

## Audit Report No. 21 2007-2008

# Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality

## Background

- 3.1 Australia's environmental and productive natural resources provide food, clean water and materials to support our quality of life. Natural resources also provide habitat for our unique plants and animals and the landscape that helps to define our image of Australia.
- 3.2 In 1996, the *Australia: State of the Environment* report noted that:
- [European settlement] has resulted in the introduction of many practices that...have radically altered and degraded much of the Australian landscape...[Improvements in natural resource condition] will come about only with substantial changes in the way that land and ocean are managed. Clearly, many current practices are not sustainable and biodiversity-based industries such as agriculture, forestry, fisheries and tourism often erode the resources upon which they depend.<sup>1</sup>

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<sup>1</sup> State of the Environment Advisory Council, *Australia: State of the Environment*, Department of the Environment, Sport and Territories, 1996, p. 4-55. Subsequent reports have been published in 2001 and 2006.

- 3.3 How we manage our natural resources is vital to the economic viability of the agricultural sector as well as Australia's future.<sup>2</sup>

## Natural resource management programs

- 3.4 To better manage the use of Australia's natural resources, the Australian Government has implemented two natural resource management (NRM) programs, the:
- Natural Heritage Trust (NHT); and
  - National Action Plan for Salinity and Water Quality (NAP).

## The Natural Heritage Trust

- 3.5 The *Natural Heritage Trust of Australia Act 1997* (the Act) states:
- The Parliament of Australia recognises the need for urgent action to redress the current decline, and to prevent further decline, in the quality of Australia's natural environment. There is a national crisis in land and water degradation and in the loss of biodiversity... There is a need to integrate the objectives of environmental protection, sustainable agriculture and natural resources management consistent with the principles of ecologically sustainable development...<sup>3</sup>
- 3.6 The Act established the NHT, which was to be a comprehensive, integrated program to conserve, repair and replenish Australia's natural capital infrastructure.<sup>4</sup> The NHT's objectives are:
- biodiversity conservation;
  - sustainable use of natural resources; and
  - community capacity building and institutional change.<sup>5</sup>
- 3.7 The Department of the Environment, Water, Heritage and the Arts (Environment) has been responsible for delivery of two phases of the NHT.<sup>6</sup> The first phase, NHT 1 (1996-97 to 2001-02), allocated \$1.5 billion to NRM and environmental activities. The second phase extended the

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2 Standing Committee of Agriculture and Resource Management, *Managing Natural Resources in Rural Australia for a Sustainable Future: A discussion paper for developing a national policy*, December 1999, p. 1.

3 *Natural Heritage Trust of Australia Act 1997*, Preamble, p. 1.

4 *Natural Heritage Trust of Australia Act 1997*, s. 3, p. 3.

5 Natural Resource Management Ministerial Council, *Framework for the Extension of the Natural Heritage Trust*, Australian Government, October 2002, p. 1.

6 The Department of the Environment, Water, Heritage and the Arts was previously known as the Department of the Environment and Water Resources under the former Administrative orders.

program until 2006–07. The Australian Government allocated \$1 billion for national, regional and local level NRM activities. This funding was to be matched by State and Territory governments. The 2004 Federal Budget included a further \$300 million to extend NHT 2 until 30 June 2008. In 2007, the Australian Government committed a further \$2 billion to extend the NHT program (NHT 3) until 2012–13.

### The National Action Plan for Salinity and Water Quality

3.8 The NAP is administered by the Department of Agriculture, Fisheries and Forestry (Agriculture). It was established in 2000–01 with funding of \$700 million allocated over eight years<sup>7</sup> to motivate and enable regional communities to:

- use coordinated and targeted action to prevent, stabilise and reverse trends in dryland salinity; and
- improve water quality and secure reliable allocations for human uses, industry and the environment.<sup>8</sup>

3.9 As with NHT 2, the State and Territory governments were expected to match (with cash or in-kind contributions) Australian Government funding. The NAP was not renewed beyond June 2008. Following changes made after the Federal Election, the NAP's focus will be subsumed within the *Caring for our Country* program.

