

## Chapter 2

### Annual reports of departments

#### Department of Infrastructure, Transport, Regional Development and Local Government

2.1 The Department of Infrastructure, Transport, Regional Development and Local Government (Infrastructure) *Annual Report 2007-08* was prepared in accordance with section 63 of the *Public Service Act 1999* and other relevant legislation. The report was received by the Senate on 30 October 2008 and tabled on 10 November 2008.

2.2 The report is presented in accordance with the checklist of requirements stipulated in the Requirements for Annual Reports.

2.3 Infrastructure has provided a comprehensive review of its performance for 2007-08. The use of a table format to present information such as performance against outcomes, new or modified performance indicators, and reporting under the Commonwealth Disability Strategy was clear and easy to follow. The Infrastructure annual report also included a detailed and clearly presented compliance index.

2.4 As mentioned in the committee's *Annual reports (No. 1 of 2008)*, Infrastructure has provided information on the discretionary grants programs it administers, referring readers to its web pages for information about grant recipients, in line with the Requirements for Annual Reports.<sup>1</sup> While one of the internet links to this information was more direct than in the department's previous annual report, a number of other internet links were cumbersome and difficult to follow. In addition, no links were provided for some of the grants programs. The committee reminds Infrastructure that providing more direct internet links would facilitate access to this information.

2.5 The Infrastructure Annual Report for 2007-08 contains the following information:

- the secretary's yearly review highlighting the achievements of the department;
- a departmental overview outlining Infrastructure's operations and organisational structure;
- report on performance as measured against PBS performance indicators;

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<sup>1</sup> Department of Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2008, p. 25.

- 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, procurement practices, discretionary grants, compliance with the Commonwealth Disability Strategy, environmental performance, and performance indicators modified since the PBS.

### ***Departmental overview***

2.6 The secretary reported that 'following the change of government in November 2007, the then Department of Transport and Regional Services (DOTARS) was restructured, gained an additional outcome, and was renamed the Department of Infrastructure, Transport, Regional Development and Local Government'.<sup>2</sup>

2.7 The department was reorganised to reflect the priorities of the new government. Changes included:

- transferring responsibility for services to territories and natural disaster relief functions and the associated administered programs to the Attorney-General's Department;
- gaining responsibility for major projects facilitation from the former Department of Industry, Tourism and Resources; and
- assuming responsibility for the new role of infrastructure planning and coordination.<sup>3</sup>

2.8 The department was restructured in March 2008 to reflect the changes, and its revised outcome and output structure, including a new outcome focused on infrastructure, was published in the 2008-09 PBS.<sup>4</sup>

2.9 The committee also notes the following items of significance for Infrastructure during 2007-08:

- establishment of the statutory advisory council Infrastructure Australia, with a mandate to provide independent expert advice to governments on policy, regulation and investment options to improve Australia's national transport, water, energy and communications infrastructure;

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2 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, p. 2.

3 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, pp 20, 22 and 215.

4 For details of the department's previous and current outcome and output structures, see Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, pp 308–309.

- establishment of the Regional Development Australia Interim Board as part of implementing the transition from Area Consultative Committees to Regional Development Australia committees from 1 January 2009;
- establishment of the Office of Northern Australia in March 2008 to provide high-level policy advice to the government on sustainable development issues across Northern Australia;
- closure of the Regional Partnerships and Sustainable Regions programs to new applications;
- completion of the department's work as the lead agency on the Council of Australian Governments' trial of government service delivery arrangements with Indigenous communities in the East Kimberley region. Formal responsibility was transferred to the Department of Families, Housing, Community Services and Indigenous Affairs;
- release of the Australian Transport Safety Bureau's (ATSB) final report into the grounding of the bulk carrier *Pasha Bulker* at Newcastle in New South Wales;
- assistance from ATSB to the Indonesian National Transportation Safety Committee with several aviation investigations under the Indonesia Transport Safety Assistance Package (ITSAP);
- implementation of the first phase of new checked baggage screening measures including the use of explosive trace detection (ETD) equipment;
- release of an issues paper to begin the process of developing a national aviation policy;
- commencement of development of a single, national transport policy and associated regulatory reforms; and
- establishment of a Climate Change Taskforce within the department's Bureau of Infrastructure, Transport and Regional Economics (BITRE).<sup>5</sup>

2.10 Infrastructure reported an operating surplus of \$5.8 million for 2007-08, which placed the department in a strong position to manage its finances in a tighter fiscal environment.<sup>6</sup>

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

2.11 Infrastructure uses a rating scale to assess the achievement of programs against performance indicators from the 2007-08 PBS. The scale ranges from 'fully

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5 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, pp 2-9 and 57.

6 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, p. 10.

achieved' to 'not achieved', and allows the reader to clearly assess the status and performance of programs.

