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CONSULTING

**Department of the Environment, Water, Heritage and the Arts:
Risk Assessment of the Insulation Components under the
Energy Efficient Homes Package**

1. Project methodology and business model - post 1 July:

- Extremely limited time to determine and implement
 - effective project methodology and
 - delivery / business model post 1 July

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Put in place an integrated project methodology that effectively links complex inter-related tasks and streams of work • Develop delivery / business model that addresses key Program objectives and risks • Base the final plan on this integrated methodology • Review all actions in the project plan against this methodology and each other as they are developed • Understand interactions within the project and monitor these as part of monitoring processes • Monitor progress closely and identify any inconsistencies or time lapses to ensure early correction and any impact on the methodology or other tasks • Test project's ability to maintain a hybrid business model post 1/7/09, retaining the rebate process whilst the referred ongoing business model is implemented progressively 	<ul style="list-style-type: none"> • Departmental Tier 1 project management framework in place • Recognised project methodology in place • Project Control Group established • Planning workshops underway • Project Plan in place • Project scheduler mapping interdependencies • KPMG working on alternate business models post 1/7/09 • Stakeholder consultation program in place contributing to Business Model and project methodology analysis • Strategy being developed to encourage take-up by low income / vulnerable households

2. Procurement / Licensing: needs for entire Program duration to be determined and fulfilled by 1/7/09

- Procurement processes/timeframes, 1/7/09 deadline for full program
- Scale of task is new to Department

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Identify procurement thresholds and constraints • Identify the most appropriate procurement / licensing model (e.g. Multi-user panels, issue of licenses, etc) as part of the Business Model considerations • Consider staged implementation of residual procurement needs to reduce time pressures • Develop a specific procurement/licensing strategy within the business model and project methodology • Develop an implementation timetable ensuring legal risks are dealt with effectively and allocate sufficient resources able to scope needs and assess capacity as the procurement / licensing processes are implemented • Monitor progress, including probity considerations closely 	<ul style="list-style-type: none"> • Business Model planning underway with KPMG. This will specifically consider ways to minimise formal procurement needs • Obligations under the Commonwealth procurement guidelines are being reviewed • Considering multi-user list and installer register and alternates to formal procurement • Licensing standards etc are partly developed within the rebate system already in place • Training etc is being outsourced – discussions are in hand with DEEWR et al

3. Time: time available to develop and deliver the program in a properly controlled way may be inadequate

- Tight timeframes to develop all elements of the program's Delivery model by 1 July
- An appropriate launch is required mid-year for the package

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop detailed project delivery / business model • Consider timing constraints / limitations in developing implementation strategies to reduce risk where possible whilst retaining core objectives • Clearly define <ul style="list-style-type: none"> • What will be in place 1/7/09 as a minimum delivery set and aspects that can be deferred / melded with others • Minimum requirements vs those that industry needs to deal with as part of its operation • Have industry leaders participate in developing guidelines / standards processes through early involvement in the program • Simplify business model where possible, to reduce time constraints • Closely monitor resourcing, project delivery targets etc • Adjust resources quickly as any shortfalls are identified • Use external resource where necessary to reduce time constraints • Focus resourcing on prior experience, capacity to pick up new tasks quickly, self-starting 	<ul style="list-style-type: none"> • KPMG working on alternate business models, including strategies to reduce time constraints • Potential for using Centrelink as payment agency being explored • Ministerial consultations in place • Industry Working Groups in place to develop detail of the agreed business model • Discussions with DEEWR re training programs in place • Scheduler finalising all tasks into project plan including risk treatments • Tight project controls in place to monitor timing risks and development of mitigation action impact on timing

4. Installation (quality and compliance): quality of installation / control by installers and compliance structures may be inadequate

- Poor quality installations
- Compliance cost (to Dep't or industry) may be excessive and process may be ineffective
- Safety - house fire/damage
- Insufficient number of auditors

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Consider these issues in developing the business model • Ensure business model transfers fraud risk from Commonwealth to providers where possible and allows effective monitoring • Develop effective process for registration of installers. Cover both financial viability and technical capacity in registration process • Alternatively let third party contracts to do this; Set up monitoring and reporting processes to identify emerging provider stress • Ensure contract structures provide capacity to monitor and take action on poor performing providers • Ensure installers are properly insured and consider requiring installers to indemnify the Commonwealth against claims/loss arising from installers' actions • Review mitigation strategies in light of the agreed business model 	<ul style="list-style-type: none"> • Developing links with ACCC and other regulatory bodies • Information available through call centre and is being reviewed as the business model is being developed • Strategic communications strategy in place • Communications channels with industry have been identified and are being developed • Regular communications with States and Territory regulatory bodies in place • Early installation guidelines include specific quality and safety requirements – installers must be verified – hooked into Australian Standards • Breach reporting system in place. Site inspections – planned to begin early 09/10 • Assessing training requirements and discussing with DEEWR • Internal compliance and monitoring system under development • Technical Working Groups with industry covering safety and quality of product