### The regional delivery model

3.10 NHT 2 and the NAP have been delivered on a regional basis as this allowed them to be adjusted to the circumstances of different regions. Further, a regional focus was considered the most suitable for determining priorities, sharing investment arrangements and for coordinating actions over a large area involving many people.<sup>9</sup> Over half of the administered funds allocated to the NHT 2 and the NAP to June 2007 have been spent through 56 regional bodies across Australia.<sup>10</sup> The distribution of funding across Australia is shown in Table 1.

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7 This takes into account delays in expenditure because of underspends in the early years of the program. This expanded the time frame for the program from seven to eight years.

8 Council of Australian Governments, *A National Action Plan for Salinity and Water Quality*, Australian Government, 2000, p. 5.

9 Standing Committee of Agriculture and Resource Management, op. cit., p. 33.

10 The remainder of the NHT/NAP program funds are allocated through national or local investment streams including through direct discretionary grant programs such as *Envirofund* which provides funding for local environmental and NRM projects.

Table 1 Cumulative Australian Government NHT 2/NAP funding to each State/Territory as of 30 June 2007

State/Territory	No. of regions	NHT 2 (\$m)	NAP (\$m)	Total investment (\$m)
New South Wales	13	121.6	162.6	284.2
Victoria	10	102.5	130.6	233.1
Queensland	14	105.9	67.9	173.8
Western Australia	6	86.6	101.2	187.8
South Australia	8	56.9	76.0	132.9
Tasmania	3	30.3	4.3	34.6
Northern Territory	1	26.9	1.6	28.5
Australian Capital Territory	1	5.6	1.3	6.9
<b>Total</b>	<b>56</b>	<b>536.3</b>	<b>545.5</b>	<b>1081.8</b>

Source: ANAO analysis of Joint Team data, ANAO Audit Report No. 21 2007-08

3.11 To streamline delivery of NHT 2 and the NAP, Agriculture and Environment combined the administrative staff from each program into a single joint team. This provided stakeholders with a single point of contact. Agriculture and Environment signed a Memorandum of Understanding (MOU) in February 2006 to support these arrangements. The focus of the audit was the administration of the NHT 2 and NAP funds directed through the regional delivery model.

### Governance framework of the regional delivery model

3.12 The overarching framework for NRM program delivery is set out by the NRM Ministerial Council. It consists of the Ministers responsible for natural resources, environment and water policy, and primary industries.

3.13 Key decisions for NHT 2 and the NAP are made by Australian and State and Territory Ministers. This responsibility is supported by the Joint Steering Committees. Each Joint Steering Committee consists of senior officials from the Australian Government and from the relevant agencies in each of the States and Territories. There is one Joint Steering Committee per jurisdiction.

3.14 State and Territory governments have signed bilateral agreements, which set out the administrative, financial management, monitoring and reporting responsibilities of each party. State and Territory governments have signed Partnership Agreements with relevant regional bodies regarding the delivery of these responsibilities.

3.15 Regional bodies develop plans and investment strategies to indicate how programs will be delivered 'on-the-ground'. These plans and strategies must be approved at each level in order to receive funding.

## The Audit

### Audit Objectives and scope

- 3.16 The objective of this audit was to assess and report on the administration of the regional delivery of NHT 2 and the NAP.
- 3.17 The scope of the audit encompassed both Environment and Agriculture and their roles in administering the regional delivery model through the joint team. The audit focused on:
- the implementation of regional delivery;
  - governance and financial management; and
  - monitoring, evaluation and reporting on performance.

### Overall conclusion

The regional delivery model for the NHT 2 and the NAP was based on consideration of the views of a wide range of stakeholders and the lessons learned from the program evaluations conducted by the Joint Team comprising staff from both Environment and Department of Agriculture, Fisheries and Forestry (DAFF). The rationale for regional delivery was to be more strategic and results-focused at a regional scale. This was 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 NRM challenge across Australia and past experiences, it was a reasonable model in the circumstances.

Progress in implementing improvements in administration following ANAO Audit Report No 17, 2004-05<sup>11</sup> has been comprehensive and well-focused on significant risks. The Australian Government has been well supported by State Governments and regional bodies in improving administration. Nevertheless, significant areas of non-compliance by State agencies with the bilateral agreements have been identified and will require attention leading into NHT 3. In particular, 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

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11 Australian National Audit Office, Audit Report No. 17, 2004-05, *The Administration of the National Action Plan for Salinity and Water Quality*.

requirements of the agreements and offsetting unspent funds remaining in State or Territory holding accounts.

