



COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**Reference: Auditor-General's reports Nos 4 to 26 (2007-08)**

WEDNESDAY, 18 JUNE 2008

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**JOINT STATUTORY**  
**COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**  
**Wednesday, 18 June 2008**

**Members:** Ms Grierson (*Chair*), Mr Georgiou (*Deputy Chair*), Senators Mark Bishop, Chapman, Hogg, Lundy, Murray and Watson and Mr Baldwin, Mr Bevis, Mr Bradbury, Mr Butler, Ms King, Mr Morrison, Mr Neumann and Mr Robert

**Members in attendance:** (Senators Chapman and Watson and Mr Bradbury and Ms Grierson)

**Terms of reference for the inquiry:**

To inquire into and report on:

Auditor-General's reports Nos 4 to 26 (2007-08)

**WITNESSES**

<b>CAHILL, Mr Matt, Group Executive Director, Australian National Audit Office .....</b>	<b>1</b>
<b>CASS, Ms Barbara, Executive Director, Australian National Audit Office .....</b>	<b>1</b>
<b>CHAPMAN, Mr Steve, Deputy Auditor-General, Australian National Audit Office.....</b>	<b>1</b>
<b>CREASER, Mr Peter, Director, Australian Government Natural Resource Management Team, Department of Agriculture, Fisheries and Forestry.....</b>	<b>1</b>
<b>McVAY, Mr Peter, Audit Manager, Australian National Audit Office .....</b>	<b>1</b>
<b>RANKIN, Ms Alex, First Assistant Secretary, Natural Resource Management Programs Division, Department of the Environment, Water, Heritage and the Arts .....</b>	<b>1</b>
<b>SHAW, Mr Roderick, General Manager, Landcare &amp; Sustainable Production, Department of Agriculture, Fisheries and Forestry .....</b>	<b>1</b>
<b>TALBOT, Mr John, General Manager, Australian Government Natural Resource Management Team, Department of Agriculture, Fisheries and Forestry.....</b>	<b>1</b>
<b>TAYLOR, Mr Hilton Leslie, Assistant Secretary, Natural Resource Management Programs Division, Department of the Environment, Water, Heritage and the Arts .....</b>	<b>1</b>
<b>THOMPSON, Mr Ian, Executive Manager, Sustainable Resource Management Division, Department of Agriculture, Fisheries and Forestry.....</b>	<b>1</b>



**Subcommittee met at 12.05 pm**

**CAHILL, Mr Matt, Group Executive Director, Australian National Audit Office**

**CASS, Ms Barbara, Executive Director, Australian National Audit Office**

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**THOMPSON, Mr Ian, Executive Manager, Sustainable Resource Management Division, Department of Agriculture, Fisheries and Forestry**

**RANKIN, Ms Alex, First Assistant Secretary, Natural Resource Management Programs Division, Department of the Environment, Water, Heritage and the Arts**

**TAYLOR, Mr Hilton Leslie, Assistant Secretary, Natural Resource Management Programs Division, Department of the Environment, Water, Heritage and the Arts**

**CHAIR (Ms Grierson)**—I open today's public hearing of the Joint Committee of Public Accounts and Audit, which is examining Audit report No. 21 2007-08: *Regional delivery model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality*. I ask participants to remember that only members of the committee can put questions to witnesses if this hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I would ask them to direct comments to the committee. It will not be possible for participants to directly respond to each other. Given the short time available today, statements and comments by witnesses should be relevant and succinct. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings in the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

I welcome you all and invite you to make a brief opening statement before we proceed to questions. The committee spoke to representatives of the Australian National Audit Office before this public hearing, and they will just table a statement.

**Ms Rankin**—We can table ours as well. It is very short.

**CHAIR**—That is fine. Are you happy to make a brief statement, Mr Thompson?

**Mr Thompson**—It is a joint statement, so we are happy to table it.

**CHAIR**—We might go straight into questions.

**Senator WATSON**—I would like something of an overview, because I am very conscious that we are moving into uncharted territory.

**CHAIR**—Certainly, Senator Watson.

**Senator WATSON**—To be fair to the witnesses, I would like to be given the opportunity to hear some of the difficulties and challenges that they have had to face.

**CHAIR**—We will ask about that. Senator Watson was not here for our previous discussion. Could you give us a brief overview of the activities of the joint—

**Senator WATSON**—No. The challenges that you have had to meet in terms of—

**Ms Rankin**—In terms of the original terms?

**Senator WATSON**—facing an audit report, yes. Because this is the first time you have had to be evaluated, isn't it?

**Ms Rankin**—No. There was a previous audit of different components of the delivery of the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality, but this was the first time there was a specific audit of the regional body delivery arrangements. So we can certainly talk about some of the challenges of regional body delivery arrangements.

