s value for money oversight activities in respect to Queensland reconstruction projects. This report will examine the benefits that have resulted from this work (the ANAO has already sought information from QRA on the methodology used to calculate the amount of costs reported as having been avoided and will similarly be examining the \$93 million in cost reduction which the Taskforce has advised the Inspectorate represent profits being earned in respect to Queensland reconstruction projects sole-sourced for delivery by RoadTek (a state government entity)).*

further significant savings. On top of these program-wide savings, the Inspectorate and the Taskforce have identified further cost reductions in the course of the value-for-money assessments of individual reconstruction projects.

Even more importantly, the high level of effective coordination between the Commonwealth and State bodies involved in the reconstruction programs is noteworthy. There is continual monitoring of reconstruction and recovery in both States, and a continued dialogue on the issues by the Commonwealth and the States through the Queensland Reconstruction Authority Board and the Victorian Senior Officials' Coordination Group to ensure that the affected communities can rebuild. At an interagency level, the Taskforce is active in highlighting emerging issues in reconstruction, coordinating a whole-of-government response on required issues, providing policy advice on reconstruction and recovery, and negotiating ongoing improvements in program delivery.

And this work will continue through the reconstruction period.

These arrangements have resulted in improved Commonwealth visibility of disaster reconstruction expenditure and progress via an unprecedented level of reporting from the states. The QRA provides the Taskforce regularly with a list of all the Queensland reconstruction projects for which it approves expenditure under the NDRRA. Victoria provides a monthly flood recovery progress report, which details expenditure by each local council and state agency. This allows the Inspectorate and Taskforce to report to the Prime Minister, Cabinet and Ministers on reconstruction progress, as well as any issues that may affect this.



## Department of Primary Industries

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24 January 2013

Ms Barbara Cass  
Group Executive Director  
Performance Audit Service Group  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Ms Cass,

**Proposed audit report on the Performance Audit of the Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria**

In early 2011, Victoria experienced some of the most extensive and damaging storm events in its history. A partnership approach by the Victorian and Commonwealth Governments to provide recovery and reconstruction funding, together with effective and efficient governance and coordination mechanisms, have been instrumental in enabling communities to recover and rebuild.

The flood events experienced by Victoria in 2011 and the governance and coordination arrangements established to guide reconstruction are significantly different to those relating to the Queensland floods. These differences were noted by Victoria's Deputy Premier, the Hon. Peter Ryan MP, in his letter to the Commonwealth Minister for Regional Australia, Regional Development and Local Government, the Hon. Simon Crean MP, in March 2011.

Deputy Premier Ryan noted that Victoria was not establishing a separate authority to undertake recovery and reconstruction, consistent with its aim to keep the agreement as simple as possible and not create an unnecessary administrative burden. He also stated that given the large number of relatively small projects, procurement would not be centralised and for projects over \$5 million Victoria will seek the view of the Australian Government Reconstruction Inspectorate.

Following agreement to this approach by Minister Crean in April 2011, these arrangements were reflected in the intent and content of the National Partnership Agreement for Victorian Flood Reconstruction and Recovery, the

Victorian Flood Recovery Work Plan and the Protocol for Reviewing Victorian Reconstruction Projects agreed to between Victoria and the Commonwealth.

As noted in the ANAO Audit Report, Victoria provided a comprehensive work plan and has consistently provided monthly reports to the Commonwealth.<sup>87</sup>

The purpose of the Victorian Work Plan, agreed by Deputy Premier Ryan and Minister Crean, is to describe the approach taken by Victoria to coordinate the reconstruction and recovery of communities, economy and natural environment affected by the Victorian 2011 flood events. The Work Plan outlines Victoria's locally-led recovery approach, governance and reporting arrangements and major recovery initiatives. The Work Plan also contains detail on Victoria's reconstruction procurement arrangements and committed the State to regular reporting on expenditure to the Commonwealth. The monthly progress reports have included updates on matters such as damage estimates, expenditures, performance metrics and progress against initiative milestones and outcomes.

The Victorian Flood Recovery Work Plan developed in consultation and agreement with Commonwealth agencies and in a manner consistent with the governance and coordination arrangements established to guide reconstruction in Victoria, outlines a set of recovery and reconstruction initiatives to meet the requirements of the NPA. The Work Plan clearly identifies the recovery and reconstruction initiatives towards which the Commonwealth Government is contributing funding.

