

## Chapter 2

### Annual reports of departments

#### Department of Agriculture, Fisheries and Forestry

2.1 The Department of Agriculture, Fisheries and Forestry's (DAFF) 2004-05 annual report was prepared in accordance with section 63 of the *Public Service Act 1999* and tabled on 7 November 2005. The committee notes the Senate's receipt of this report on 27 October 2005.

2.2 The report is presented in accordance with the checklist of requirements stipulated in the Department of Prime Minister and Cabinet's *Requirements for Annual Reports for Departments Executive Agencies and FMA Act Bodies, June 2005*. The DAFF 2004-05 annual report contains the following information:

- the Secretary's yearly review highlighting the achievements of the Department and future outlook;
- a departmental overview outlining DAFF's operations and organisational structure;
- report on performance as measured against output objectives;
- an overview of the Department's management and accountability arrangements, including corporate governance practices, internal and external scrutiny, purchasing and tendering; and
- appendices detailing financial statements, FOI requests, discretionary grants, occupational health and safety procedures and advertising and market research.

2.3 The committee notes that all mandatory requirements for the report have been met, although the level of detail provided against each mandatory reporting item varied considerably. Overall, this is a well constructed and comprehensive report.

#### *Departmental overview*

2.4 The committee notes that the following were amongst the many significant issues for DAFF during the reporting period:

- development and delivery of drought assistance. Initiatives included the relaxation of exceptional circumstances criteria. The Department administered over \$226 million of direct drought assistance during the year;
- developing appropriate policies and programmes in response to expected changes in the agriculture and food sector over the next 15 years. DAFF

published a *Stocktake* paper analysing issues confronting the food and agriculture sector, which provided a resource for the high level Reference Group chaired by NFF President Peter Cornish, established by the Government to examine these issues;

- natural resource management and sustainability, and in particular, issues relating to water quality and allocation were a significant part of DAFF's work program during the year. The National Water Initiative resumed;
- illegal fishing. While the commitment to the presence of an armed patrol significantly reduced illegal fishing in southern waters such as around Heard and MacDonal Islands, illegal fishing incursions from the north continued to increase;
- trade liberalisation. Free trade agreements (FTAs) with the USA and Thailand were implemented, and DAFF participated in negotiations in relation to further possible agreements with China, Malaysia, the UAE, the Association of Southeast Asian Nations (ASEAN) and Japan;
- a highlight was the successful legal challenge in the WTO to European Union export sugar subsidies;
- quarantine – for AQIS, a major focus was on preventing the entry of bird flu into the country;
- import risk assessments – the sensitivity of this issue saw Biosecurity Australia become a prescribed agency under the FMA Act on 1 December 2004. This move is intended to increase the independence of such assessments. Two risk assessments of particular interest were in relation to the proposed importation of apples from New Zealand, and bananas from the Philippines.

2.5 The committee notes the appointment of a new Secretary to the Department, Ms Joanna Hewitt, who joined DAFF in October 2004. In her Secretary's review, Ms Hewitt emphasised the importance of the Reference Group chaired by NFF President, Mr Peter Cornish, in helping to set the direction for DAFF's future policies and programs.<sup>1</sup>

2.6 The Secretary also noted that prolonged drought continued to affect the profitability of many primary producers, and that the development and delivery of drought assistance policies was one of the major themes of DAFF's work during the year. Others included international trade, border protection, industry competitiveness and natural resource management.<sup>2</sup>

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1 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, p. 1.

2 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, pp. 1–5.

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## *Report on performance*

2.7 DAFF has reviewed its performance based on objectives established in the 2004-05 Portfolio Budget Statements (PBS). The Department's success in achieving its outputs and outcomes is measured through:

- overall effectiveness indicators in achieving outcomes;
- departmental indicators in delivering each output;
- administered items in delivering specific Australian Government programmes and their subsequent contribution to outputs.<sup>3</sup>

2.8 This is an extensive and detailed section of the report, occupying 130 pages of text.<sup>4</sup> The committee considers that DAFF has been thorough in evaluating its performance, to the extent that this is possible. The committee notes that there is much useful and interesting information in the section. Some of the items that the committee particularly noted include:

- In the corresponding report for 2003-04, (examined in Report no. 1 of 2005) the committee noted that \$55 million had been provided under the National Action Plan for Salinity and Water Quality. In 2004-05, this amount increased to \$397.4 million, provided through the Action plan and the National Heritage Trust. The major investment was in developing and implementing integrated catchment management or National Resource Management plans by community-based regional bodies. 52 of the 56 regional National Resource Management plans have been accredited;<sup>5</sup>
- In relation to salinity mitigation in the Murray-Darling basin, DAFF reported that at Morgan, salinity continued to be below the 800EC target 95% of the time, compared to 60% before construction of salt interception works;<sup>6</sup>
- During 2004-05, over 13 300 farm families received exceptional circumstances relief payments totalling \$107.6 million under the Farm Household Support Act. The ANAO Drought Assistance Audit found that the drought assistance measures 'have generally been responsive and effective';<sup>7</sup> and
- over \$42 million was provided in 2004-05 under the Sugar Industry Reform Program.<sup>8</sup>

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3 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, p. 15.