**Senator WATSON**—Yes, just to put it in context so that we can weigh up the audit considerations.

**Ms Rankin**—As you are aware, in the transition between NHT1 and the Natural Heritage Trust phase two in about 2003, we basically moved away from a very ad hoc grants delivery process into one that formalised a relationship with 56 new regional bodies around the country, which we established jointly with the National Action Plan for Salinity and Water Quality. This was to try to get much greater landscape scale investment in regional land management activities and environment protection activities and to recognise that, to a large extent, community groups and their representatives are much better placed, in a lot of cases, to advise on the priorities within their region and to help mobilise resources within their region to undertake actions to deliver investments.

A fairly substantial amount of work had to go into setting up the 56 new regional bodies. Many of them were already established under state legislation. Most of the states and territories had already moved to a bit of a regional arrangement. We tried to add on roles and responsibilities to the regional groups in those states and negotiate arrangements with the state governments that would allow us to have more of a relationship with those regional bodies and use them for the purpose of helping us to deliver the NHT and the national action plan.

In other states, such as Queensland and WA, they did not exist and we had to start them from scratch. They ended up having to go through the whole arrangement of their charter and how they would get representation. Would it be a voting system or community representation or something that was appointed by the state government? So there were a whole lot of issues around setting up regional bodies that we had to facilitate. Obviously, there were governance arrangements for each of the regional bodies. We needed to get contractual arrangements sorted out between us and the states. That included how we would deliver money to regional bodies, joint investment with the states and territories, the audit, monitoring and reporting requirements of the regional bodies and how they would actually mobilise themselves to undertake projects and deliver things on the ground.

I guess it is true to say that at that time, and still to date, there are varying levels of skills and capacity amongst each of the regional bodies across the country. Some of them are very polished and mature performers and others are still in a learning phase. We expect that that will be an ongoing process and that, as they get more experience and capacity, they will continue to evolve and improve. Likewise, we are improving our relationship and our administrative processes to allow funding to flow to those regions to direct our investments and to ensure that we are getting the appropriate levels of governance from them.

**Mr Thompson**—I will add a couple of things. I think Alex focused on putting new arrangements in place and the governance arrangements and the importance of monitoring and evaluation. The origin of doing stuff at the regional level was, as we said, trying to get a more regional scale action and regional scale ownership of the problem and their solutions and being able to do some priorities at that level. One of the other challenges—we agreed with all the recommendations of the audit—is that it is getting the level of knowledge into those people to be able to make those sorts of decisions in a sensible and balanced way. That is a challenge. But the policy behind it of having people out there in regional Australia, equipped with the sort of knowledge that people at the centre might have about the scale of problems and research and development outcomes, is particularly important.

**Senator WATSON**—How long will it take to educate and to direct these people?

**Mr Thompson**—It is an ongoing process. The regional model was put in place on top of a history of previous programs. During the establishment of the regional bodies and the rolling out of the programs, material was run out to those groups and workshops and seminars were run on new research and information. They were networked with other information providers. I was just saying that one of the other fields of challenge is information and knowledge.

**CHAIR**—Thank you for that information. The Audit Office did consider that there had been insufficient information to make informed judgement on whether the policy outcomes were being achieved in your annual reports or in any other way. Although we all support the mission, knowing that it was being achieved apparently has been the subject of three previous ANAO audits since 1996-97. It was stated by the Audit Office that it should have been a priority for attention in the lead-up to NHT3. I suppose, having those national outcomes and performance outcomes, you would have made some recommendations or you would have done some work to prepare for NHT3, the third version of the National Heritage Trust program—the next five-year plan—which has now been subsumed by Caring for our Country. Can you explain how you have changed the outcome measuring et cetera for the new Caring for our Country program?

**Ms Rankin**—Certainly. We are still obviously in the process of bedding down the explicit details of how this is going to work because Caring for our Country is not due to start until 1 July. So there are a lot of details still being sorted through. One of the fundamental things that characterises the new Caring for our Country program is its business investment framework model. Under NHT2, we were quite reactive in terms of going out and trying to gather information, as the program was being rolled out, about what was being achieved. We were not very clear about what we were expecting to be achieved and being able to measure that. So one of the fundamental things we are doing under Caring for our Country from the very beginning of the program is being quite explicit about what outcomes we expect to see delivered at the end of the first five years of investment. We will have an explicit set of one- to three-year targets that will keep us on track to make sure that we target investments to achieve those outcomes. They will be reviewed each year and articulated as part of an annual business plan. We will produce an annual report card that will measure and allow us to report on how well we are keeping track and progressing towards those outcomes and targets. It will allow us to continually review whether the investments and decisions on investments we are taking are helping move us in the right direction. I think that framework upfront really allows us to say, ‘By five years we expect to be at this point. To get there, we need to get to this point by the end of year two and these are the types of activities we need to invest in to get there.’ We will explicitly identify through our monitoring and evaluation strategy how we are going to measure that and report on it. That really sets the framework up right from the first day.