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 through the program will need to be a priority for NHT 3.

There is evidence that activities are occurring ‘on the ground’. For example, Environment’s 2006–07 Annual Report commented that the programs have ‘helped to protect over eight million hectares of wetlands, have treated over 600 000 hectares of land to reduce salinity and erosion, and have involved some 800 000 volunteers in on-ground conservation work’.<sup>12</sup> However at the present time it is not possible to report meaningfully on the extent to which these outputs contribute to the outcomes sought by government. There are long lead times for national outcomes and delays in signing bilateral agreements did not help this process. 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.

Overall, the ANAO considers the information reported in the DAFF and NHT Annual Reports has been insufficient to make an informed judgement as to the progress of the programs towards either outcomes or intermediate outcomes. There is little evidence as yet that the programs are adequately achieving the anticipated national outcomes or giving sufficient attention to the ‘radically altered and degraded Australian landscape’ highlighted in the 1996 *Australia: State of the Environment* Report. Performance measurement has been an ongoing issue covered by three previous ANAO audits since 1996–97 and should be a priority for attention in the lead up to NHT 3.

To assess progress made in this area, the ANAO will consider conducting a follow-up audit reporting to Parliament on progress towards achieving outcomes for NHT 3. Such an audit will be considered within the context of future Audit Work Programs.<sup>13</sup>

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12 The then Department of the Environment and Water Resources, *Annual Report 2006–07*, p. 5.

13 Australian National Audit Office, Audit Report No. 21, 2007-08, *Regional Delivery Model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality*, pp. 15-17.

## ANAO recommendations

3.18 The ANAO made the following recommendations:

Table 1.2 ANAO recommendations, Audit Report no. 21, 2007-2008

1.	<p>To strengthen the management of risks to program outcomes, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry give priority to documenting:</p> <ul style="list-style-type: none"> <li>(a) the cost-effectiveness of investments in achieving results; and</li> <li>(b) lessons learned or insights into quantifiable benefits or unintended consequences from NRM investments.</li> </ul>
<i>Agencies' responses: Agreed</i>	
2.	<p>To provide greater transparency and efficiency in the management of funds for regional investments, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry, in developing bilateral agreements for the National Heritage Trust (NHT 3) or similar programs:</p> <ul style="list-style-type: none"> <li>(a) Clearly define the authority of the Joint Steering Committees over the release of funds and the management of Single Holding Accounts; and</li> <li>(b) Streamline payments to regional bodies based on performance requirements set out in the agreed investment strategies.</li> </ul>
<i>Agencies' responses: Agreed</i>	
3.	<p>To address compliance with bilateral agreements, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry, give greater priority to monitoring compliance with agreements and encouraging State/Territories to:</p> <ul style="list-style-type: none"> <li>(a) provide audited financial statements (acquittals) to indicate that funds have been spent for their intended purposes;</li> <li>(b) return unspent funds remaining in State/Territory single holding accounts or offset these against future allocations; and</li> <li>(c) disclose interest earned and its use in accordance with the bilateral agreements.</li> </ul>
<i>Agencies' responses: Agreed</i>	
4.	<p>To enable accurate reporting of progress against outcomes to be achieved in the National Heritage Trust or similar programs, the ANAO recommends that the Departments of the Environment, Water, Heritage and the Arts and Agriculture, Fisheries and Forestry develop and implement a performance measurement framework that includes:</p> <ul style="list-style-type: none"> <li>(a) a finalised list of core performance indicators to measure actual results;</li> <li>(b) clear and consistent business rules supporting the collection and collation of performance data;</li> <li>(c) dissemination of guidance to regional bodies regarding the validation of natural resource management output data; and</li> <li>(d) meaningful intermediate outcomes that may be used to demonstrate the cost effectiveness of natural resource management actions, the conservation of major national assets and behavioural change achieve through the programs.</li> </ul>
<i>Agencies' responses: Agreed</i>	

## The Committee's review

3.19 The Committee held a public hearing to examine this audit report on Wednesday 18 June 2008. Witnesses representing Environment and Agriculture attended the hearing, as well as representatives of the Australian National Audit Office.

