

Chapter 2

Annual reports of departments

Department of Agriculture, Fisheries and Forestry

2.1 The Department of Agriculture, Fisheries and Forestry (DAFF) *Annual Report 2007-08* was prepared in accordance with section 63 of the *Public Service Act 1999*. The committee notes the Senate's receipt of this report on 11 November 2008.

2.2 The report is presented in accordance with the checklist of requirements specified in the Department of Prime Minister and Cabinet's *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2008 (Requirements for Annual Reports).

2.3 DAFF's *Annual Report 2007-08* 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 performance indicators specified in the Portfolio Budget Statements (PBS);
- an overview of the department's management and accountability arrangements, including corporate governance practices, human resource management, internal and external scrutiny, reviews and evaluations, and purchasing; and
- appendices detailing workforce statistics, occupational health and safety, compliance with the Commonwealth Disability Strategy, environmental performance, freedom of information requests, discretionary grants, and advertising and market research.

2.4 The committee considers that DAFF has provided a comprehensive review of its performance for 2007-08. Its report is clear, well presented and easy to navigate.

Departmental overview

2.5 The secretary reported that:

The 2007-08 financial year was one of transition and change for the department's staff. The new Australian Government took office, with new policies, programs and emphases. The nation's agriculture, fishing and

forestry industries faced challenges ranging from continued drought and water shortages to emergency animal disease outbreaks.¹

2.6 On 16 June 2008, the department's structure was changed to better reflect the government's priorities for the portfolio.²

2.7 The committee notes the following items of significance for DAFF during 2007-08:

- continued provision of drought related assistance to farmers through the Exceptional Circumstances (EC) programs. In April 2008, the government announced a comprehensive national review to improve Australia's drought policy;
- introduction of several new drought related programs, including:
 - a new EC Exit Grant in September 2007, for farmers in EC-declared areas who want to leave the industry;
 - the Transitional Income Support Program in June 2008, to assist farming families who are recovering from drought and in serious financial difficulty to adapt to changing circumstances, including climate change;
- continued implementation of measures to help the agricultural industry, including irrigators, respond to the drought and reduced water availability. More than 7800 grants of up to \$20,000 were provided to irrigators in the Murray-Darling Basin for improvements in water efficiency, totalling over \$144.8 million;
- implementation of reforms to Australia's wheat marketing arrangements, to introduce more competition and choice;
- work to gain, maintain and improve market access for Australian products through existing free trade agreements (FTAs), negotiations for new FTAs, and negotiations for the World Trade Organization (WTO) Doha Round;
- work on a challenge in the WTO by New Zealand against Australia's quarantine measures for New Zealand apples. The WTO's panel is expected to make its findings in the second half of 2009;
- coordination of the response to the equine influenza outbreak in August 2007, with eradication of the disease by the end of June 2008. The department was also responsible for implementing the recommendations of the independent Equine Influenza Commission of Inquiry in relation to improving Australia's quarantine system for importation of horses;

1 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, p. 1.

2 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, p. 204. For details of the department's previous and current organisational structure see pp 13–14.

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- announcement in February 2008 of a broad-ranging quarantine and biosecurity review (the Beale Review); and
 - engagement with the Department of Climate Change in developing the government's Green Paper in relation to the Carbon Pollution Reduction Scheme (CPRS).³

2.8 DAFF's priorities for 2008-09 include: national review of drought policy; continuing liaison with industry stakeholders on the CPRS; administration of programs announced under the new *Australia's Farming Future* package; and managing the new *Caring for our Country* initiative.⁴

Report on performance

2.9 DAFF has measured its performance against performance indicators specified in the 2007-08 PBS. A helpful overview of DAFF's performance framework is provided at the beginning of the report on performance.⁵

2.10 This is a comprehensive section of the report containing detailed and useful information. The committee particularly noted the following items:

- All of the major activities of the Sugar Industry Reform Program have now been completed. A small number of projects under the Regional and Community Projects component are yet to be finalised because flooding in some areas prevented work being completed on time. Those projects will be completed by the end of 2008.⁶
- The department continued to work with the Dairy Adjustment Authority (DAA) and Dairy Australia Limited on arrangements for terminating the levy and winding up the Dairy Industry Adjustment Package. The DAA's independent internal auditor found the transition process to be timely and comprehensive. The final quarterly payment to eligible dairy farmers was made in April 2008. DAFF is working to finalise wind-up arrangements in 2009. As part of the process, the secretary of the department became the sole member of the DAA from 1 July 2008.⁷
- The department released the Commonwealth Fisheries Harvest Strategy policy in September 2007. The policy provides a framework for the management of commercial fish species for long-term biological

3 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 1–5 and 16.