**CHAIR**—And these are agreed national targets from the two departments?

**Ms Rankin**—That is right.

**CHAIR**—And, therefore, will be conveyed to states and whoever is delivering programs?

**Ms Rankin**—They will be publicly available, yes.

**CHAIR**—Senator Watson, you wanted to pursue that?

**Senator WATSON**—I can understand your having some difficulties establishing programs that have not had a state base or organisational structure before. Therefore, it will take some time to educate people so that programs are transparent and properly accountable. What I cannot accept is that significant areas of non-compliance by state agencies with regard to the bilateral agreements have been identified. I would have thought you should not have any problems with state agencies. I can understand the weaknesses in establishing new programs with voluntary people in remote areas, but what I cannot accept is that there has not been a proper accounting tie-up with the states. The document I am reading states:

... significant areas of non-compliance by State agencies ...

This will require attention leading to the new \$2.25 billion program. It then states:

...attention will need to be given to addressing the transparency and accountability of Australian Government funds managed by the States/Territories...

That is the nub of it in terms of managing and having stewardship over so much Commonwealth money. What can you or the Audit Office advise—I will give you the first opportunity—in terms of trying to ensure that the state governments are really at the leading edge of having their documentation right? Where are we going wrong with the state governments? Where are they going wrong?

**Mr Taylor**—I am happy to address part of that question. I think the issues that are raised there, whilst they certainly occurred, were not widespread in an overall sense. They were significant and important where they did occur. In addressing them moving forward into the Caring for our Country program, where there was an opportunity for the states to be involved in decision-making and processes, the joint steering committee process has been pulled back to some extent into the Australian government's control. Whilst there is still a strong relationship with the states and a contract with the states to enable moneys to flow through to the regional bodies and things like that, it is now based on time payments into accounts and performance payments out of those accounts at the Australian government's behest and under our control. So there is a tightening of the management of all those procedures that have been brought back into the Australian government's control.

I think also over the last couple of years—it was very evident in the negotiations leading up to Caring for our Country—there has been a maturing of the relationships between the Australian government and the states regarding these programs. The states certainly did have their own programs they were running, but they also had to learn, and come on board with, the new arrangements that were put in place under NHT2. That has matured over the life of that. I think a lot of the issues that were raised in there have been addressed moving forward into Caring for our Country.

**Senator WATSON**—But the states argue that you did not give them a framework of compliance that they had to meet at certain times of the year, for example. I think it is a wonderful program, but I just want to make sure, from a public accounts point of view, we are getting value for money. If there is a weakness, we have to find out where it is to rectify it.

**Mr Taylor**—One of the issues—

**Senator WATSON**—So you are saying the problem has been solved, have you, from what I have just raised, because you have a better relationship and they understand more? But unless you are providing the documentation or the accounting framework of what is required in terms of performance targets and that sort of thing, how do they know what they have got to tell you in terms of an audit assessment? Do you provide that framework for them?

**Mr Taylor**—There is a bilateral agreement between the states and the Australian government that was covered here.

**Senator WATSON**—And it covers these sorts of issues that we are discussing?

**Mr Taylor**—It was against those arrangements that were outlined in the agreements that the anomalies were identified. Moving forward, we have revised those bilateral agreements. There are new ones that are being negotiated currently for Caring for our Country. We are moving forward with an intention to address the anomalies that were raised in the previous audit.

**Senator WATSON**—Madam Chair, do we want to ask the Auditor-General to respond to these issues? If they have been covered—

**CHAIR**—They are certainly here to do so.

**Senator WATSON**—If they are up to date.

**CHAIR**—Before we continue, though, is it the wish of the committee that the documents be accepted as submissions for this hearing? There being not objection, it is so ordered. Thank you. Do you want to comment on that?

**Mr Cahill**—Senator Watson, we found during the audit that the bilateral agreements that had been put in place between the Commonwealth and states and territories were well-designed and were the appropriate instrument, given the context of the challenge at heart. What we identified during the course of the audit was that there were instances where the state and territory bodies had been given requirements to give audited financial statements, or something to that effect, to give that extra layer of assurance that the funds were being correctly accounted for.

**Senator WATSON**—That is good.

**Mr Cahill**—What we found were instances where that had not happened and that the agency was working with the state and territory bodies to ensure that those statements were provided. That was the issue. Going forward, from an Audit Office perspective, obviously we have not looked at the new arrangements being put in place and the design of them. But the key message is that, whatever arrangements are put in place, there is obviously a need to ensure they are monitored and appropriate action is taken when there is non-conformance. I do not know whether the audit team would like to add to that at all.

**CHAIR**—Mr Bradbury, do you want to add to that?

**Mr BRADBURY**—So it is clearly a question of compliance with the agreement?

**Mr Cahill**—Yes.

**Mr BRADBURY**—I guess the question then is: what mechanisms are likely to be put in place in order to ensure better compliance in the future?

**CHAIR**—And I am sure you considered that for the new model, the new program?

**Mr Taylor**—Indeed we have. Of the compliance issues that were identified, it was found that there were three states that had outstanding acquittals at the time the audit was done. Now 100 per cent of the states have those acquittals in place. We have worked with the states to get them up to date and worked with them to have those procedures built into the new bilateral arrangements that we are working on now.