To meet the requirements of the NPA, Victoria has also provided the Commonwealth with project plans and strategies of reconstruction projects exceeding \$5 million. Victoria's view is that there is a common understanding between Victoria and Commonwealth agencies, consistent with the NPA, that a project refers to a single piece of infrastructure (a road, a bridge, etc.). In past discussions with the Taskforce, only one reconstruction project, the Charlton Hospital, was identified as exceeding the \$5 million threshold. Victoria will continue to work with the Commonwealth Taskforce to ensure an efficient and effective approach in identifying appropriate reconstruction projects for value-for-money review, consistent with the NPA and Protocol.

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<sup>87</sup> **ANAO comment:** *The ANAO's conclusions in respect to the Victorian work plan and reporting against the work plan are summarised at paragraphs 2.62 to 2.63 and 3.83 to 3.85 respectively.*

Victoria has met the requirements of the NPA and Work Plan, as agreed to by the Prime Minister and Premier, and the Minister for Regional Australia, Regional Development and Local Government and Deputy Premier respectively.

Victorian officials have a positive working relationship with the Commonwealth Taskforce. The Commonwealth Taskforce has taken a common sense and practical approach in discussions with Victoria. Victoria will continue to work productively with the Commonwealth Taskforce, and continue to ensure that data and reporting requirements are effective and not unnecessarily cumbersome and onerous on Local Government and communities.

Yours Sincerely

A handwritten signature in black ink, reading 'Jeff Rosewarne'. The signature is fluid and cursive, with the first name 'Jeff' being more prominent and the last name 'Rosewarne' written in a continuous script.

Jeff Rosewarne  
Chair, Senior Officials Coordination Group,

Secretary  
Department of Primary Industries, Victoria



For more information about DPI visit the website at [www.dpi.vic.gov.au](http://www.dpi.vic.gov.au) or call the Customer Service Centre on 136 186

## Queensland Reconstruction Authority

For reply please quote: QldRA/IM/KP – QRAIN/12/8910

Your reference: 2012/350

23 JAN 2013

Ms Barbara Cass  
Group Executive Director  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Cass,

**RE: Proposed audit report on the Performance Audit of the Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria.**

The Queensland Reconstruction Authority (the Authority) takes seriously its duty to effectively and efficiently discharge its responsibilities to both the Commonwealth Government and the people of Queensland under the National Partnership Agreement (the Agreement). I would like to thank you for the opportunity to respond to your audit report.

The series of natural disasters that occurred in Queensland between 2009 and 2012 and the massive reconstruction task that resulted has placed the Authority in a unique position in terms of its operation and scope.

The Authority provides the following comments with regard to the recommendations of the audit report.

**Recommendation No.1**

The extreme events that impacted the entire State of Queensland over the summer of 2010 and 2011 led to unprecedented damage over 850,000km<sup>2</sup> and the disaster activation of all 73 local government authorities.

At the time of the establishment of the Authority and the drafting of the National Partnership Agreement, the disasters were still unfolding in many areas of Queensland. When the Authority commenced, comprehensive systems and processes were developed and put in place to ensure value for money requirements were met and accurate reporting could be produced. From the outset, the Authority's governance

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model incorporated extensive review processes that involved reports, briefings and monthly meetings to monitor and document reconstruction progress. These processes were reviewed and refined once the scope of the reconstruction task became clearer, and they have now been reviewed and endorsed by the Queensland Auditor-General.

The processes have also now been extended to include all flood events from 2009 – 2012, following the subsequent expansion of the Authority's responsibilities under Ministerial Direction to deliver the entire \$12.2 billion reconstruction program.

The Program of Works is continuously updated to ensure that it reflects the most up to date information in relation to Queensland's reconstruction program. An updated Program of Works is attached to the Authority's CFO/Governance report each month.

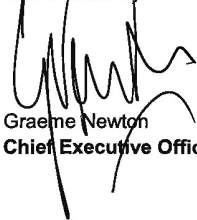
#### **Recommendation No.2**

The Authority recently reviewed its reporting processes, which resulted in an updated format for the CFO Report to provide more detailed time series and trend analysis of a number of data items. While the CFO reports on data for all events included under the Authority's mandate, analysis of data specifically relating to the disaster events included in the Agreement is separately reported.