2.12 Under Outcome 1, no programs were ranked as 'not achieved'. Four programs were only 'partially achieved':

- Whitehorse Road and Springvale Road intersection upgrade in Melbourne;<sup>7</sup>
- Management of residual issues of the former Australian National Railways Commission, including finalising of a records disposal authority for around 180,000 plans and drawings of rail rolling stock and infrastructure;<sup>8</sup>
- Construction of the Wodonga rail bypass;<sup>9</sup> and
- Murray River Bridges-Federation Fund project to provide a crossing of the Murray River at Echuca-Moama. The committee notes that following the appointment of an independent facilitator by the Victorian government during 2007-08, a potential corridor was identified and agreed to in principle by the key stakeholders, including the Yorta Yorta Nation Aboriginal Corporation.<sup>10</sup>

2.13 Under Outcome 2, only one program, 'Fitting of seatbelts on regional school buses', was ranked as 'partially achieved'.<sup>11</sup>

2.14 Under Outcome 3, 'Improving regional women's representation in decision making' was ranked as 'not achieved', as the government decided not to proceed with this program in December 2007.<sup>12</sup> The Regional Partnerships and Sustainable Regions programs were 'partially achieved' as the government decided to close both of these programs to new and uncontracted projects.<sup>13</sup>

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7 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, p. 52.

8 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, pp 53–54.

9 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, p. 55.

10 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, p. 54.

11 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, p. 139.

12 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, pp 179 and 195.

13 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2007-08*, pp 179, 196–198 and 201.

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## ***Management and accountability***

2.15 Five major ANAO performance audits relating to Infrastructure activities were tabled during 2007-08. Those reports of particular interest are discussed below.

2.16 In ANAO Audit Report No. 44 of 2007-08, *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the Year Ending 30 June 2008*, the ANAO followed up on the moderate control weakness relating to grant management identified in the previous year's audit. The audit confirmed that the department has not fully resolved these issues, identifying instances where expenditure reports were not received or were received outside of the timeframes specified in grant agreements. These weaknesses were noted in a number of programs, in particular the supplementary AusLink Roads to Recovery Program. The ANAO noted that the department has recently implemented a new on-line business system, AusLink Program Management System (APMS) to make it easier for grant recipients to submit financial reports. The ANAO acknowledged improvements in the administration of some programs since the introduction of APMS in December 2007.<sup>14</sup>

2.17 The ANAO Audit Report No. 14 of 2007-08, *Performance Audit of the Regional Partnerships Programme*, identified serious concerns with DOTARS' management of the RPP in the first three years of its operation. The ANAO found that:

- the flexibility in the application assessment and Ministerial approval processes created challenges in ensuring transparent, accountable and cost-effective administration and in demonstrating the equitable treatment of applicants; and
- the manner in which the program had been administered over the three year period to 30 June 2006 examined by ANAO had fallen short of an acceptable standard of public administration, particularly in respect to the assessment of grant applications and the management of Funding Agreements.<sup>15</sup>

2.18 The ANAO observed that departures from the documented RPP assessment criteria and procedures were a feature of the program. This resulted in funding being approved for projects that did not proceed as planned or did not result in the

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14 Australian National Audit Office (ANAO), *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the Year Ending 30 June 2008*, Audit Report No. 44, 2007-08, p. 188.

15 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, pp 19–20.

anticipated community benefits. It also led to inconsistency and perceptions that funding decisions were not merit-based.<sup>16</sup>

2.19 In addition, the ANAO noted that DOTARS' administration in relation to program evaluation and reporting requirements 'has been less than adequate'.<sup>17</sup>

2.20 The audit also identified potential improvements to the financial framework governing the expenditure of public money. In particular, persons approving proposals to spend public money, including Ministers, are currently not required to record the basis for being satisfied that a proposal represents efficient and effective use of public money. The ANAO found that in some circumstances this leaves uncertainty as to the basis of decisions to provide a grant.<sup>18</sup>

2.21 While the ANAO acknowledged that DOTARS had made changes to the operation of the RPP and started 'a programme of significant administrative re-engineering' since late 2006, it also noted that 'challenges remain in respect to key aspects' of the RPP.<sup>19</sup> The ANAO made 19 recommendations to DOTARS to further improve its administrative practices and procedures. One additional recommendation was made to the then Department of Finance and Administration (Finance), designed to strengthen the framework governing the expenditure of public money.<sup>20</sup> DOTARS has agreed or agreed with qualification to 19 of the ANAO's recommendations and Finance has agreed to the remaining recommendation.<sup>21</sup>

2.22 The ANAO Audit Report No. 22 of 2007-08, *Administration of Grants to the Australian Rail Track Corporation*, identified a number of issues with the administration of special grants paid to the ARTC. The ANAO observed that there were no contracts, funding agreements or documented governance arrangements requiring the ARTC to use the special grant funding of \$820 million on any particular projects or in any particular timeframe. This was a direct consequence of steps taken by DOTARS and Finance to allow the ARTC to treat the initial special grant as non-assessable for taxation purposes.<sup>22</sup> In addition, there were significant differences

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16 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, pp 21–22 and 24.

17 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, p. 27.

18 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, p. 23.

19 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, pp 20 and 28.

20 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, pp 31 and 121–131.

21 ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 1—Summary and Recommendations*, Audit Report No. 14, 2007-08, pp 121–131.

22 ANAO, *Administration of Grants to the Australian Rail Track Corporation*, Audit Report No. 22, 2007-08, p. 18.

between the projects to be undertaken by the ARTC and the original projects put to the then Prime Minister when he approved the special grant.<sup>23</sup> The ANAO made two recommendations which DOTARS and Finance have accepted.

### ***Conclusion***

2.23 The committee considers that Infrastructure's *Annual Report 2007-08* complies with the reporting requirements of a Commonwealth department.

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23 ANAO, *Administration of Grants to the Australian Rail Track Corporation*, Audit Report No. 22, 2007-08, p. 19.

