

Chapter 2

Annual reports of departments

Department of Agriculture, Fisheries and Forestry

2.1 The Department of Agriculture, Fisheries and Forestry's (DAFF) *Annual Report 2005-06* was prepared in accordance with section 63 of the *Public Service Act 1999* and tabled on 6 November 2006. The committee notes the Senate's receipt of this report on 27 October 2006.

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 (Requirements for Annual Reports). The DAFF *Annual Report 2005-06* 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, Freedom of Information (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. The committee considers that the report is comprehensive, readily understandable and easy to navigate.

Departmental overview

2.4 Significant priorities and achievements for DAFF throughout the reporting period included:

- improvement of Exceptional Circumstances (EC) policy and assistance, including the provision of a more generous EC interest rate subsidy;
- development of the \$220 million *Securing our Fishing Future* package to improve the profitability of fisheries and to end overfishing. This package includes a \$150 million business exit assistance process to enable the removal of fishing concessions in four fisheries;

- development of projects to assist Australia's horticulture industries through the Industry Partnerships Programme;
- improvements in maritime security to enhance protection against illegal fishing;
- improving Australia's market access and progressing negotiations on free trade agreements through cooperation and discussions with industry, the Department of Foreign Affairs and Trade and major trading partners; and
- improving Australia's preparedness and response capacity in the event of an outbreak of pandemic avian influenza, through Exercise Eleusis and a proposed funding package of \$44.2 million in the 2006-07 Budget.¹

2.5 The committee notes the creation of a new Corporate Policy Division in November 2005 to assist with, among other things, whole-of-government planning, administration of governance, policy advice and reporting activities.²

2.6 The Secretary notes that priorities for 2006-07 include: restoring the Murray-Darling basin, implementing further measures against illegal fishing, and developing a Government response to the Corish report *Creating our future: agriculture and food policy for the next generation*.³

Report on performance

2.7 DAFF has thoroughly reviewed its performance, and the committee commends the department for reporting on its shortcomings where relevant and for identifying areas of possible improvement.

2.8 In DAFF's 2005-06 annual report, performance is measured against performance indicators specified in the 2005-06 Portfolio Budget Statements.

2.9 This is a substantive section of the report, assessing the performance of specific programmes and projects as well as the performance of administered items. The committee particularly noted the following items:

- Improving the EC programme was a priority for the department and 2005-06 saw a 70 per cent increase in EC payments issued - an expenditure of almost \$397 million. The department took a number of steps to simplify the process, handing over the issue of EC certificates to Centrelink. As a result, farmers now only have to deal with Centrelink regarding their entitlements. This also allows farmers to access information on their entitlements via the Centrelink website, hotlines,

1 Department of Agriculture, Fisheries and Forestry (DAFF), *Annual Report 2005-06*, pp 1-3.

2 DAFF, *Annual Report 2005-06*, pp 4 and 15.

3 DAFF, *Annual Report 2005-06*, pp 4-5.

and network offices. The National Agricultural Monitoring system prototype was also utilised to aid in streamlining the processing of EC applications and assessments.⁴

- A strategic industry vision was released for the Sugar Industry Reform Development Programme, and regional plans were developed. \$36 million was paid for Round 2 regional and community projects and \$73 million was provided in sustainability grants. The latter component was completed in September 2005, and the business planning for mills component was completed in December 2005.⁵
- The department began to implement the *Securing Our Fishing Future* package, which included the issue of a Ministerial direction to the Australian Fisheries Management Authority to implement a range of measures to eliminate overfishing. The report highlights the fact that this is the first time the legislative power of issuing a Ministerial direction has been used.⁶
- The Australian Quarantine and Inspection Service evaluated the use of various rapid diagnostic tests for avian influenza, and as a result a rapid diagnostic test has been implemented in Indonesia, Papua New Guinea, East Timor and northern Australia.⁷

Management and accountability

2.10 As required by the *Requirements for Annual Reports*, the report provides information on corporate governance, internal and external scrutiny, human resource management, purchasing, consultancies, and tendering and contracting.

2.11 DAFF noted the findings of the report conducted by Mr John Uhrig, *Review of the corporate governance of statutory authorities and office holders*. Following the release of the Uhrig report, ministers were asked to assess statutory authorities and other bodies within their portfolios. As a result of Minister McGauran's assessments the following changes will be implemented over 2006-07:

- research and development corporations and the Australian Wine and Brandy Corporation will no longer have government directors appointed to their boards, 'statements of expectation' will be introduced to further facilitate communication about policy, and reporting obligations under the CAC Act and the *Primary Industries and Energy Research and Development Act 1989* will be reviewed;

4 DAFF, *Annual Report 2005-06*, pp 61-65.

5 DAFF, *Annual Report 2005-06*, pp 81 and 84.

6 DAFF, *Annual Report 2005-06*, pp 82 and 90-91.

7 DAFF, *Annual Report 2005-06*, p. 171.

- governance arrangements for the Australian Pesticides and Veterinary Medicines Authority will change from the board template to the executive management template; and
- future governance arrangements for the Wheat Export Authority will be determined once the Cole inquiry is completed.⁸

2.12 Four major Australian National Audit Office (ANAO) performance audits relating to DAFF's activities were tabled during 2005-06. Audit Report No. 19 was of specific interest as it was a follow-up audit to assess DAFF's progress in implementing recommendations of the original Audit Report No. 47, *Performance audit: Managing for quarantine effectiveness*. The ANAO found that significant improvements in the administration of quarantine have since taken place, and all but two recommendations have been implemented in whole or partially, with the implementation of the remaining two currently underway. As a result of this review, five new recommendations were made, all of which were accepted by DAFF and Biosecurity Australia.⁹

2.13 The committee also noted that DAFF generated an operating surplus of \$0.5 million in 2005-06, due largely to reduced expenditure on supplier costs, such as consultants.¹⁰

Conclusion

2.14 The committee considers that DAFF's *Annual Report 2005-06* is well presented and complies with the reporting requirements of a Commonwealth department.