The data and trend analysis included in the CFO Report provides broader statistical information than is required to be reported under the Agreement.

Once again, we thank you for the opportunity to provide input into the recommendations in the Audit Report. We look forward to continuing to work with you in relation to any future reviews you undertake in the area of Natural Disaster Relief and Recovery Arrangements.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Graeme Newton', with a stylized flourish at the end.

**Graeme Newton**  
**Chief Executive Officer**



## Appendix 2: Queensland National Partnership Agreement Work Plan

### Work Plan

1. The National Partnership Agreement for Natural Disaster Reconstruction and Recovery (NPA) provides that each State that is party to the NPA will prepare a Natural Disaster Recovery Work Plan (Work Plan).

### Content of Work Plan

2. The NPA specifies three target areas for priority projects, encompassing reconstruction, people and communities, and the economy.
  - a) The Queensland State Plan, *Operation Queensland: The State Community, Economic and Environmental Recovery and Reconstruction Plan 2011–2013*, identifies six lines of reconstruction.
  - b) To allow consistency between the State Plan and the requirements for the Work Plan under the NPA, it would be sufficient for Queensland to specify in the Work Plan high priority reconstruction projects in line with Part 2, Clause 5 of the NPA.
3. To satisfy the various requirements of the NPA, the Work Plan would cover three main areas:
  - a) Local Government Area damage assessments;
  - b) an assessment of damage to State roads;
  - c) the estimated costs of reconstruction;
4. The Queensland Reconstruction Authority (the Authority) will work with State Agencies and Local Government in the approach to reconstruction across all levels of government to ensure appropriate consideration of existing planning work is taken into account during the reconstruction effort.

### Reporting

5. Reports will be provided at a minimum on a monthly basis by the last working day of the month in the agreed format.
6. From time to time, the Commonwealth may require additional data and reporting, in particular when it is preparing the Federal Budget and the Mid-Year Economic and Fiscal Outlook (MYEFO). Requests for additional data and reporting will be made in writing from the Commonwealth to Queensland, and a reasonable response time will be provided.
7. The parties have agreed that it will be sufficient for progress against the Work Plan to be reported by Queensland through the provision of the monthly report in the format at Attachment A.
8. The Work Plan and reporting template can be amended to reflect changing circumstances.
9. In addition, The Commonwealth may request that Queensland provide regular reports to on nominated key projects, and where a project tolerance breach is anticipated or has occurred ('by exception'). Requests for additional data and reporting will be made in writing from the Commonwealth to Queensland, and a reasonable response time will be provided.

