

## Chapter 2

### Annual reports of departments

#### Department of Agriculture, Fisheries and Forestry

2.1 The Department of Agriculture, Fisheries and Forestry (DAFF) *Annual Report 2008-09* was prepared in accordance with section 63 of the *Public Service Act 1999*. The report was received by the Senate on 8 October 2009 and tabled on 26 October 2009.

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 2009 (Requirements for Annual Reports).

2.3 DAFF's *Annual Report 2008-09* 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, reporting under the FOI Act, grants, advertising and market research, and agency resource and outcome resource statements.

2.4 Also included as an appendix is the final annual report for the Dairy Adjustment Authority (DAA) for the period 1 July 2008 to 31 December 2008, when the DAA ceased to exist. The committee notes that DAFF assumed the powers and functions of the DAA from 1 January 2009.<sup>1</sup>

2.5 The committee notes that DAFF has complied with the requirement to include a summary statement which separately lists the number of new and ongoing consultancy contracts and the total actual expenditure for each category. However, in addition to this information, agencies must complete a mandatory proforma listing

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1 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp 225–253.

each individual consultancy to the value of \$10,000 or more, in accordance with the Requirements for Annual Reports. This information must be provided either in an appendix to the report or through the internet.<sup>2</sup>

2.6 According to DAFF's annual report, this information can be viewed on the DAFF website and a link has been given. The committee notes that when the DAFF website was accessed at the end of January 2010, this information was not available for 2008-09. Instead, the link contained a two page extract from DAFF's annual report for 2008-09. The committee is pleased to note, however, that immediately prior to finalising this report in March, the information for 2008-09 had been added.

2.7 The committee considers that DAFF has met all of the mandatory reporting requirements and provided a comprehensive review of its performance for 2008-09. Its report is clear, well presented and easy to navigate.

### ***Departmental overview***

2.8 The committee notes the following items of significance for DAFF during 2008-09:

- release of the report of the Quarantine and Biosecurity Review panel (the Beale review) in December 2008, with the government agreeing in principle to all 84 recommendations;
- planning, coordination and provision of logistical support to screen passengers arriving at air and sea ports following the outbreak of the H1N1 influenza virus (human swine influenza);
- continued provision of drought related assistance to farmers through the Exceptional Circumstances (EC) programs;
- coordination of the government's review of drought support measures;
- continued implementation of *Australia's Farming Future*, a four-year \$130 million research and training program to help the farming sector boost productivity and adapt to climate change;
- appointment of an independent Rural Research and Development Council to provide high-level advice to the Minister;
- announcement of three research priorities under the Climate Change Research Program: reducing greenhouse gas pollution, improving soil management and adapting to a changing climate;
- reprioritisation of resources in response to the government's request to reduce overall running costs by a further 1.2 per cent over the previous 3.25 per cent efficiency dividend in the 2009-10 Budget; and

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2 Department of Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2009, pp 24–27.

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- reform of the department's governance structure, by establishing formal committees for people management, business improvement, information and communications technology, and legislation and deregulation.<sup>3</sup>

2.9 From 1 July 2009, all of the department's quarantine and biosecurity functions have been brought together in the new Biosecurity Services Group. This includes the Australian Quarantine and Inspection Service (AQIS); Biosecurity Australia; the biosecurity areas of the Product Integrity, Animal and Plant Health Division; and the Quarantine and Biosecurity Policy Unit.<sup>4</sup>

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

2.10 DAFF has measured its performance against performance indicators specified in the 2008-09 PBS. A helpful overview of DAFF's performance framework and a concise summary of performance are provided at the beginning of the report on performance.<sup>5</sup>