4 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 1 and 4–5.

5 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 26–27.

6 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 74, 75–76 and 94.

7 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 76 and 90.

sustainability and economic profitability. In line with the policy, AFMA has developed harvest strategies for all relevant fisheries.⁸

- The department completed final funding rounds for the *Securing our Fishing Future* structural adjustment package. This included \$17.9 million allocated in 2007-08 under the Fishing Community Assistance Grants program, to generate employment and economic activity in coastal communities affected by reductions in fishing activity. Funding was also provided under the Onshore Business Assistance program, to help onshore businesses adjust to reductions in fishing activity. In total, 33 business received over \$2.5 million to exit from the onshore fishing sector and 64 businesses received over \$10.25 million to develop their enterprises. These projects are expected to be completed by the end of 2008-09.⁹
- Changes to the import risk analysis (IRA) process were implemented in September 2007 when new regulations came into effect. The changes increase the transparency of the IRA process, impose a regulated timeline on the conduct of an IRA, increase opportunities for consultation and allow for more extensive scientific scrutiny of IRAs. In March 2008, six IRAs commenced under the new IRA process.¹⁰

Management and accountability

2.11 DAFF reported that legislative amendments and changed accountability arrangements in response to the Uhrig Review have largely been completed. The portfolio agencies affected by the changes are as follows:

- Australian Pesticides and Veterinary Medicines Authority;
- Forest and Wood Products Research and Development Corporation;
- Export Wheat Commission; and
- Australian Fisheries Management Authority.¹¹

2.12 Three major ANAO performance audits relating to DAFF's activities were tabled during 2007-08. These reports are discussed below.

2.13 The ANAO Audit Report No. 6 of 2007-08, *Australia's Preparedness for a Human Influenza Pandemic*, focussed on DAFF and the Department of Health and Ageing, as it covered human and animal health components. The audit included an assessment of action taken by DAFF to implement the recommendations from

8 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 82 and 92.

9 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 82–83 and 90–91.

10 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 193 and 195.

11 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 3 and 216.

Exercise Eleusis, which tested the response arrangements for avian influenza. While the ANAO found that DAFF had made considerable progress in implementing the recommendations from this exercise, it recommended that DAFF and Animal Health Australia (AHA) review a number of issues in relation to the Australian Veterinary Emergency Plan (AUSVETPLAN). Both DAFF and AHA have agreed to the recommendation and a review has been completed.¹²

2.14 The ANAO Audit Report No. 21 of 2007-08, *Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality*, focussed on DAFF and the Department of Environment, Water, Heritage and the Arts, which jointly administer these programs. The ANAO found that progress in implementing improvements in administration since previous audits had been 'comprehensive and well focused on significant risks'. However, the ANAO identified several areas where administration still needs to be strengthened. The ANAO also noted that information in the DAFF and National Heritage Trust annual reports was insufficient to make an informed judgement on the progress of programs against outcomes. Both departments have agreed to all four recommendations.¹³

2.15 The ANAO Audit Report No. 26 of 2007-08, *Tasmanian Forest Industry Development and Assistance Programs*, found that DAFF had developed a sound framework for assessing and approving applications for these programs, however, in practice, not all processes and procedures were followed by the department when assessing and recommending applications to the Minister for funding. The ANAO also noted that DAFF did not fully report against all outcome indicators in its *Annual Report 2006-07*. The ANAO made three recommendations which DAFF has accepted.¹⁴

2.16 The committee notes that, after including increased expenses associated with a range of activities, including drought support, quarantine and equine influenza, and costs of the move to new accommodation, DAFF generated an operating surplus of \$0.73 million in 2007-08. In 2006-07, DAFF reported an operating deficit of \$14.24 million.¹⁵

12 Australian National Audit Office (ANAO), *Australia's Preparedness for a Human Influenza Pandemic*, Audit Report No. 6, 2007-08, pp 18, 20 and 30. See also Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, pp 238–240.

13 Australian National Audit Office (ANAO), *Regional Delivery Model for the National Heritage Trust and the National Action Plan for Salinity and Water Quality*, Audit Report No. 21, 2007-08, pp 15–16, 24 and 27–29.

14 Australian National Audit Office (ANAO), *Tasmanian Forest Industry Development and Assistance Programs*, Audit Report No. 26, 2007-08, pp 15, 17, and 29–30.

15 Department of Agriculture, Fisheries and Forestry, *Annual Report 2007-08*, p. 256.

Conclusion

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