

Audit Report No. 43, 2000–2001

Performance Information under the Natural Heritage Trust

Department of Agriculture, Fisheries and Forestry, and
Department of the Environment and Heritage

Introduction

Background

- 4.1 The Natural Heritage Trust (NHT) is authorised under the *Natural Heritage Trust of Australia Act 1997* (the Act). Currently, the NHT consists of a suite of 23 environmental and natural resource management programs. A Ministerial Board is responsible for, among other things, monitoring the effectiveness of the administration of the Act in terms of achieving program objectives. The NHT is administered by the departments of Environment and Heritage (Environment Australia), and Agriculture, Fisheries and Forestry (AFFA). Funding set aside for the period 1996-97 to 2001-02 was some \$1.5 billion (NHT1).¹

¹ ANAO, Audit Report No. 43, *Performance Information for Commonwealth Financial Assistance under the Natural Heritage Trust, 2000–2001*, Commonwealth of Australia, p. 11.

- 4.2 The Government decided on a five year extension to the NHT (NHT2) from 2002-2003 to 2006-2007 and will provide an additional \$1 billion of funding for the extension.²
- 4.3 The goal of the NHT is to stimulate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's natural environment. The objectives are to:
- provide a framework for strategic capital investment to stimulate additional investment in the natural environment;
 - achieve complementary environment protection, natural resource management and sustainable agricultural outcomes consistent with agreed national strategies; and
 - provide a framework for cooperative partnerships between communities, industry and all levels of government.³

The audit

- 4.4 ANAO's review of the performance information framework established for the NHT was tabled as Audit Report No. 43, *Performance Information for Commonwealth Financial Assistance under the Natural Heritage Trust*. The objective of the audit was to examine and report on the performance information used to support the administration of \$1.5 billion in Commonwealth financial assistance under the Natural Heritage Trust, and compliance with legislative requirements for performance monitoring and reporting.⁴

Audit findings

- 4.5 The audit concluded that the performance information used to support the administration of Commonwealth financial assistance under the NHT had strong design features but significant management and reporting challenges. A key issue was the absence of a finalised core set of performance indicators.⁵

2 Treasurer, 2001-2002 Budget Paper No. 2, *Budget Measures 2001-02*, Commonwealth of Australia, pp. 104-5.

3 ANAO, Audit Report No. 43, 2000-2001, p. 11.

4 ANAO, Audit Report No. 43, 2000-2001, p. 38.

5 ANAO, Audit Report No. 43, 2000-2001, p. 12.

The JCPAA's review

- 4.6 Environment Australia and AFFA agreed to each of the six audit report recommendations. The agencies indicated to the Committee that they had also utilised the practical examples provided in the audit report in the design of the monitoring and evaluation of the NHT extension and the National Action Plan for Salinity and Water Quality.⁶
- 4.7 The ANAO commented that the challenge for the agencies was in implementing management and reporting that matched the strong design features of the performance information process.⁷
- 4.8 At the public hearing, the Committee sought further information from the agencies on:
- additional investment;
 - baseline data;
 - intermediate outcomes; and
 - the mid-term review.

Additional investment

- 4.9 One of the objectives of the NHT is to 'provide a framework for strategic capital investment to stimulate additional investment in the natural environment'. The Committee sought an assessment from Environment Australia and AFFA on whether that objective was being achieved.⁸
- 4.10 AFFA responded that it envisaged that the examination of performance against that trust objective would be one of the key elements of the final evaluation of NHT1 which was scheduled to occur in 2003.⁹
- 4.11 In terms of quantifying the additional investment to date, AFFA stated:

6 S. Hunter, Environment Australia, *Transcript*, 30 April 2002, p. 16.

7 P. Barrett, ANAO, *Transcript*, 30 April 2002, p. 17.

8 *Transcript*, 30 April 2002, p. 18.