3.20 The Committee took evidence on the following issues:

- bilateral relationships with States and Territories;
  - ⇒ acquittals;
  - ⇒ compliance with bilateral agreements;
- lessons learned from previous NRM programs;
  - ⇒ release of funds and risks of insolvency;
  - ⇒ risk management;
- monitoring and evaluation;
  - ⇒ ANAO involvement in monitoring and evaluation;
  - ⇒ performance measurement; and
- the regional delivery model.

## Bilateral relationships with States and Territories

3.21 The Committee noted one of the key findings of the audit report centred on the relationship between the Australian Government and the States and Territories regarding NRM programs.

3.22 The audit report indicates that attention will need to be given to addressing issues of transparency and accountability relating to use of Australian Government funds by the States and Territories. The Committee inquired about steps taken to improve working relationships between the Australian Government and the States and Territories. Environment stated that relationships between the Australian Government and the States and Territories had matured in the negotiations leading to the *Caring for our Country* program, and that many issues noted in the audit report had been addressed moving forward into the new program.<sup>14</sup>

3.23 The Committee further noted that there was no clear framework of compliance provided to the States and Territories to ensure performance targets were being met, and value for money was being obtained.

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14 Mr Taylor, Department of Environment, Water, Heritage and the Arts (DEWHA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 5.



Environment stated that bilateral agreements between the Australian Government and the States and Territories had been revised and that new bilateral agreements were being negotiated in the lead up to the *Caring for our Country* program to address the anomalies raised in the audit report.<sup>15</sup>

- 3.24 Examining the issue of bilateral relationships further, the Committee noted the audit report had indicated that there was considerable variation between each State and Territory's bilateral agreement with the Australian Government. The Committee asked whether the new bilateral agreements had been made more uniform and harmonised leading into the introduction of the *Caring for our Country* program. Environment advised:

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 outside 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.<sup>16</sup>

## Acquittals

- 3.25 Another issue of concern was that three States had outstanding acquittals at the time the audit was conducted. The Committee expressed its concern at the lack of compliance with standard financial practices. It inquired about the current status of the outstanding acquittals and mechanisms to be put into place to ensure better future compliance. Environment stated that the three outstanding acquittals had been submitted and that the appropriate procedures for ensuring appropriate financial reporting were being built into the new bilateral agreements.<sup>17</sup>

## Compliance with bilateral agreements

- 3.26 The Committee sought further information on the ability of the Australian Government to ensure States and Territories comply with the bilateral agreements. Environment informed the Committee that there were

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15 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 5.

16 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 14.

17 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 6.

contractual obligations within the bilateral agreements, signed at Ministerial level, giving the Australian Government the option for legal recourse should it be deemed necessary. It was noted that this would not be considered the first course of action in the event of non-compliance, but that it was a concrete mechanism for ensuring compliance if it were not possible to reach a solution through cooperative measures.<sup>18</sup>

#### **Recommendation 4**

**That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry develop a clear set of procedures to deal with any future cases of State and Territory non-compliance with bilateral agreements and provide a copy of said procedures to the Committee within twelve months of the tabling of this report.**

### Lessons learned from previous NRM programs

- 3.27 One of the Committee's primary concerns related to Recommendation No. 1 from the ANAO report. The recommendation called for the departments to give priority to documenting and disseminating information regarding lessons learned or insights into quantifiable benefits or unintended consequences from NRM investments.
- 3.28 Agriculture reported that a document was being prepared, but given that thousands of investments had been made, the project was a large one. Further, Environment stated that an 'NRM knowledge tool bar' had been created which captured information on lessons learned to enable regions, community groups and States and Territories to download information as it became available.<sup>19</sup>
- 3.29 The Committee then inquired about lessons learned in setting up a new program, noting the importance of documenting lessons learned from billions of dollars worth of programs that had been put in place since 1995-96.
- 3.30 Representatives of both departments replied that there had been no formal documentation at the present time, but that advice had been provided to

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18 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 14.

19 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 7.

Ministers on past issues and experiences in the design of the Caring for our Country program.<sup>20</sup>

- 3.31 The Committee notes that it is critically important that Environment and Agriculture document the lessons learned from the expenditure of billions of dollars of public funds. Documenting these lessons provides an invaluable resource for Federal and State authorities to ensure further responsible expenditure of public funds. Accordingly, it reiterates the importance of ANAO Recommendation No. 1.