**CHAIR**—Were unspent funds returned?

**Mr Taylor**—And/or redirected, as specified in the bilateral agreements.

**CHAIR**—With the department's agreement?

**Mr Taylor**—Yes.

**CHAIR**—Recommendation No. 1 from the Audit Office was that you give priority to documenting and disseminating information regarding lessons learned or insights into quantifiable benefits or unintended consequences from those investments. Is a document that lists those being prepared?

**Ms Rankin**—There is a document being prepared. We are doing a substantial amount of investing in trying to summarise a lot of the outcomes. As you can understand, we have made probably thousands of different investments throughout all of the NHT, so there is a huge body of work to try to capture. We did invest with Land and Water Australia to produce what is called an NRM knowledge tool bar. Basically, that is a place that everybody in the regions, community groups and states can go to in order to download information as it becomes available. It captures that historic information of lessons learned from different types of investments and experiences that regions—

**CHAIR**—So that is lessons learned for an audience of people who are going to be implementing on the ground. What about lessons learned for informing the process to set up a new program?

**Ms Rankin**—No, I guess we have not documented that at this point in time.

**Mr Thompson**—In a formal sense, that has not been documented. I have only recently joined the division in DAFF. I have no doubt it is similar in DEWHA. The department as a whole has processes in train for improving grants management programs in bringing together knowledge from a whole range of programs and applying more systematic processes across how those programs are delivered. That is a process that has just commenced in DAFF.

**CHAIR**—Mr Talbot, you were on the joint steering committee, so you were part of the previous program delivery and design. Is that right?

**Mr Talbot**—I have been in the joint team for 13 months now.

**CHAIR**—Who is going to document those lessons learned for a new minister? If I were a new minister, I would have wanted that list put in front of me straightaway. Are you telling us that it has not been documented—lessons learned from billions of dollars worth of programs that have been put in place since 1995-96?

**Ms Rankin**—Clearly, as we have been working with ministers on the process of designing the new program, we have been providing them with advice on issues and experiences with the implementation of the NHT and the national action plan. That advice has helped to frame the recommendations about how changes and improvements to Caring for our Country could be made. But there has not been a single document that has captured, in one place, all the lessons learned from the previous programs.

**CHAIR**—So in terms of the knowledge transfer and dissemination that CSIRO said was very important, have you focused more on those sorts of lessons learned for implementation on the ground? Has that been documented?

**Mr Thompson**—That is the one where we outlined the process of capturing that material through the knowledge legacy of the previous programs, which is captured in the body of reports. The knowledge tool bar that is maintained by Land and Water Australia captures the CSIRO knowledge, the reports by other people and the reports coming out of regional groups. That is available via the web for practitioners.

**CHAIR**—That is good. I am pleased to hear that.

**Senator WATSON**—You have spoken about monitoring. What is the extent of the monitoring? Who looks at the results of that monitoring? Do you give progress reports to the Australian National Audit Office, for example, on the monitoring of issues which were previously a problem that you have now overcome?

**Ms Rankin**—Is this in relation to the implementation of bilateral agreements or the monitoring of resource condition change and program improvement?

**Senator WATSON**—Both.

**Ms Rankin**—I guess, under the new Caring for our Country program, we have specifically identified for the first time a monitoring and evaluation budget that was not available under previous programs. That is designed to ensure that we clearly articulate investments and ways of measuring and monitoring them. A range of monitoring activities will happen under the new program. They will range from national scale monitoring activities funded and undertaken by the Commonwealth to things that we ask the states to do on our behalf to activities that we expect each region or each project funding recipient to undertake and to feed up into one central place. As I mentioned before, the annual report card will be the mechanism by which all that information gets brought together. That will determine whether our investments are keeping track with what we expect them to do and whether we need to adjust them. It will demonstrate accountability for the investments that are being made and whether progress is happening, and there will be the capacity to change it if there is a problem. That is certainly a key part of the design of the new program.

**Senator WATSON**—On a recurring basis, do you keep the National Audit Office up to date about areas where weaknesses have been detected and you now have an improved performance program in terms of adherence, or do you just wait until the next audit and say, ‘This is what we’ve done; tick it off if you’d like’?

**Mr Cahill**—From the Audit Office perspective, we have a range of mechanisms that enable us to monitor agencies more broadly. We have observers at audit committees. Obviously, as part of our strategic planning process, we continue to look at the changes in their environment. As you might expect with the Caring for our Country initiative, it is a substantial investment and a high priority. As part of our future work programs, we would be looking at the implementation of these recommendations and at what initiatives have been put in place since. We also take some assurance from the fact that there are a range of other mechanisms of the agency which were the

focus of recommendations in this audit. These concerned more public reporting through the parliament and annual reports and suchlike on the performance of the programs.