9 I. Thompson, Department of Agriculture, Fisheries and Forestry—Australia, *Transcript*, 30 April 2002, p. 21.

... we can quantify the amount of money that the states are putting in and value the in-kind resources that they put in through technical assistance or extension offices. Beyond that, there are local government contributions. Periodically, through surveys, we also try to get an understanding of the commensurate investment individuals put in. For instance ... individual farmers will be investing their own money, either as a group or in their own farm. We obtain that [information] through surveys undertaken by ABARE¹⁰ and the like about how much investment farmers are making in the area of natural resource management.¹¹

4.12 AFFA later supplied the Committee with information on investment in NHT projects:

Information on Commonwealth, State and community investment in Trust approved projects in the 2000-2001 year shows that one-stop-shop programs¹² have been able to lever more than eight-times the associated Commonwealth expenditure on natural resource management, sustainable agriculture and environmental protection.¹³

4.13 Information on investment in Trust projects is obtained from the program administrator database, operated by Environment Australia and AFFA, with data derived from Natural Heritage Trust project application forms. Commonwealth funding is provided for each Trust project approved, as well as additional matching funding provided by the States and the community. The Commonwealth invests cash in Trust projects. The States and the community invest cash and/or in-kind investment, such as volunteer labour and capital items. The value of volunteer items contributed to a Trust project is estimated in dollar terms on project application forms.¹⁴¹⁵

10 Australian Bureau of Agricultural and Resource Economics.

11 Thompson, AFFA, *Transcript*, 30 April 2002, p. 18.

12 One-Stop-Shop programs are: The National Landcare Program, The Bushcare Program, Murray-Darling 2001, Rivercare, Waterwatch, Wetlands, National Reserves System, The Endangered Species Program, and The Fisheries Action Program.

13 AFFA and Environment Australia, Submission No 9, p. 2.

14 AFFA and Environment Australia, Submission No 9, p. 2.

Baseline data

4.14 Australia has substantial gaps in the scientific information that enables higher level needs assessment. Many of the scientific assumptions underpinning NHT programs have not been widely tested and have been subject to substantial revision during the course of the NHT. This is the case in regard to the identification of catchment/recharge/discharge and in relation to the density and distribution of perennial cover (ie. trees or other vegetation types) required in a given catchment. In addition, there are doubts as to whether particular interventions are economically viable or sustainable in some places.¹⁶

4.15 The audit report noted that:

The absence of baseline data on environmental condition in much of Australia has also been a major constraint on measuring and reporting on changes and trends in natural resource management and the environment.¹⁷

4.16 The Committee asked Environment Australia how it had built performance indicators and an evaluation process for the NHT without good baseline data.¹⁸

4.17 In response, Environment Australia drew attention to the national land and water resources audit (NLWRA) which was funded and conducted as part of the first stage of the NHT:

[This audit] has provided substantial baseline information on a range of natural resource condition indicators, so we do now have much more information than we had at the beginning ...¹⁹

4.18 Environment Australia, in response to further questioning acknowledged that most of the NLWRA reports had been released since June 2001:

15 Commonwealth funding and eligible matching funding to be provided by the States, community or other groups, from new and continuing project applications in the 2000-01 funding round is shown in Table 1 at Appendix C.

16 ANAO, Audit Report No. 43, 2000-2001, pp. 44-5.

17 ANAO, Audit Report No. 43, 2000-2001, p. 56.

18 *Transcript*, 30 April 2002, p. 19.

19 Hunter, Environment Australia, *Transcript*, 30 April 2002, p. 19.

... it does not in every case provide absolutely uniform measures, but it does provide a national overview of resource condition, which is a substantial advance on where we were.²⁰

- 4.19 Environment Australia stated that in the standards and targets framework, regions are given up to three years to identify a natural resource condition target. That time allows them to establish at the regional level the baseline against which that target can be set:

... we are requiring the regions to set immediately what we would describe as management action targets which describe, not so much in terms of the resource condition outcome but the activities they will undertake ... to move us towards the natural resource outcomes we are seeking to achieve through these programs. So, while getting a baseline might take a little while, action can be immediate.²¹

- 4.20 The Committee asked Environment Australia and AFFA whether the Australian Bureau of Statistics (ABS) publication, *Measuring Australia's Progress*, was useful in assisting agencies to develop baseline data and to set natural resource condition targets.