5. Fraud: inadequate controls may allow fraudulent or inappropriate behaviours

- Ineligible people accessing the program
- Industry quoting above actual cost of job
- Households double dipping between Commonwealth, State and Territory Programs above out of pocket costs
- Applicant accessing both SHWR and HIP programs • Installer theft/vandalism/ professionalism
- Internal / staff member process integrity

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop specific fraud strategy based on a capacity to outsource the risk • Review processes to test specifically for control over possible fraud / incorrect payments • Liaise with the Department's enforcement and compliance/legal experts in developing controls • Ensure effective monitoring of possible fraud areas in place (identify data needs and include in process development) • Review internal processes for possible internal fraud opportunities • Review eligibility guidelines and review processes for possible fraud opportunities • Risk Manager to sign off on processes and policies after reviewing for possible fraud opportunities 	<ul style="list-style-type: none"> • KPMG developing fraud strategy as part of business model considerations • Consultation with and assistance from Departmental Fraud staff in place • Internal process for capturing and mitigating fraud risk in place (e.g. cross checking data for homeowners claiming both insulation and SHW rebates) • Full time legal officer in place – further resources are being added currently • Current rebate forms facilitate follow up where information incomplete/incorrect • Internal follow up for claim issues including evidence of payment in place

6. Program complexity: Multiple policy goals, vested commercial interests may hamper the efficient delivery of the Program.

- Governance and planning gaps may reduce the capacity of the project to deliver
- Ineffective internal decision making, resource allocation and ownership (Project Governance)
- Industry structure not properly addressed

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Utilise effective integrated project methodology and develop fit-for-purpose Business Model to mitigate risk • Ensure scale of timing and project methodology (i.e. how the tasks fit together and impact on each other) mitigate risk and reduce complexity • Ensure clarity of rules through effective internal and external communication strategies • Set up tight internal communication structures • Set up conflict resolution process within project to identify and resolve potential conflicts 	<ul style="list-style-type: none"> • Business model planning in place is addressing complexity as a key goal • Project Control Group in place • Stakeholder Working Groups in place • Scheduler working on project plan and interdependencies • External communication strategy drafted and internal communications strategy commenced • Recently clarified eligibility guidelines • Draft stakeholder management plan prepared

7. Political: a variety of failures in the process, system, project deliverables etc may have significant indirect political/public confidence impact

- Policy changes or interactions and political scrutiny
 - Commonwealth
 - State & Territories
- Leaks about program performance
- Household demand management
- Applies in broadest sense of "political"

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Include political/ public confidence consideration in development of and monitoring of project methodology and Business Model • Identify political risks (e.g. impact on public confidence) and develop a communication strategy and monitoring process that includes capacity to keep track of these • Develop a mitigation strategy for politically sensitive risk and closely monitor developments • Actively manage expectations through communication strategies, including <ul style="list-style-type: none"> • Market • Installers • Community • Press • Other stakeholders • Clearly communicate key aspects of the Program, e.g. eligibility and program requirements • Manage expectations through Working Groups (e.g. Industry) and regular meetings with key stakeholders 	<ul style="list-style-type: none"> • Communications strategy, reporting steams and 3rd party communications strategy • Formal consultation with social welfare and environmental groups • Reporting and monitoring plan under development including around data collection to facilitate reporting • Technical workshops on safety etc – working with industry • Weekly meeting with Parliamentary Secretary and advisers • Close engagement with Minister, Minister's Office, Prime Minister and Cabinet, Coordinator-General • Industry and community consultations groups in place • Arms length communication strategy is being developed

8. Communication and planning: inadequate planning and communication may create poor delivery of communication strategy (internal and external)

- Excessive media attention on non-compliance
- Consistency of information on suppliers
- Households' lack of program awareness

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop separate communication strategy and set up detailed monitoring processes • Include specific communication issues and strategies in the project methodology • Develop integration processes to improve monitoring and rectification actions as needed • Develop research and integrated data collection strategy 	<ul style="list-style-type: none"> • Internal and external communications strategy developed • Tight control over delivery timetable for public communication campaign • Intra-DEWHA communication through the Project Control Group • Intra-Commonwealth communication underway (eg Finance, ANAO) • These issues are also being addressed as part of the mitigation of Risk 1 above • Developmental research has been undertaken to ensure correct messages are delivered to the community • Campaign tracking research is planned to ensure messages are getting through and any adjustments required can be made expediently • Comprehensive information package developed to assist with consistent responses to public enquiries • Information being developed for special audiences (NESB, vision/hearing impaired, indigenous) • Internal assessment of communication needs for disabled/multilingual groups being made