### Release of funds and risks of insolvency

- 3.32 A key finding of the audit report related to the release of funds to regional bodies, with the Committee inquiring what lessons had been learned from previous programs, and what changes had been made as a result to improve the delivery of funds. Further, the Committee expressed its concern about a finding in the audit report that indicated several regional bodies had a significant risk of insolvency if cash-flow problems were not addressed.
- 3.33 Environment advised that previous bilateral agreements were reliant on joint decision-making between Commonwealth and State and Territory Ministers. New agreements were being negotiated on the basis of having the use of Commonwealth funds decided by the Commonwealth itself, providing regional bodies with some more certainty about the delivery of funding.<sup>21</sup>
- 3.34 Addressing the risks of insolvency, Environment stated that the new bilateral agreements would reduce this risk, and that a risk of insolvency now only applied to regions set up as corporations in certain states. It also advised that there were now mechanisms in place to enable the States and Territories to provide additional support to regional bodies that faced this risk.<sup>22</sup>

### Risk management

- 3.35 The Committee moved on to discuss risk management, noting the ANAO had praised the 2006-2007 risk management plan. The Committee inquired whether the risk management plan had been kept up to date and whether

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20 Mr Thompson, Department of Agriculture, Fisheries and Forestry (DAFF), Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 14.

21 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 13.

22 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 17.

a new risk management plan had been prepared for the *Caring for our Country* program. Environment stated that the departments were aware of a new range of risks that had to be taken into account for the new program and that they were updating the risk management plan for *Caring for our Country*.<sup>23</sup>

## Monitoring and evaluation

- 3.36 Another key finding of the audit report was the inadequate monitoring of programs and their environmental outcomes. The Committee inquired about the challenges of improving monitoring of environmental change, and the improvements made to the process since the audit took place.
- 3.37 Environment stated that, under NHT 2, agencies were reactive in trying to gather information for monitoring and evaluation purposes as the program was being implemented. The *Caring for our Country* program contained explicit targets for investment, reviewed yearly, and articulated them as part of an annual business plan. Further, the national targets had been developed by both Environment and Agriculture, and were made available to all parties involved in program delivery.<sup>24</sup>
- 3.38 Environment also advised that, under the new *Caring for our Country* program, a new monitoring and evaluation budget was to be made available. New plans for monitoring ranged from the Commonwealth monitoring on a national scale to monitoring undertaken by the States, and monitoring performed by regional bodies and program funding recipients. The objective of this new level of monitoring was to create an annual report card to determine the success of investments and to provide information to enable adjustments to investments to ensure value for money.<sup>25</sup>
- 3.39 The Committee then discussed the annual report card system, inquiring whether or not it was linked to a performance measurement framework as recommended by the ANAO. Environment replied that the report card was part of the performance management framework which would ensure targets were achieved.<sup>26</sup>

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23 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 10.

24 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 4.

25 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 8.

26 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 9.

### ANAO involvement in monitoring and evaluation

- 3.40 The Committee investigated the involvement of the ANAO in monitoring and evaluating NRM programs. The ANAO informed the Committee that while its resources were limited, they maintained a monitoring brief in terms of progress to ensure that, if risks and exposures were identified, the ANAO may be able to conduct an audit. Further, the ANAO stated it had observers at audit committees to monitor agencies on a broader basis.<sup>27</sup>
- 3.41 Additionally, the ANAO noted the importance of maintaining some distance between itself and agencies:

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.<sup>28</sup>

### Performance measurement

- 3.42 The Committee requested more detail on the use of 'performance stories' as a method of performance measurement and reporting, asking how it would be of use in assessing the success of program delivery. Agriculture stated that performance stories were being trialled to evaluate intermediate outcomes, and that performance stories used both science and anecdotal evidence from people familiar with the land. Further, it noted that the trials were scheduled to conclude in several months, and the use of performance stories would be evaluated to determine their usefulness as a monitoring and evaluation tool in the future.<sup>29</sup>
- 3.43 The Committee noted ANAO Recommendation No. 4, which called for a small number of performance indicators to be determined to enable accurate reporting against outcomes, and for a pilot study or program to be conducted. The Committee asked whether the use of pilot studies or programs had been considered as a method of performance measurement either as complementary with, or alternative to performance stories.