**Senator WATSON**—I am interested, though, in the Australian National Audit Office in effect having a continuous oversight of these sorts of issues. I would be somewhat disappointed if you just put those in your files and determined whether you were going to use them at the next audit. I would have thought you would have a two-way conversation—'Yes, we have had these enhanced programs put forward.' Then you would match that with how you have made your previous evaluation and whether we have made progress. Do you do that work?

**Mr Cahill**—Recognising, as with most agencies, that we have limited resources, the work that we do, particularly with major initiatives, is to have a monitoring brief in terms of progress, with a view to how that shapes our water program. At some point in time, if we observe that there are risks and exposures, we might actually commence an audit. At other times, we need them to go down the path for a period of time. So, in some sense, we will keep abreast of the issues as part of our planning processes, but it is only at some point in time we will advise the Auditor-General whether or not we should be declaring an audit of the area.

**Senator WATSON**—You can see what I am trying to get at.

**CHAIR**—I want to follow up on that. One of the recommendations from the Audit Office was that a performance measurement framework be developed for these programs, NHT3 particularly. It was quite extensive. It listed what should be in it—core performance indicators to measure actual results, fair and consistent business rules, the collection and collation of performance data, the dissemination of guidance to regional bodies et cetera. If you are already developing a reporting framework—an annual report card—surely, based on the recommendation of the Audit Office, it must be based on a performance measurement framework. I would have thought the performance framework would have to be something you might develop, which perhaps the Audit Office may look at. We very often find in these audit reports that if that is not in place at the beginning of a program and then governments want to see it spent and outcomes realised—if it is not linked to that framework which has been recommended to you—the outcomes are not optimum. Is your reporting card system, your annual report card type program that are you working up for Caring for our Country, linked to a performance measurement framework, as asked by the Audit Office?

**Ms Rankin**—Yes, it is. I think I probably did not explain this clearly enough at the beginning of my statements. The report card is part of the performance framework. Obviously the whole system of setting clearly measurable, articulate five-year outcomes, short-term targets and providing an annual business plan that specifies where we want to invest our money to ensure we achieve those targets and outcomes is driven by a program logic framework. It indicates that if you want to get there by the end of five years, you need to undertake investments in this type of area, which should lead to an investment at that scale in two years. So that all underpins the framework that we are developing for the new program, yes.

**CHAIR**—Would it be appropriate for the Audit Office to have checked on that performance framework that is being used?

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

**CHAIR**—We are always asking more of you. We never give you enough resources.

**Mr Cahill**—Which we are very grateful for too, Chair.

**Senator WATSON**—Madam Chair, you have really hit the nail on the head. We have these evaluations from different departments, and now yours. The issue we come up with is, ‘We have it in hand, we are doing this, we are doing that.’ From our point of view, we have to have an ongoing feedback from both you and the Audit Office—the department and the Audit Office—in terms of how satisfactorily these new programs have met the criticism. It appears that we have to wait until you decide to do a new audit in two or three years. In this fast-moving world, you have to dovetail and the Audit Office has to dovetail more in terms of the monitoring. I think as a committee we should now be expecting that feedback in terms of how agencies have met, from your independent assessment, without a detailed audit. You might have to do some detailed checking. But I think that is an essential part of your program. I am a little tired of hearing, ‘The problem is being fixed’, when in two years we come back and there are still problems.

**CHAIR**—One of the good outcomes of the report was that the Audit Office did say the 2006-07 risk management plan that was developed did show some good understanding of lessons learned and did identify the risks of the program not achieving those outcomes. Has that been kept up to date? Again, is there a risk management plan for Caring for our Country?

**Ms Rankin**—The risk management plan is being currently updated for Caring for our Country, yes, because there is a whole range of new risks that we have to take into account with the new program.

**CHAIR**—And the risks are because of a different delivery model?

**Ms Rankin**—Partly, yes. There are obviously new priorities that the government is trying to achieve with the new program. With Caring for our Country, we are integrating four different programs into one whereas previously it was just the NHT and the national action plan operating independently. So there are a range of risks that come up as part of that process as well that we have to address.

**CHAIR**—Can you tell us something about the regional model? Has the model changed for regions? Do we know that yet?

**Mr Shaw**—The regional model is changing in a number of ways, I guess. Firstly, the funding levels have changed, as you are probably aware. For the first transitional year, for example, we will be providing 60 per cent of the historical levels of funding that regions have received previously under the NHT and the NAP with a 15 per cent top-up to assist through this transitional year. The future funding arrangements for the further four years of the program will

need to be worked through during this transitional year. So I think in that sense there will be obviously some implications for the future of the regional bodies. But we still see them as a major mechanism for delivering funding under Caring for our Country.

**CHAIR**—There was such a disparity of outcomes between regions. Do you have any views on why that was so? I ask that of the Audit Office as well. Why were regions so disparate in their outcomes?