9. Legal: complex legal issues associated with the Program may not be fully understood or dealt with

- Insurable risk may not be fully covered and monitored
- Contracts don't clearly specify responsibilities or allocate risk
- Privacy, safety, liability issues

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop a separate legal risk management plan and implement • External review of plan and key contracts • Focus on outsourcing major risks while retaining capacity to monitor and regulate the key relationships through contracts • Review impact of legal risk as part of decisions on the appropriate business model 	<ul style="list-style-type: none"> • Currently drafting a Legal Risk Management Plan • Investigating legal issues to inform the Business Model • Full time senior legal officer • Recruiting junior legal officer on secondment

10. Internal capacity: capacity to develop, staff, control and deliver the program on time may be insufficient

- Human Resources: recruitment, induction, training and integration of many new staff
 - adequate numbers and capabilities of staff
 - burn out
 - turnover/loss of corporate knowledge
 - rebate payment delays

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop a resourcing strategy in conjunction with the project Methodology and business model • Integrate resourcing strategy with the project methodology and schedule • Monitor resourcing needs weekly as the plan unfolds • Include resourcing reviews in all phases of the detailed project development • Focus resourcing on prior experience, capacity to take up new tasks quickly, self-starting, understanding of public probity, ability to work with little supervision, team player • Maintain a flexible internal structure to respond to emerging needs quickly 	<ul style="list-style-type: none"> • Issue is being addressed in the short-term in project planning processes currently in place • High level of internal executive support • External recruitment underway • Extensive/ senior internal secondments • Flexible/dynamic structure adjusted to changing business model • Divisional restructure to meet requirements • Private sector resources brought in to meet gaps • Information sharing through regular team meetings

11. Regulation: the existing regulatory framework may not adequately support the Program's goals

- Reliance on contracts rather than legislative enforcement
- Regulation required through third party contractors

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Choose a regulatory approach consistent with the Program Methodology and implementation timetable based on outsourcing model and commercial contracts • Likely need to include specific regulatory aspects into contracts as the core focus of regulation • Consider need and constraints if administrative regulation path is chosen • Monitor effectiveness of regulation structures weekly and adjust if possible • Address regulatory requirements as part of the development of the project methodology and business model • Assess exiting regulatory frameworks to determine intersections with Program needs • Link regulatory requirements to the business model and align processes with state/territory regulatory process for the industry • Consider how licensing requirements will support broader regulatory requirements of this Program • Consider options for incentives and penalties in contracts / agreements with suppliers 	<ul style="list-style-type: none"> • Developing business Code of Conduct and Australian Standards in guidelines (already in place for rebate system) • Consulting with regulators (ACCC) • Consulting with industry • Aligning program specific regulation with State/Territory etc Regulation

12. Capacity: Industry’s capacity to produce and deliver sufficient quality materials and installations may be inadequate

- Demand for materials exceeds supply
- Transport – capability of supply chain
- Capability of installer workforce
- Development of bottlenecks

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop product supply strategy and installer availability strategy in conjunction with industry and outsourcing contractors • Develop monitoring processes to identify emerging supply issues and a framework to deal with these • Integrate supply and communication strategies in the program methodology 	<ul style="list-style-type: none"> • Industry consultation through formal roundtable meetings has commenced • Monitoring imports of insulation materials • Business Model decision will consider impact on this risk

13. Outcomes: Actual outcomes (e.g. number of households included, long-term savings) may not eventuate

- Household benefits don't materialise in energy savings
- Household demand - cost of insulating household above program budget

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Review program methodology to identify specific strategies to ensure full take-up and to encourage a balanced progression of take-up • Put in place monitoring processes to identify emerging trends in take-up quickly • Adjust strategy and actions in response to emerging trends • Retain flexibility in outsourcing structures 	<ul style="list-style-type: none"> • Business Model decision will consider impact on this issue, in particular the structures necessary to ensure distribution and availability, quality of products delivered • Monitoring processes being put in place will provide feedback on progress and data on where differences are occurring • Communication strategy actively supports this issue • Specific strategies being developed for low income / vulnerable households and remote / regional areas

14. Delivery method: delivery structure may result in over-centralisation, poor allocation and political / economic fallout

- Government interventions versus free market
- Inefficiency in delivery Over-centralisation through one-stop shop
- Fairness in allocation of work between Installers (especially broker system in Phase 2)

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop integrated project methodology and delivery strategy • Review as processes are developed; put in place monitoring processes to identify and correct any developing issues 	<ul style="list-style-type: none"> • Issues of access and equity are included in communication strategy with suppliers • Access for specific needs groups the subject of separate focus in planning and delivery structures • Business model will address key aspects of this risk • Timelines are being developed to meet the 1/7/09 deadline • Current discussions with Centrelink, Medicare and State / Territory Offices of Fair Trading to coordinate responses and utilise existing processes where available • Discussions with industry in place to address free market aspects of the business model • Considering options for multiple information access points for home owners