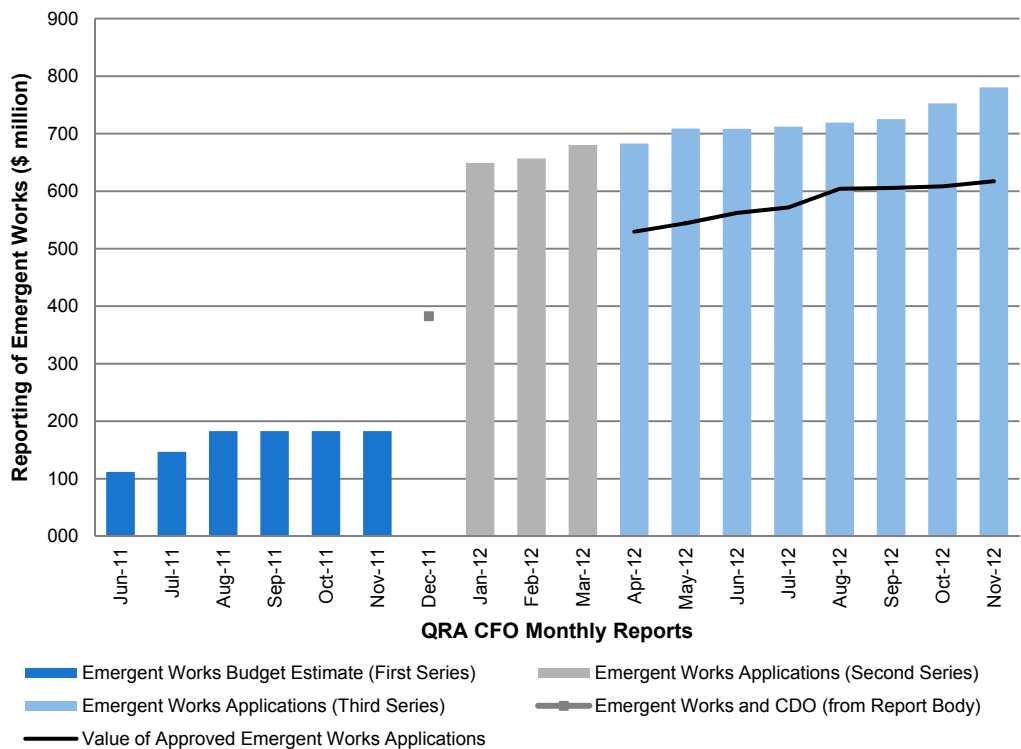
# Appendix 3: Emergent Works

## Emergent Works

1. As discussed at paragraph 3.17, important terms in the work plan reporting template were not clearly defined and the Taskforce had not specified the type, quality and frequency of data it expected to receive. A consequence of this would be interruptions to many of the initial and later data series supplied by QRA. Analysis of the CFO reports illustrates the difficulties in assembling the data required to assess the extent of project completion, or progress in key areas of expenditure. Figure 1 shows the different data series used in reporting NDRRA expenditure and Commonwealth liabilities for emergent works.

Figure A1

### Emergent works — time series data



Source: ANAO analysis of QRA CFO reports.

2. Over the period June to November 2011, a number of non-contiguous data sets appeared in the CFO reports. However, for this period, the appendix (Attachment A) provided a budget estimate for emergent

works. The budget estimate component is the first series shown in Figure A1. However, this series was not reported again after November 2011. The September 2011 CFO report states that the increase in (CDO and) emergent works had largely been driven by the number of emergent works applications submitted by DTMR throughout the month. The report notes QRA's expectation that the rate of increase is not expected to continue in the coming months. No other supporting information or data was supplied at that time, nor subsequently to explain the growth in emergent works applications.

3. The December 2011 CFO report introduced revised metrics. An overall figure for CDO and emergent works applications for NDRRA funding combined appears in the body of the report for that month, in the place of detailed budget estimate data previously provided in the appendix. This is shown in Figure A1 as a non-contiguous data point, as a consequence of further changes to the reporting metrics introduced in January 2012. From January to March 2012, NDRRA funding applications were reported as the value of applications received, subdivided by LGA, SDA and DTMR. From April 2012 there were additional changes to the reporting metrics which further sub-divided the data into applications received and approved, and by asset class (i.e. roads, sewerage, etc). The value of approved emergent works applications provided in the CFO reports is also shown in Figure A1 from the date it was provided, in April 2012.
4. The CFO data shows that applications for emergent works continued to grow over time. From an initial budget estimate of \$183 million in September 2011, some nine months after TC Yasi, to \$604 million in approved applications 12 months later, with a further \$115 million in applications on hand but not yet processed. The increase in applications being accepted and approved does not appear to be consistent with QRA's own guidelines for emergent works applications set out in the July 2011 CEO report, which states that:
 

The claim amount available is variable. Emergent Works submissions to be lodged within 6 months from the date of the NDRRA activation (extensions can be applied for in exceptional circumstances).
5. One of the general conditions for Commonwealth assistance under NDRRA is that as far as practicable, assistance is designed to achieve an

efficient allocation of resources.<sup>88</sup> In May 2012, the Taskforce advised the Inspectorate that:

Submissions for emergent works require significantly less evidence than reconstruction works. Essentially, NDRRA payment is based on an invoice. There is a concern that the lack of transparency means that reconstruction could potentially be included within emergent works, simply because they occurred in the first six months of an eligible event.<sup>89</sup>

6. The Taskforce had earlier indicated that it had completed five Tier One (value for money) assessments of emergent works projects in Queensland. However, the Taskforce and Inspectorate agreed to discontinue assessing emergent works applications on the basis that there is no requirement under NDRRA to submit detailed information in regards to emergent works. As discussed earlier, the NDRRA determination<sup>90</sup> is silent on emergent works. It is defined only in Queensland state government documents. In this context, the CFO reports categorise emergent works as NDRRA Category B.
7. The reduced documentary requirements for emergent works permitted by QRA (but not NDRRA), together with the lower level of scrutiny that QRA applies to these submissions before approving them for payment, would suggest that they require appropriate attention by the Taskforce in order to provide reasonable assurance that NDRRA eligibility requirements and value for money criteria are demonstrably being met.