**Mr Taylor**—There are probably a number of reasons that underpin that. Partly it is the maturity and the resources within regions. So there was some variability across regions as they matured and entered into the NHT2 process. That was seen with some late start-ups and resourcing issues. They ramped up and performed much better towards the end. So there were those sorts of issues. I think also in some cases some of the disparities were perhaps a reflection of the reporting rather than the actual outcomes. So some of the outcomes that were delivered on the ground were actually quite spectacular if you got out there and saw them. But it came back to this reporting issue that was raised and that we are addressing in this new program moving forward.

**Mr Talbot**—I will add to comments made earlier by my colleagues. You may remember with the NHT and NAP that some of the bilaterals were signed a lot later than others. So ramping up was another issue. I think with the skills of some of the organisations, some moved ahead fairly quickly and others took a bit of time.

**CHAIR**—Do you think some regions do not have enough infrastructure on the ground to be able to implement it without some additional support? Do they lack data? Do they lack support research bodies? Can they all tap into that sort of infrastructure, which is information, be it administrative or whatever?

**Mr Thompson**—They can all tap into information in the same way. But it is probably true to say that different regions, as others have said, with different levels of maturity have a different capacity to use that information or select that information and apply it. Some of them face some more complicated challenges and more complex regions, and that will have a bearing. Another issue you are probably aware of is that some are big regions with small numbers of people in them or regions where they have fewer resources than some others. But they can look at different modes of delivery. They do not have to deliver it themselves. They can work through other stakeholders. I think it comes back to the same points. Different groups and different regions were at different levels of capacity to be able to deliver. So some need more help than others.

**CHAIR**—Who goes out on the ground and helps them? Anyone from Canberra?

**Mr Taylor**—There are a range of people who support the regions from the NRM team. They range in skill base and in reasons for visiting the regions. They can be technical officers helping review proposals and design proposals for the annual funding cycles and things like that. They are called regional liaison officers. They have counterparts in the state who do similar things. There are networks set up between the regions and within the regions. They actually have in Queensland, for example, a regional groups collective. They have their chairs and CEOs meet regularly. They have consistent improvement models built into their stuff where they do self-audits and comparisons. They help each other out if they are short of staff. They transfer staff

between regions and things like that. So there are a number of mechanisms that they can tap into to ensure that they perform to the standard.

**CHAIR**—That is good to know, because there would not be a level playing field across Australia. Obviously some would require a lot more support.

**Mr Shaw**—Chair, we also bring together at least once a year all of the chairs of the regional bodies into one meeting, often in conjunction with an NRM ministerial council meeting, so they have an opportunity to interact with Commonwealth and state and territory ministers at the same time. So that is another mechanism we use to try and ensure they have an opportunity for a two-way dialogue with ministers.

**CHAIR**—We would hope those processes would be really well-established over a long period of time and that departments have been working in that way.

**Mr BRADBURY**—I want to ask about the NHT performance story. Could you provide a bit of detail as to how that might assist in being able to assess the success or otherwise of delivery?

**Mr Talbot**—I might start. We have two performance stories currently being undertaken in each state and territory. We are currently trialling them to evaluate intermediate outcomes. They are based quite a bit on science, but they also take into account anecdotal evidence from people who have had experience on the land or have seen it change. What we will be doing—I think it is in two months—is evaluating performance stories to make an assessment as to whether they are one of the things we will use in our monitoring and evaluation in the future.

Of the performance stories we have done at the present time, to be quite honest, Senator, in the trial outcomes I have seen they have had some good outcomes. We also have to consider that in terms of both the outcomes and the investment we have put into them to see if it is an efficient mechanism for monitoring and evaluation in the future. So once we have done our evaluation, that is something we would have to come back to you on.

**Mr BRADBURY**—I am not a senator.

**Mr Talbot**—Sorry.

**Mr BRADBURY**—It does not worry me. One of the comments that comes through in the report is that, in developing a more appropriate monitoring and performance mechanism, it may be appropriate to go down the path of pilot studies, pilot programs or pilot approaches to try to determine a model that might work. Is there any overlap between that recommendation and this notion of the performance story? Are you approaching the performance story exercise in that vein, or is that a completely separate consideration?

**Mr Talbot**—Look, we are certainly looking at performance stories as part of that vein. We are looking at it as an intermediate outcome.

**Ms Rankin**—We would see if there is an ongoing role for performance stories. It is only going to be part of the toolbox of how we do monitoring and evaluation. So it might play one role in filling in some gaps of, I guess, more of a qualitative than quantitative measure. But it

will only ever be able to be used in individual circumstances. It will not be an effective tool for measuring the outcomes from the program as a whole. As we move into the new program, we are relying much more on the performance framework that we were talking about earlier. The outcomes, targets and business plan and report card will be, I guess, the bones of a more effective and comprehensive monitoring and evaluation framework. The performance stories may play a role in providing a bit of additional colour to some of that.

**Mr BRADBURY**—I am pleased to hear that. One of the issues that was raised was the timely release of funds. Obviously it is a difficult balancing act holding on to the funds and not releasing them too prematurely but also ensuring that they are flowing through as and when they are needed to deliver programs on the ground. I wonder if you could tell me what the joint team considers to be the best way to overcome some of the perceived failures in the past.