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

- While 88 projects were completed under the *Securing our Fishing Future* structural adjustment program during 2008-09, a further 34 projects have been extended into 2009-10 due to setbacks in meeting project milestones caused by external factors.<sup>6</sup>
- Four out of five regional community projects that remained from the Sugar Industry Reform Program when it ended on 30 June 2008 were completed by 30 June 2009. The remaining project was delayed due to bad weather but is expected to be completed in the second half of 2009.<sup>7</sup>
- The *Caring for our Country* initiative began on 1 July 2008, integrating the functions of previous natural resource management (NRM) programs, including the Natural Heritage Trust, the National Landcare Program, the Environmental Stewardship Program and the Working on Country Indigenous land and sea ranger program. It is jointly administered by DAFF and the Department of the Environment, Water, Heritage and the Arts (DEWHA) and focuses on six national priority areas. A business plan will be released each year to seek investment proposals for the delivery of identified targets. Progress will be assessed according to a monitoring, evaluation, reporting and improvement

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3 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp ix–xi, xiii, and 92.

4 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp x and xix.

5 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp 2–6.

6 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp 9, 37, 51 and 61.

7 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, p. 32.

(MERI) strategy, and delivery outcomes will be published in an annual report card.<sup>8</sup>

- Illegal foreign fishing in Australian waters continued to decline significantly in 2008-09, primarily as a result of strict enforcement measures. The number of vessels apprehended in our northern Australian waters fell to 27, down from 156 in 2007-08. No illegal foreign fishing vessels were apprehended in other Australian waters. DAFF continued to engage with signatories of the Regional Plan of Action to Promote Responsible Fishing and Combat Illegal, Unreported and Unregulated (IUU) Fishing. The department also continued to work closely with Indonesia on collaborative measures against IUU fishing in the Arafura and Timor seas.<sup>9</sup>
- The department led Australia's negotiating efforts to secure agreement at the Commission for the Conservation of Southern Bluefin Tuna to adopt a catch documentation scheme, to allow only legally sourced product to access the markets. Agreement was also reached on developing a strategy to rebuild the southern bluefin tuna stock. The new standards will come into effect in 2010.<sup>10</sup>

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

2.12 Three major ANAO performance audits relating to DAFF's activities and two cross-portfolio audits involving DAFF were tabled during 2008-09. Those reports of particular interest are discussed below.

2.13 The ANAO Audit Report No. 38 of 2008-09, *Administration of the Buyback Component of the Securing our Fishing Future Structural Adjustment Package*, found that DAFF's use of an algorithm to evaluate the tenders received was an innovative and practical approach, given the complexity of the evaluation process and the large number of tenders involved. However, there were no formal quality assurance processes in place during the development and running of the algorithm to ensure it was operating correctly. In addition, the evaluation process was not transparent, with a lack of documentation to support key elements of the process, and a failure to manage stakeholders' expectations by providing clearer guidance. The ANAO made one recommendation, in relation to enhancing the transparency and accountability of any future evaluation processes, which DAFF has accepted.<sup>11</sup>

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8 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp 10 and 19–20.

9 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp 16–17, 25 and 65.

10 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, pp 17, 26, 65 and 69.

11 Australian National Audit Office (ANAO), *Administration of the Buyback Component of the Securing our Fishing Future Structural Adjustment Package*, Audit Report No. 38, 2008-09, pp 16–18 and 23.

2.14 The ANAO Audit Report No. 39 of 2008-09, *Administration of the Securing our Fishing Future Structural Adjustment Package Assistance Programs*, found that DAFF had developed appropriate program guidelines and a sound framework for assessing and approving applications for the three assistance programs. However, in practice, the department's documented processes and procedures were not followed when assessing and recommending applications to the decision makers. The ANAO also noted that DAFF's reporting on these programs, including in its annual report, did not advise the extent to which the program objectives and the expected benefits are being achieved. The ANAO made one recommendation which DAFF has accepted.<sup>12</sup>