Department of Transport and Regional Services

2.15 The Department of Transport and Regional Services (DOTARS) *Annual Report 2005-06* was tabled in the Senate on 17 October 2006.

2.16 The report was prepared in accordance with section 63 of the *Public Service Act 1999* and other relevant legislation.

2.17 The report is presented in accordance with the checklist of requirements stipulated in the *Requirements for Annual Reports*. The DOTARS *Annual Report 2005-06* contains the following information:

- the Secretary's yearly review highlighting the achievements of the department;

8 DAFF, *Annual Report 2005-06*, pp 251-252.

9 DAFF, *Annual Report 2005-06*, p. 274.

10 DAFF, *Annual Report 2005-06*, p. 281.

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- a departmental overview outlining DOTARS' 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, and human resource management; and
 - appendices detailing financial statements, FOI requests, procurement practices, discretionary grants and advertising and market research.

2.18 The committee draws attention to section 20 of the *Aircraft Noise Levy Collection Act 1995* (the Act) which requires a report on the operation of the Act. The committee notes that in the letter of transmittal, the Secretary has recognised the requirement to include this information in the annual report. However, no mention of the Act could be found in the body of the report. The committee recognises that DOTARS has reported on the implementation and cost of the Noise Amelioration Program, but not the source of funding for this program. In addition, it appears that this information has not been provided in the previous three annual reports. The committee further notes that income from levies is included in the financial statements, but which levies this income is sourced from, and the discrete amounts collected under particular levies is not specified. While DOTARS has indicated in the past that Airservices Australia has been contracted to collect this levy, there does not appear to be any record of this levy in the Airservices Australia annual report. The committee is concerned that as this information is not included in either the alphabetic or compliance indices it is not readily apparent or easily accessible to readers.

Departmental overview

2.19 The committee noted the following items of significance for DOTARS during 2005-06:

- the introduction of streamlined processes to improve the Regional Partnerships Programme, and the provision of grants for 309 projects;
- the implementation of the Maritime Security Identity Card scheme starting 1 November 2005;
- the review of Australia's international air services policy; and
- the proclamation of AusLink legislation on 28 July 2005.¹¹

2.20 DOTARS efforts to effectively manage its resources and its balance sheet are reflected in its reporting of an almost balanced operating outcome in 2005-06. After removing the one-off impact of the provision for asbestos-related disease claims, the department's net asset position improved by \$20.2 million.¹²

11 Department of Transport and Regional Services (DOTARS), *Annual Report 2005-06*, pp 2-9.

12 DOTARS, *Annual Report 2005-06*, p. 11.

Report on performance

2.21 DOTARS uses a rating scale to assess the achievement of programmes against performance indicators in the 2005-06 Portfolio Budget Statements. The scale ranges from 'fully achieved' to 'not achieved', and allows the reader to clearly assess the status and performance of programmes.

2.22 Under Outcome 1, only two programmes were ranked as 'not achieved'. The construction of the Echuca-Moama bridge over the River Murray has been delayed again, and funding has been carried forward to 2006-07 due to heritage issues encountered by the Victorian Government. The construction of the Wodonga rail bypass has also been delayed due to ongoing negotiations between parties on the details of the project. Consequently, funds have been moved forward to 2006-07, and the project can proceed once agreement is reached.¹³

2.23 Two programmes were only 'partly achieved' during 2005-06. Funds have been provided to support representatives from regional countries to attend International Civil Aviation Organization aviation security training, with the aim of improving aviation security in the surrounding region. No funds were expended during 2005-06, so funding has been carried forward to 2006-07.¹⁴ Construction of the Bert Hinkler Hall of Aviation has commenced, but the project had previously been delayed while the proponent considered additional sources of funding. It is to be completed by mid-2008.¹⁵

Management and accountability

2.24 The committee notes the tabling of *Roads to Recovery*, Audit Report No. 31 2005-06. The audit found that grants payments disclosed under the *Roads to Recovery Act* Special Appropriation, although validly made, were ineligible under that Special Appropriation. At the time a valid alternative appropriation was available under the Annual Administered Expenses item of the *Appropriation Act (No 1&3) 2004-05*. Although a valid and available alternative appropriation existed for the payments, DOTARS contravened section 48 of the *Financial Management and Accountability Act 1997*. This is noted in the independent audit report of the financial statements in the annual report. Consequently the financial statements for 2005-06 were amended to reflect the correct disclosure of these payments.¹⁶

13 DOTARS, *Annual Report 2005-06*, pp 82-83.

14 DOTARS, *Annual Report 2005-06*, p. 63.

15 DOTARS, *Annual Report 2005-06*, pp 131-132.

16 DOTARS, *Annual Report 2005-06*, pp 181, 244-246, and 316; ANAO, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, Audit Report No. 15, 2006-2007, p. 198.

2.25 An intranet-based tool, 'iReport', enabling single point access for the reporting of fraud, theft, security, occupational health and safety incidents and harassment was developed and implemented during 2005-06.¹⁷

Conclusion

2.26 The committee considers that DOTARS' *Annual Report 2005-06* complies with the reporting requirements of a Commonwealth department.

**Senator the Hon. Bill Heffernan
Chair**

17 DOTARS, *Annual Report 2005-06*, p. 174.