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27 Mr Cahill, Australian National Audit Office (ANAO). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 8.

28 Mr Cahill, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 10.

29 Mr Talbot, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 12.

Agriculture indicated that performance stories were being investigated as a measure of intermediate outcomes,<sup>30</sup> and that they were only going to be one measure of monitoring and evaluation that may provide more qualitative than quantitative information to be examined alongside the new monitoring framework being established.<sup>31</sup> Further, Environment stated:

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.<sup>32</sup>

- 3.44 The Committee remains sceptical as to the value of 'performance stories' as a tool to measure performance, and expresses concern that they may begin to be used as more than just a method of providing colour to more comprehensive reporting.
- 3.45 The risk that agencies may only choose successful 'performance stories' is clear. As the ANAO and the Department of Finance and Administration state in the ANAO's *Better Practice Guide in Annual Performance Reporting*:
- Without performance reports, planners would have to rely on intuition and opinions, which are likely to be less precise and more subjective than carefully designed and balanced reporting.<sup>33</sup>
- 3.46 Further, the Committee notes that, given NHT and NRM programs have been the subject of several audits, Environment and Agriculture should be pursuing better practice as detailed in the ANAO's *Better Practice Guide in Annual Performance Reporting*. Reporting using the outcomes and outputs framework is of critical importance. Accordingly, the Committee reiterates ANAO Recommendation No. 4, and recommends:

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30 Mr Talbot, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 12.

31 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 12-13.

32 Ms Rankin, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 15.

33 Australian National Audit Office, *Better Practice Guide – Better Practice in Annual Performance Reporting*, p. 4.

## Recommendation 5

**That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry use quantitative reporting against outcomes alongside the use of 'performance stories' in monitoring and evaluating programs.**

### The regional delivery model

- 3.47 The Committee asked for more information on the regional model, inquiring whether the model had changed for the *Caring for our Country* program. Agriculture replied that funding levels had changed, which would have some impact on regional bodies, but that they expected they would be still a major mechanism for funding delivery.<sup>34</sup>
- 3.48 The Committee noted the audit report's finding that there was a disparity in outcomes between regions, requesting that an explanation be required as to why this was the case. Environment noted there was variability across regions due to the resources available and the experience of groups involved, but that as time went on, performances became more uniform. Further, Environment also suggested that, in some cases, regional reporting was inadequate and did not provide an accurate picture of some of the successes experienced.<sup>35</sup>
- 3.49 The Committee asked whether regions had enough infrastructure, data and resources to be able to implement programs. Agriculture advised that all regions had access to the same information, but that regional capacity to use the available information may vary. Further, as regions were so diverse, some faced unique or complicated challenges not experienced by other regions.<sup>36</sup>

## Conclusion

- 3.50 The Committee notes the difficult circumstances in which Environment and Agriculture operate in administering such diverse programs in many different regions. However, the Committee also notes that there have been

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34 Mr Shaw, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

35 Mr Taylor, DEWHA. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

36 Mr Thompson, DAFF. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 4 to 26 (2007-08), p. 11.

four previous audits into NHT and NRM programs and that there have been significant recurring problems in monitoring and reporting.

- 3.51 By embracing the ANAO recommendations alongside the Committee recommendations, the Committee believes the significant problems identified by these audits would be addressed at little additional cost to the departments.
- 3.52 The Committee notes the audit report indicates that ANAO will be considering a follow-up audit report on progress to achieving outcomes for *Caring for our Country* and supports the ANAO's course of action.
- 3.53 Given the Committee is concerned that NHT and NRM programs have been the subject of four previous audits, and given the Committee is of the belief that full implementation of all ANAO recommendations will improve monitoring and reporting, the Committee resolves as follows:

### **Recommendation 6**

**That the Department of Environment, Water, Heritage and the Arts and the Department of Agriculture, Fisheries and Forestry produce a progress report to be presented to the Committee within 18 months of the tabling of the Australian National Audit Office audit.**

**The progress report should advise the Committee on implementation of the Australian National Audit Office recommendations detailed in the audit report, as well as compliance with the Australian National Audit Office *Better Practice Guide in Annual Performance Reporting* for the *Caring for our Country* program.**