15. Take-up: program may not achieve its objectives through poor uptake / program awareness

- Level of take-up is inadequate
- Insufficient installers in regional / remote / Indigenous areas
- LEAPR incentive insufficient for landlord uptake

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop detailed take-up strategy as part of Program methodology • Specifically address monitoring and support structures in outsourcing contracts to achieve take-up targets • Monitor take-up against this plan and adjust other program aspects as required 	<ul style="list-style-type: none"> • Well targeted communications strategy to raise awareness to be delivered from end June 2009 • Take-up issues are being considered in Business Model considerations • Reporting is being considered in negotiations with Centrelink, et al • Targeted media launch being developed as part of communication strategy • Medicare will provide reports on take-up, quality assurance and compliance as part of its delivery proposals • Development of strategies to encourage take-up by low income / vulnerable households underway • Benchmarking and weekly reporting on uptake being developed with Medicare

16. Training mechanisms: capacity / control over installer network skills may be inadequate

- Demand for installer training may exceed capacity
- Inability to attract enough people to train to become installers
- Inability to 'fund' training for installers

Note: DEEWR will oversee

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop process for registration of installers (arrange through third party outsourcing contractors) • Cover both financial viability and technical capacity (allow third party contracts to do this) • Set up monitoring and reporting processes to identify emerging provider stress • Ensure contract structures provide capacity to monitor and take action on poor performing providers • Closely liaise with DEEWR on development and rollout of training capacity initially, and of retraining/exist strategies in second half of Program 	<ul style="list-style-type: none"> • Communication strategy to raise awareness of training availability amongst potential suppliers to be delivered from end June 2009 • Agreement with Medicare to host installer registration web-site • Legal parameters for the register have been developed • Insurance requirements for installers are being developed • Code of conduct requirements being developed • Industry Skills Council in DEEWR being consulted re training program development • States being consulted re training delivery – NSW is almost ready

17. Stakeholder management: risk of focussing on specific tasks and pressure groups may result in inadequate attention to all stakeholders and their interests

- Diversity of stakeholders and challenge in managing their expectations
- Industry ownership / buy-in
- National Coverage – Indigenous /Remote

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Develop integrated project strategy and methodology • Set up tight internal communication structures • Set up conflict resolution process within project to identify and resolve potential conflicts • Have all stakeholders agree on Terms of Reference , e.g. through State and Territory working groups • Conduct regular meetings (face-to-face and teleconferences) 	<ul style="list-style-type: none"> • Opportunity for internal and external communication (e.g. press releases) • Departmental Executive provide secretarial and support resources • Communications Strategy drafted • Regular and open communications with States and Territory Working Group • Developing intranet site • Process to develop strategies for servicing remote areas and for low income / vulnerable households underway

18. Industry impact: structure of program may impact on capacity of the industry both in the short and longer-term

- Inflated insulation prices for a period
- Industry boom and bust – workers and product not required at end of program

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Include industry structure impact in program methodology • Develop an exit strategy for the Program at the end of 2.5 years • Develop specific aspects of communication strategy to support steady implementation of the program supported by supply capacity • Develop monitoring strategies to keep oversight of supply (materials and installers) and build-up and run-down of the industry • Develop specific re-training / redeployment strategy and communication program for run-down at 2.5 years with DEEWR 	<ul style="list-style-type: none"> • The media plan under development as part of the Communications Strategy will control the rate of information flow to members of the community • DEEWR and State / Territory training programs will enable the training to be easily transferred to other parts of the industry after the Program is completed • Planning and monitoring strategies are part of the development of the Business Model, data collection being negotiated with Centrelink and Medicare

19. Product: Product quality may not be of adequate standard

- Product does not meet thermal efficiency standards
- Product does not meet safety standards

Recommended Management Plan	Current Activities
<ul style="list-style-type: none"> • Set product quality guidelines with industry • Put in place regulatory framework (based on outsourcing contracts) to monitor quality and identify exceptions • Set up third party process for dealing with quality exceptions, including rectification by alternate providers as required • Put in place monitoring processes to monitor the overall quality and delivery standards for the Program • Put in place arrangements with other agencies, particularly ACCC, to ensure their active involvement in ensuring industry members comply with relevant legal requirements 	<ul style="list-style-type: none"> • Negotiating with Centrelink to act as payment agency and to hold the installer register. • State and Territory Offices of Fair Trading to act as regulators through existing processes and structures • Guidelines and product fact sheets in place as part of the current rebate system • Number of industry briefings have been held with industry bodies • Technical Working Groups in place and have met • Looking at safety elements of the Standards • Have technical consultants in place • Developing a product testing model (preferably with access to 2 laboratories) • Technical evaluation is considering a series of construction models to apply to the major housing types.