4 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, pp. 15–145.

5 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, pp. 18–19.

6 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, p. 28.

7 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, p. 43.

8 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, p. 48.

2.9 Information concerning performance evaluation in relation to quarantine under Output 6 was particularly well presented in the report. The authors of this section utilised more charts and graphs in this section than in other parts of the report, improving overall readability.<sup>9</sup>

2.10 The committee notes that the effectiveness of quarantine interventions exceeded targets in most areas, but fell below targets in relation to international mail.

2.11 The committee noted with interest the information provided in the report about monitoring performance against the client service charter. DAFF and a number of agencies conduct regular client surveys to evaluate performance from the client's perspective, producing mixed results. 70 per cent of clients were satisfied or very satisfied with the level of service provided by ABARE. The BRS achieved better results, achieving a 92 per cent satisfaction rating.<sup>10</sup>

### ***Management and accountability***

2.12 As required by the Department of Prime Minister and Cabinet's annual reporting guidelines, the report provides information on corporate governance, internal and external scrutiny, human resource management, purchasing, assets management, consultancies, advertising and market research activities, discretionary grants, freedom of information, occupational health and safety, Commonwealth Disability Strategy and ecologically sustainable development and environmental performance.

2.13 Five major Australian National Audit Office performance audits in relation to DAFF's activities were tabled in 2004-05. Of particular interest was Audit Report No. 50: Drought Assistance, which found that on the whole, the delivery of drought assistance was accurate and timely. However, the audit did consider that improvements could be made by reviewing the effectiveness and efficiency of current processes. DAFF's report notes that it has made significant progress in addressing issues raised in the report.<sup>11</sup>

### ***Conclusion***

2.14 The committee considers DAFF's 2004-05 annual report to be well presented and in compliance with the reporting requirements of a Commonwealth department.

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9 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, pp. 95–104.

10 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, pp. 133–134.

11 *Department of Agriculture, Fisheries and Forestry Annual Report 2004–05*, pp. 165–167.

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## Department of Transport and Regional Services

2.15 The Department of Transport and Regional Services Annual Report for 2004-05 was tabled in the Senate on 7 November 2005. The committee notes the Senate's receipt of this report on 28 October 2005.

2.16 The report was prepared under the guidelines referred to in section 63 of the *Public Service Act 1999* and in accordance with the requirements in subsection 63(1) and other relevant legislation.

2.17 The report is structured in accordance with the requirements contained in *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies, June 2005* (the Requirements). It provides a review of the department's performance over 2004-05 and measures performance against the department's output objectives. Also included are the following:

- an outline of the department's structure and operations;
- accountability mechanisms through internal and external review;
- financial statements; and
- appendices relating to: the Commonwealth Access and Equity Strategy; the Bureau of Transport and Regional Economic (BTRE) research; procurement practices and outcomes (including consultancies, market research and advertising); the Commonwealth Disability Strategy; ecologically sustainable development; freedom of information requirements; discretionary grants programmes; additional human resources statistics; and a comparison of old and new performance frameworks.

2.18 The committee notes that all mandatory requirements for the report have been met.

### *Departmental overview*

2.19 In 2004–05 the department reported an operating surplus of \$45.2 million. This largely reflected a reduction in the provision for asbestos-related disease claims that saw revenue increase by \$31.6 million and the liability reduce accordingly.<sup>12</sup> Other issues that affected the department's performance and position included continued growth in revenues and expenses associated with the transport security output and a government decision to reclassify resources for services to the Indian Ocean Territories.

2.20 As a consequence of the latter, some expenses, revenues and assets were reclassified as either administered or departmental and this had significant impacts on

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12 *Department of Transport and Regional Services Annual Report 2004–05*, p. 19.

the respective balance sheets. Additionally, \$85.2 million was returned to the Official Public Account.

2.21 The committee notes that the Albury-Wodonga Development Corporation moved to the Finance and Administration portfolio from 16 December 2004, reducing net assets of the department by \$99.8 million.<sup>13</sup>

2.22 During 2004–05 the department continued to implement AusLink. Key legislation was passed to bring six separate infrastructure programmes into a single legal framework to enable a strategic approach to be taken to managing the programmes.<sup>14</sup> Bilateral agreements on future AusLink projects were signed with most states and territories. Negotiations with the remainder are continuing.

2.23 Transport security was again a major focus for the department and it implemented a new regulatory regime for aviation and maritime security as well as an intergovernmental agreement on surface transport security. Additionally the department took on responsibility to regulate security for Australia's 56 offshore oil and gas platforms, and provided support for a government review into security and policing at Australian airports by UK security expert Sir John Wheeler.

2.24 The Office of the Inspector of Transport Security was set up to provide a new investigative capability for major transport security incidents within the department and new arrangements for enhanced aviation security came into force.

2.25 Regional programmes were expanded during the year. Extra funding was provided to Sustainable Regions to support two new regions and 438 new projects were implemented as part of Regional Partnerships. The department developed community partnerships to help manage both programmes.