- 4.21 The agencies responded that their expectation was that the publication would not be useful because the information gave broad national trends and was not at the appropriate scale or expressed in a useful format for the purpose of regional target setting:

[Regional target setting] requires sub-regional catchment data, specific to particular locations or areas.²²

- 4.22 The agencies indicated that the data used by the ABS appeared to be an aggregation of data from existing sources such as NLWRA and the *Australia State of the Environment Report 2001*:

Those datasets are currently available and being used by Commonwealth, State and regional organisations.²³

20 Hunter, Environment Australia, *Transcript*, 30 April 2002, p. 19.

21 Hunter, Environment Australia, *Transcript*, 30 April 2002, p. 20.

22 AFFA and Environment Australia, Submission No 11, p. 13.

23 AFFA and Environment Australia, Submission No 11, p. 13.

Committee comments

- 4.23 The audit report foreshadowed the potential value of the findings of the NLWRA for future natural resource management and environment programs.²⁴
- 4.24 The core function of the NLWRA is to coordinate collation of data and information to support reporting against nationally agreed indicators that will be used for the National Action Plan for Salinity and Water Quality and NHT2. The Committee notes that the Natural Heritage Ministerial Board has agreed to the continuation of the NLWRA until June 2007.
- 4.25 The Committee notes the potential of the NLWRA to provide better access to quality data for NHT2. Improved needs assessment will enable better judgements to be made about project priorities for NHT2.

Intermediate outcomes

- 4.26 The ANAO recognises that it can be technically difficult to determine suitable performance information when measuring change in environmental conditions. This is because there are substantial timelags between an action (such as revegetation in a catchment) and the result expected (for example, increased biodiversity and/or reductions in the level of the water table to control salinity):
- Where lead times for results are lengthy, milestones and/or intermediate outcomes should illustrate progress towards the anticipated outcomes.²⁵
- 4.27 The ANAO noted that the identification of intermediate outcomes was intrinsic to the design of the original Partnership Agreements and considered that coordinating the tracking of intermediate outcomes should be a high priority for agencies administering the NHT.²⁶

24 ANAO, Audit Report No. 43, 2000-2001, p. 45.

25 ANAO, Audit Report No. 43, 2000-2001, p. 21.

26 ANAO, Audit Report No. 43, 2000-2001, p. 24.

- 4.28 The Committee questioned AFFA and Environment Australia about what information was available in relation to intermediate outcomes of NHT1.²⁷
- 4.29 The agencies indicated that they now had a set of intermediate indicators agreed by the Natural Heritage Ministerial Board in September 2001 and that an evaluation and review of NHT 1 against those indicators would be completed early in 2003.
- ... while we do not have exactly the same techniques in every state we do have consistent ways of reporting them. A consistent set of intermediate outcomes will also enable us to report against the issues as to whether they affect one state or another.²⁸
- 4.30 The Committee wanted to know what information could currently be reported in relation to the significance of what had already been achieved and the challenges that remained.²⁹
- 4.31 In response, Environment Australia referred the Committee to the Mid-Term Review of the Natural Heritage Trust which looked at both the trust as a whole and then the various programs and, to the extent that it was able, provided reporting on the results of the investment through the trust at that time.³⁰
- 4.32 AFFA also referred the Committee to improvements in the draft 2000-2001 NHT annual report, *Helping Communities Helping Australia*, which was still awaiting ministerial clearance at the time of the public hearing.³¹

The Mid-Term Review

- 4.33 The ANAO considered that the 1999 Mid-Term Review was fair and balanced and provided a reasonable basis for management improvement at the time. The Review provided an indication to agencies, the Parliament and the public as to the efficiency and

27 *Transcript*, 30 April 2002, p. 20.