**Ms Rankin**—Mr Taylor talked earlier about revising the bilateral agreement arrangements between us and the states. Previously we were reliant on joint decision-making between Commonwealth and state ministers. Effectively, in some cases that ended up holding up the process of allowing funds to flow out into regions. In the new agreements that we are negotiating at the moment, we are really trying to simplify that and say that, for Commonwealth funding that is going out to the regions, it is ultimately our decision about whether the funding should be released. We have included some very specific time lines and commitments the states have to meet. Once we have provided the funding to them and provided the authority for them to release the funds, they have to do it within a certain period of time. So we have tried to really address that issue so that the regions will have some certainty about when they can expect funding to come out to them and what they have to deliver in terms of acquittals and ongoing performance reports that will allow us to release the next amount of funds and really simplify the decision-making approval process to allow funding to go out to the regions to try to overcome some of those concerns.

**Mr BRADBURY**—You have brought us back to the bilateral agreements. I did ask a question a bit earlier about mechanisms for ensuring compliance. I appreciate the answer about where we are up to with acquittals. In terms of ensuring compliance with the bilateral agreements, are you comfortable that the agreements provide you with sufficient opportunity to obtain the enforcement of those provisions? In the reference a bit earlier, it appeared to me that in discussions with the states you have been able to progress things. Is that really the main mechanism through which enforcement occurs—just discussions with the states? Within the bilateral agreements are there elements that you can rely upon to ensure compliance?

**Mr Taylor**—I guess there are contractual obligations stated in those bilateral agreements. So they are a binding contract in that sense. I guess if a state chose to be less than obliging in meeting their contractual obligations, we would need to consider what actions we could take there. But there are hard dates, such as 21 days for money to be moved out of accounts. They are signed off contracts. They are signed at ministerial level. They are the types of mechanisms that we have built into these new bilaterals.

**Mr BRADBURY**—If there has been a lack of compliance, where does responsibility lie for ensuring compliance occurs? Presumably if these are contractual terms, if one party has not met the contractual terms, there are avenues of recourse for the other party. Is that how these things are resolved in the end?

**Ms Rankin**—The first course of action is to try to sort it through in a way that is cooperative and tries to maintain the relationship. It is a lot less expensive and adversarial to do it that way. In many cases, it is not a deliberate contravention of the contract by the state. It could be just a simple fact that they have changed staff and their new staff have not had a handover about what the obligations are. So we obviously firstly try to go through a process of working through ensuring compliance in a collaborative way with them. But there are certainly provisions that we can put in place to enforce conditions of the bilateral agreements. Obviously, having understood the recommendations and findings of the audit report, that is something we have to take into account in our ongoing management of the program. It becomes something that we probably have to emphasise much more. Part of the responsibility of our managers in their performance agreements or whatever might be that they have a clearly defined role in ensuring that ongoing compliance with bilateral agreements and that they have to take action.

**CHAIR**—I will follow up on that. The audit report found that there was great variation between each state's and territory's bilateral agreement with you. Are you telling us that there will be a more uniform process? Has this been harmonised for the future?

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

Just to pick up a little further, there are a couple of aspects to how we have tried to address the issue of compliance with the bilaterals. One is we have taken account of the ANAO's recommendations and tried to change the structure of the bilateral to address those issues so they are no longer picked up. An example is us having the sign-off and delegations and not getting caught up in other systems. There has been a risk mitigation process in designing the new bilateral. There is also built into the bilaterals sequential steps. So there is negotiation. Then there is mediation and then there are opportunities for termination. As Alex said, there is a real process of trying to work it through. But those other mechanisms are built into the bilateral agreements as well. So I think they are fairly robust documents.

**CHAIR**—Thank you. Some of these questions I need to ask for the public record for our report. Rather than just measuring inputs and outputs, which we know was well-documented in most cases, how will you be measuring actual progress against outcomes so that we do not get to a situation where the money is not spent or the program has not been put into place?

**Ms Rankin**—As I mentioned, I think the performance framework we are putting in place puts much greater emphasis on that. So we will have a series of measurable targeted outcomes that will be defined from the beginning of the program. We will have a series of annually reviewed short-term targets to keep us on track in meeting progress to those outcomes. Our monitoring and evaluation strategy for the Caring for our Country program will specifically articulate how each outcome will be measured—what types of information we need to gather or to collect from other sources that will allow us to measure progress towards that outcome and target. That will

be clearly articulated and defined early on in the program and then used as part of the annual report card framework to be transparent about whether we are achieving it or not.

**CHAIR**—Will you be acting on the recommendation of the audit office to agree on a small number of performance indicators—reducing the number—but implementing a more comprehensive set of procedures and practices and perhaps use them in a pilot program to evaluate their effectiveness?

