



THE SENATE

**STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE**

20 October 2021

Mr Grant Hehir  
Auditor-General for Australia  
GPO Box 707  
CANBERRA ACT 2600

Dear Mr Hehir,

**Prospective audit of Australian Wool Innovation**

On behalf of the Senate Rural and Regional Affairs and Transport Legislation Committee (committee), I write to you to request that the Australian National Audit Office (ANAO) conduct an audit of Australian Wool Innovation (AWI) governance and fiduciary matters. The committee's preference would be for the audit to be conducted in the 2021-22 financial year.

**Matters brought to light during Senate Estimates**

The Australian Wool Innovation (AWI) appeared before the Senate Rural and Regional Affairs and Transport Legislation Committee (the committee) during Senate Additional Estimates on 23 March 2021 and during Senate Budget Estimates on 27 May 2021. The committee put a number of queries to AWI it had received from key industry stakeholders and levy payers concerning transparency, consultation, and effective governance and performance of AWI. The committee did not receive satisfactory responses to the matters raised.

The committee is principally concerned with the following examples of the lack of transparency and accountability that AWI are providing to both the levy payers, and the Australian Government:

- **AWI's implementation of WoolQ**

Since the Wool Selling System Review (WSSR) report was released in 2016, there has been a lack of industry consultation across the entire supply chain by AWI prior to their \$6.3 million expenditure on this selling platform. There were only 939 bales traded on the platform in the 2019/20 financial year. AWI commissioned EY Port Jackson Partners to undertake a review of WoolQ, apparently to address a number of issues, including:

- Addressing resistance to encourage greater participation from stakeholder groups;
- Assess potential ownership structures to determine the most commercially viable and

- effective model for all of industry; and
- Determine at what point a potential divestment of AWI ownership (either in part, or in full) would be most feasible.

However, AWI have not released this report to industry stakeholders and levy payers, or to the committee. When specifically requested to provide it at Senate Estimates, AWI refused and subsequently cited commercial-in-confidence and privacy concerns as grounds for the refusal. Furthermore, they claimed that they do not own the rights to the report and are therefore unable to publish it. This episode is an example of the lack of transparency exhibited by AWI in respect of their obligations to this committee, to the industry and to the Australian government.

### **Increase in wool levy**

On 19 July, AWI told shareholders it would be seeking an increase in the current 1.5 percent wool levy to 2pc. However, AWI has rejected requests from peak grower body WoolProducers Australia, the Australian Wool Growers Australia and its WoolPoll Panel to release details on its current reserves, projected income and wool production forecasts and current project commitments. The release of this information is crucial in informing levy payers before the 2021 WoolPoll ballot, when eligible levy payers will preferentially vote for either a zero levy, the current levy rate of 1.5pc, a 1pc rate, AWI's preferred 2pc option, or the supplementary rate of 2.5pc also put forward by AWI.,

AWI's timing of its 2pc levy preference announcement, weeks earlier than normal, meant that the AWI chair, other board members and the company's chief executive officer have been able to promote a 2pc levy for several weeks with knowledge they have denied AWI shareholders.

Again, this is a further example of a lack of transparency. The committee therefore requests that an audit of its obligations to levy payers and the Australian Government with a specific focus on accountability and consultation, and would be grateful for your advice on further developing the parameters for an audit if required.

If you have any questions or wish to discuss these matters further, please contact the committee secretariat on 02 6277 3511.

Yours sincerely

Senator Susan McDonald

**Chair**