2.26 The Department Secretary also sponsored the Council of Australian Governments (COAG) East Kimberley Indigenous Trial which focused on community activities and increased use of local resources to meet priorities. Eleven shared responsibility agreements were created to help address youth and women's issues, improve environmental health and provide community infrastructure.

2.27 For the second time in as many years, the department reorganised its structure. The annual report sets out the changes and the reasons for them,<sup>15</sup> as required by the Requirements (paragraph 10(2)).

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13 *Department of Transport and Regional Services Annual Report 2004–05*, p. 20.

14 *Department of Transport and Regional Services Annual Report 2004–05*, p. 14.

15 *Department of Transport and Regional Services Annual Report 2004–05*, pp. 6–7 and 221.

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### ***Report on performance***

2.28 The department's annual report details DOTAR's activities and performance in Chapters 3 and 4. Because of the department's restructure during the period it revised its outcomes and outputs framework to reflect the organisational changes. Therefore the 2004–05 annual report identifies departmental achievements against the new framework and targets published in the 2005-06 Portfolio Budget Statements (PBS) rather than against those in the 2004–05 PBS.<sup>16</sup>

2.29 The annual report includes a rating scale indicating a programme's extent of achievement against performance indicators in the PBS. The scale is Fully Achieved, Mostly Achieved, Partly Achieved and Not Achieved.

2.30 Under Outcome 1 the department only partly achieved its targets for providing metal detection equipment and training to 140 regional airports due to delays in contract signing,<sup>17</sup> and likewise for the resolution of the future of the former Australian National Railways Commission plan room.<sup>18</sup> It is unclear from the annual report why the future of the plan room could not be resolved.

2.31 A number of programmes received a Not Achieved rating in the annual report. Allocated grant monies for the Echuca-Moama Bridge and Wodonga rail bypass were not distributed during the period because of ongoing discussions between the Victorian government and various organisations.<sup>19</sup> Additionally, negotiations were continuing as regards the sale of land at Essendon and Coolangatta airports under the compensation for acquisition and sale of airport lands programme.<sup>20</sup>

2.32 Under Outcome 2 the programme to refurbish Kingston Pier on Norfolk Island was only partly achieved during the year.

### ***Management and accountability***

2.33 In accordance with the requirements contained in the Department of Prime Minister and Cabinet's *Requirements for Annual Reports* the report provides mandatory information on matters such as external scrutiny, human resources, purchasing, consultancies, market research and advertising, tendering and contracts, asset management, discretionary grants, freedom of information and occupational health and safety.

2.34 In 2004-05 there was a 66.3 per cent drop in complaints to the Commonwealth Ombudsman about the way the department handled client complaints.

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16 *Department of Transport and Regional Services Annual Report 2004–05*, p. 28.

17 *Department of Transport and Regional Services Annual Report 2004–05*, p. 58.

18 *Department of Transport and Regional Services Annual Report 2004–05*, p.72.

19 *Department of Transport and Regional Services Annual Report 2004–05*, p. 70.

20 *Department of Transport and Regional Services Annual Report 2004–05*, p. 103.

Vehicle importation and compliance was the main issue investigated by the Ombudsman. There were no findings of defective administration.<sup>21</sup>

2.35 The department was involved in a range of matters before Australian courts and tribunals during the year. Matters mainly related to motor vehicle imports, airport planning approvals, personal injury claims for asbestos-related disease and coronial inquests.

2.36 A major ruling was made in the matter of *Westfield Management Ltd v Brisbane Airport Corporation Ltd and others*.<sup>22</sup> The Federal Court held that the minister's approval of the Brisbane Airport's master plan and the major development plan for an outlet centre were valid and effective. This decision has confirmed that an airport lessee may engage in non-aeronautical on-airport development within the constraints of the *Airports Act 1996* and the terms of the lease.

2.37 The committee notes that in his independent audit report on the department's financial statements the delegate of the Auditor-General included a statement that the department contravened Section 83 of the Constitution<sup>23</sup> when it spent receipts without a valid appropriation. Note 28A to the Financial Statements informs about the circumstances of what seems to be a technical breach.<sup>24</sup> It does appear that the responsibility lay in the Department of Finance whose delegate did not have the authority to sign the Section 31 agreement, and not in the Department of Transport and Regional Services. The Senate Finance and Public Administration Legislation committee considered this issue in more detail as it related to the Department of Finance and Administration.<sup>25</sup>

### ***Conclusion***

2.38 The committee considers that the Department of Transport and Regional Services has presented an annual report that is apparently satisfactory. It is a well set-out report that provides good cross-referencing and other devices such as tables and graphs to assist the reader's understanding of the department's endeavours, as well as to explain how the resources entrusted to the department have been used.

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21 *Department of Transport and Regional Services Annual Report 2004–05*, p. 162.

22 *Department of Transport and Regional Services Annual Report 2004–05*, p. 164.

23 *Department of Transport and Regional Services Annual Report 2004–05*, p. 229.

24 *Department of Transport and Regional Services Annual Report 2004–05*, p. 299.

25 Finance and Public Administration Legislation Committee, Report on Annual Reports No. 1 of 2006, pp 6 to 7.