

# Audit Report No. 21 2007-08 Regional Delivery Model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality

Opening Statement: Matt Cahill, Group Executive Director, Performance Audit Services Group, Australian National Audit Office

Submission No: .....1.....

Thank you Chair. By way of background, the report, which was tabled in February of this year, covered two natural resource management programs. Specifically, the audit's objective was to assess and report on the administration of the regional delivery of the Natural Heritage Trust – phase 2- and the National Action Plan for Salinity and Water Quality.

The scope of the audit encompassed the Environment and Agriculture, Fisheries and Forestry Departments through the Joint Team under a common management structure. The audit focused on expenditure of some \$2 billion and, in particular:

- the implementation of the regional delivery arrangements;
- governance and financial management for regional delivery; and
- monitoring, evaluation and reporting on the programs' performance.

Firstly, we concluded that the programs were supported by well designed bilateral agreements between the Australian Government and the States/Territories and a comprehensive planning and accreditation process based on the 'best available' science. Given the scale of the natural resource management challenge across Australia and past experiences, we are of the view that this was a reasonable model to adopt.

Secondly, progress in implementing improvements in administration outlined in earlier relevant Audit Report, being Report No 17 of 2004-05, has been comprehensive and focused on significant risks. Nevertheless, significant areas of non-compliance by State agencies with the bilateral agreements have been identified. These will require attention leading into the new \$2.25 billion *Caring for Our Country* program announced by the Government in March, which in effect now subsumes these two programs.

Attention will need to be given to addressing the transparency and accountability of Australian Government funds managed by the States/Territories—particularly in terms of meeting the auditing requirements of the agreements and offsetting unspent funds remaining in State or Territory holding accounts.

Chair, we are also of the view that the quality and measurability of the targets in the regional plans is an issue for attention and is being addressed in some States. This should be considered nationally—especially as the absence of sufficient scientific data has limited the ability of regional bodies to link the targets in their plans to program outcomes. Dissemination of good practice and, in particular, the documentation of the cost effectiveness of actions funded will also need to be a priority for the *Caring for Our Country* program.

We also reported that there is evidence that activities are occurring ‘on the ground’. However at the present time it is not possible to report meaningfully on the extent to which outputs contribute to the outcomes sought by Government. The absence of consistently validated data, the lack of agreement on performance indicators and any intermediate outcomes has significantly limited the quality of the reporting process.

We made four recommendations, Chair, all agreed to by the Departments.

- Firstly, improve the documentation and dissemination of information on the cost-effectiveness of investments in achieving results. This is to include the lessons learned or insights into quantifiable benefits or unintended consequences;
- Secondly, introduce better controls over the release of funds and streamline payments to regional bodies based on performance requirements set out in agreed investment strategies;
- Thirdly, monitoring compliance with the bilateral agreements. In particular, ensuring that audited financial statements are provided to indicate whether or not funds have been spent for their intended purposes; and

- Finally, enhance the accuracy of reporting by:
  - a. finalising a core set of performance indicators to measure actual results;
  - b. developing clear and consistent rules to support the collection of data; and
  - c. developing meaningful intermediate outcomes that may be used to demonstrate the cost effectiveness of actions, the conservation of major national assets and behavioural change achieved.

As you might expect, the ANAO will consider, as part of its future Work Programs, conducting a follow-up audit which, by its very nature, would include reviewing the implementation of recommendations and progress towards achieving outcomes for the new program.

Finally, we would like to acknowledge the cooperation of the Departments in the conduct of the audit. I also have with me today two members of the audit team to assist the Committee in its inquiry, Ms Barbara Cass, Executive Director, who oversighted this audit and Mr Peter McVay, the Audit Manager. Chair, as you know, the ANAO appreciates the strong interest that the JCPAA has in our audits – audits such as this one.