28 Thompson, AFFA, *Transcript*, 30 April 2002, pp. 21, 25; Hunter, Environment Australia *Transcript*, 30 April 2002, p. 26; AFFA and Environment Australia, Submission No. 9, p. 4.

29 *Transcript*, 30 April 2002, p. 21.

30 Hunter, Environment Australia *Transcript*, 30 April 2002, p. 21.

31 C. Willcocks, AFFA, *Transcript*, 30 April 2002, p. 22.

effectiveness of the NHT. It also provided some degree of validation of project performance information.³²

- 4.34 However, the Review stated, among other things, that the NHT was 'poor in the areas of monitoring and accounting for performance'. The critical need for better baseline information on the status and trends of the problems which natural resource management policies were addressing was acknowledged in the Review.³³

NHT Annual Report

- 4.35 The ANAO stated in the audit report that there was an absence of quantifiable progress against the Partnership Agreements and few, if any, trends in economic, social and environmental condition included in the 1999-2000 NHT Annual Report, despite this being the intention of the Prime Minister, Premiers and Commonwealth and State/Territory Ministers in signing the Partnership Agreements:

... the NHT Annual Report is the principal accountability mechanism for the NHT as a whole.³⁴

- 4.36 It noted that reporting to date did not allow the reader to make an informed judgement as to the significance of achievements made, outstanding challenges or overall progress of the NHT against the objectives set out in the Partnership Agreements.³⁵

Committee comments

- 4.37 As the ANAO noted in the audit report, there had been little progress in relation to finalising the design of an overall performance information framework, and consequently, a limited capacity to measure results in concrete terms.³⁶
- 4.38 The Committee considers that there is still little ability to assess the impact the NHT has had overall and what progress has been made towards program goals such as the conservation, repair and sustainable use of Australia's natural environment. Major risks, such as the continued high rate of land clearing in some States and Territories and outstanding challenges such as the declining

32 ANAO, Audit Report No. 43, 2000-2001, p. 25, 79.

33 ANAO, Audit Report No. 43, 2000-2001, p. 80.

34 ANAO, Audit Report No. 43, 2000-2001, p. 14.

35 ANAO, Audit Report No. 43, 2000-2001, p. 92.

36 ANAO, Audit Report No. 43, 2000-2001, p. 54.

application of conservation practices on farms, and how they are being addressed, are not discussed in the 1999–2000 NHT Annual Report. These risks are substantial and have the potential to undermine the effectiveness of efforts made under the NHT.³⁷

- 4.39 The Committee notes that since the Mid-Term Review, agencies are reported to have given greater attention to the strategic focus of the NHT.³⁸ Agencies appear to have taken some initiatives since the audit report to improve performance information on the NHT in the future. Agencies also report improvements to some aspects of reporting in the latest draft NHT Annual Report.
- 4.40 The Committee notes that a set of intermediate indicators has been agreed for the evaluation of NHT1. The Committee has also taken evidence that closer attention has been paid to issues of baseline setting, monitoring and evaluation, and reporting in the planning and development for the implementation of NHT2 and the National Action Plan for Salinity and Water Quality.³⁹
- 4.41 While it appears to the Committee that improvements may finally be underway which could impact positively on future NHT achievements, the inability to adequately measure performance and report on achievements to date was not unforeseen.
- 4.42 The Committee can only reiterate its opinion of 1998,⁴⁰ namely, that there must be concern when large amounts of public funds are committed and programs implemented before problems are adequately identified and performance information systems are in place.

Bob Charles MP
Chairman
19 June 2002

37 ANAO, Audit Report No. 43, 2000-2001, pp. 82, 98.

38 ANAO, Audit Report No. 43, 2000-2001, p. 80.

39 Hunter, Environment Australia, *Transcript*, 30 April 2002, p. 27.

40 JCPAA, *Report 359, Review of Auditor-General's Reports 1996-97, Fourth Quarter*, Commonwealth of Australia, March 1998, pp. 35-6.