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<sup>88</sup> NDRRA determination clause 4.1(b).

<sup>89</sup> Inspectorate meeting 10 May 2012 — Agenda Item 5. This advice was incorrect in relation to the timeframe specified. Queensland state procedures require that emergent works be conducted within 60 days of the eligible event and that, unless an exemption has been granted on the basis of exceptional circumstances, submissions must be lodged within six months.

<sup>90</sup> [http://www.em.gov.au/Documents/NDRRA%20-%20Determination%202011%20-%20Version%201%20\(PDF\)%20-%20Web%20update.pdf](http://www.em.gov.au/Documents/NDRRA%20-%20Determination%202011%20-%20Version%201%20(PDF)%20-%20Web%20update.pdf).

## Appendix 4: Recovery and reconstruction — definitions

1. For a program providing financial assistance, eligibility rules generally determine the scale of assistance, in accordance with the appropriate legal or policy authority. The recovery and restoration assistance provided by the Commonwealth through the NDRRA determination is established under Executive Authority. There is no special legislation and the determination does not set out specifically where funds should be allocated.<sup>91</sup>
2. The determination sets broad conditions for Commonwealth funding and defines natural disaster<sup>92</sup>, and eligible measures.<sup>93</sup> When these two criteria are met, Commonwealth assistance will be provided, subject to minor administrative rules set out in the determination, upon notification of the natural disaster to the Attorney-General, by the affected state.
3. A number of terms used in the determination have special meanings which are set out in the Dictionary at Clause 8.1 of the determination. 'Relief' is not further defined, but 'recovery' is described in the context of Category C assistance. In order to qualify as a Category C measure, the *recovery* assistance must meet certain conditions:

It either meets the intent of the community recovery package, or it contains only variations that have been approved by the Minister in writing;

The use of that assistance has been approved by the Prime Minister in writing in relation to the disaster; and

It meets any other conditions imposed by the Minister in writing.

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<sup>91</sup> Attorney General's Department, *Natural Disaster Relief and Recovery Arrangements Determination 2011*. The arrangements have been in place for about 30 years and the February 2011 determination replaced the 2007 determination.

<sup>92</sup> In the determination, natural disaster is defined to mean: a serious disruption to a community or region caused by the impact of a naturally occurring rapid onset event that threatens or causes death, injury or damage to property or the environment and which requires significant and coordinated multi-agency and community response. Such serious disruption can be caused by any one, or a combination of the following natural hazards: bushfire, earthquake, flood, storm, cyclone, storm surge, landslide, tsunami, meteorite strike, or tornado.

<sup>93</sup> In the determination eligible measure is defined to mean an act of relief or recovery that: (a) is carried out to alleviate damage or distress arising as a direct result of a natural disaster; and (b) is a type described as Category A, Category B, Category C or Category D measure in this part.

4. Restoration of essential public assets is also further defined. The requirements for the *restoration* or replacement of an asset are:  
  
The asset is an essential public asset (determined by the State government);  
and  
  
The restoration or replacement results in the asset being restored or replaced to its pre-disaster standard, in accordance with current building or engineering standards.
5. 'Reconstruction' and 'repair' are terms found only in the NPA and are not defined further. The Outcomes<sup>94</sup> of the NPA indicate that the Agreement will contribute to:
  - (a) the repair of damage to essential public assets ...
  - (b) replacement or restoration of essential public assets; and
  - (c) support for the recovery of communities ...
6. The NPA Outcomes set out above at (a) and (b) introduce a two-step process: repair; and replacement or restoration. The NDRRA determination only defines replacement and restoration. In relation to recovery, the NPA Outcome at (c) is consistent with the definition under the determination. However, later reporting was not consistent with this definition.

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<sup>94</sup> Clause 14 of the NPA with Queensland and clause 12 of the NPA with Victoria.

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