**Ms Rankin**—We are certainly using a smaller set of indicators, because at the moment there has been a process of negotiating across the country on a range of about 60 performance indicators for all types of natural resource management, resource condition monitoring and reporting. What we are trying to say is that under the new program, if we want to achieve X particular outcome by the end of five years, we only need to measure this particular part of the story and to report on that, not to get captured into trying to report on every resource condition change that happens across the country. So we will be tailoring our levels of performance measurement and indicators to the things we actually need to measure to determine the effectiveness of the program and reporting on those. In terms of a pilot program for performance monitoring and evaluation, I guess we probably do not think there is much capacity to do a pilot of a new system. We probably need to roll out a new system that allows us to measure the performance of the whole program overall, learning from the experience of the past and the recommendations about how we could improve the previous arrangements.

**CHAIR**—Where do you see pilots fitting into the new programs? How do you see them benefiting?

**Mr Cahill**—How we are looking at it in terms of pilots is that we note in the report we realise that performance measurement is not necessarily easy in this space. In some instances we are looking at trying to understand the shorter term intermediate outcomes. We are trying to pilot certain innovative and new ways of measuring with a view to scaling that up and taking that forward from there. We recognise that trying to solve all the problems of measurement in one fell swoop can be quite difficult at times.

**Ms Cass**—I think what we were also suggesting is that with the CMAs, where it was being done well, it would be useful to tap into their experience and to apply some of the measurement activities they had in place for use in other authorities. That was where we were coming from.

**Mr Thompson**—That is an approach that is being adopted. For example, some of the intermediate outcome indicator categories have been adopted in a state where the CMAs are more mature, which is Victoria. That is being used as a bit of a model that other states are looking at and following.

**CHAIR**—I hark back to this, but it concerns me very much. Can you provide us with the risk management plan that was developed as a result of NHT2?

**Ms Rankin**—The NHT2 risk management plan?

**CHAIR**—When was it last updated?

**Mr Creaser**—We have a risk management plan for NHT2 but, importantly, we have updated that to reflect the transition into a new program. So elements of that plan have identified particular risks associated with the transition to a new program. At that stage, that was with NHT3 in mind. Now of course we are moving into Caring for our Country.

**CHAIR**—Can we see that? Is there a document that can be made available to the committee? If it is confidential, we do not mind. I think we need to see that there was good evaluation guiding the future.

**Ms Rankin**—I am sorry; I am not sure of the protocol on this sort of thing.

**Mr Creaser**—It was made available to the ANAO as part of the assessment.

**CHAIR**—ANAO, can you advise us on that?

**Mr Cahill**—We made comments during the course of the audit about the risk management plans.

**Ms Cass**—I think you are more concerned about whether the plan can be handed over. Is that where you are coming from? I think that is entirely at the behest of the department.

**CHAIR**—So you could take that on notice and go away and see. Similarly, I would love to see the documented lessons learned. Take that on notice too. I do not want people to go away and have to write it. If there is already that work done and it can be made available to us, please take that on notice as well.

**Mr Thompson**—We will take those on notice.

**CHAIR**—Thank you.

**Senator WATSON**—In terms of the regional areas, the compliance was about 80-something compared with the 160-odd they tested. That is a long way off, is it not? This is the summary: 80 out of 163 resources targeted identified that plans did not meet the stated criteria in terms of being measurable or having a specific time frame. So something must have gone wrong with that early charter or framework that you were given.

**Ms Rankin**—Senator, I think that again is largely a reflection of the differing stages that regional bodies were at. For many of them, it was the first time they had had to come up with measurable targets. In a lot of cases, they were also trying to get agreement on them across their whole community and regions. I think a lot of them struggled very much in the early days to be really explicit about what sort of targets their plans were trying to achieve. They have continued to improve and evolve their experience and capacity to do that. I think the ones that we are seeing today are much improved on the first versions of the regional plans we saw. We hope that that will continue into the future as well.

**CHAIR**—I will go to another matter. In the audit report, they indicated that several regional bodies had a significant risk of insolvency if cash flow management problems were not addressed. We do see that often in reports. The money does not flow in an even way or they do

not manage it realising that. What measures have been taken to improve the cash flow process for regional bodies in the new program? Is it a consideration in the new program?

**Ms Rankin**—As Mr Taylor outlined, the bilateral agreements that we are currently negotiating are much more explicit about the time lines within which regions can expect to receive their funding. We are being quite strict and explicit about the time lines within which states have to release funding to the regions so that they have the capacity to at least understand their cash flow situation much better and to manage that. I think the insolvency risk really only relates to those regions that are in states where they are set up as corporations rather than state entities, so only two out of the two jurisdictions are in that circumstance. In a lot of cases, we still have arrangements where the states can provide additional support to those regional bodies.

**CHAIR**—Because of time pressures, I thank everyone for presenting today. We will have some additional questions and we will put them on notice for the secretariat to forward to you shortly, as well as the ones we raised. On behalf of the committee, I sincerely thank you. We wish you well with the next program. We hope the relationships continue to improve performance and outcomes for the people of Australia. Thank you very much.

Resolved (on motion by **Mr Bradbury**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

**Subcommittee adjourned at 1.04 pm**