2.15 The ANAO Audit Report No. 47 of 2008-09, *Management of Domestic Fishing Compliance*, found that the Australian Fisheries Management Authority (AFMA) effectively manages fishing concessions that limit access to the fisheries and control the methods through which fishers can take fish. However, AFMA is not undertaking its domestic fishing compliance responsibilities as effectively as it could be.<sup>13</sup> The ANAO also observed that:

- AFMA has a sound process for annually assessing domestic compliance risks, but its under-developed intelligence capability has not facilitated regular risk reviews or targeting of compliance activities;
- AFMA's enforcement approaches have not always achieved the desired compliance outcomes because of the limited range of enforcement responses adopted and their inconsistent application; and
- a new centralised approach to compliance monitoring (from 1 July 2009) will give AFMA greater control over the current decentralised approach, but also creates different risks. For example, a reduced number of planned inspections and an intermittent presence in ports will not provide as strong a deterrent as previously and will inhibit inspections targeting 'at risk' fishers.<sup>14</sup>

2.16 The ANAO made five recommendations in relation to quota management, AFMA's inspection program, enforcement action, developing a compliance strategy and improving intelligence capability, and performance reporting. AFMA has accepted all of the recommendations and expects to address them within the next 12 months.<sup>15</sup>

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12 Australian National Audit Office (ANAO), *Administration of the Securing our Fishing Future Structural Adjustment Package Assistance Programs*, Audit Report No. 39, 2008-09, pp 14–15 and 23.

13 Australian National Audit Office (ANAO), *Management of Domestic Fishing Compliance*, Audit Report No. 47, 2008-09, p. 16.

14 Australian National Audit Office (ANAO), *Management of Domestic Fishing Compliance*, Audit Report No. 47, 2008-09, pp 16–17.

15 Australian National Audit Office (ANAO), *Management of Domestic Fishing Compliance*, Audit Report No. 47, 2008-09, pp 18 and 25–27.

2.17 The committee notes that DAFF recorded an operating deficit of \$17.4 million in 2008-09, compared with a small surplus of \$0.7 million in 2007-08. This was mainly due to lower than expected revenues from AQIS import and export programs as a result of reduced activity stemming from the impacts of the global financial crisis.<sup>16</sup>

### **Conclusion**

2.18 The committee considers that DAFF's *Annual Report 2008-09* complies with the reporting requirements of a Commonwealth department.

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

2.19 The Department of Infrastructure, Transport, Regional Development and Local Government (Infrastructure) *Annual Report 2008-09* 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 2009 and tabled on 6 November 2009.

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

2.21 Infrastructure has provided a comprehensive review of its performance for 2008-09. 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.

2.22 As mentioned in the committee's previous reports, Infrastructure has provided information on the grant programs it administers, referring readers to its web pages for information about discretionary grants (until 31 December 2008) and grants programs (from 1 January 2009), in line with the Requirements for Annual Reports.<sup>17</sup> While some internet links were provided, the committee reminds Infrastructure that providing more direct internet links would facilitate access to this information.

2.23 The Infrastructure Annual Report for 2008-09 contains the following information:

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

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16 Department of Agriculture, Fisheries and Forestry, *Annual Report 2008-09*, p. 192.

17 Senate Rural and Regional Affairs and Transport Committee, *Annual Reports (No. 1 of 2008)*, p. 15; and *Annual Reports (No. 1 of 2009)*, p. 11.

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- a departmental overview outlining Infrastructure's operations and organisational structure;
  - report on performance as measured against PBS performance indicators;
  - report on Infrastructure Australia's performance as measured against PBS performance indicators;
  - 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 agency resource statements, resources for outcomes, procurement practices, compliance with the Commonwealth Disability Strategy, environmental performance, reporting under the FOI Act, grants programs, performance indicators modified since the PBS, and financial statements.

### *Departmental overview*

2.24 The committee notes that Mr Mike Mrdak was appointed secretary of the department from 29 June 2009, following the retirement of Mr Michael Taylor in April 2009.

2.25 The secretary reported that:

The past year has been one of significantly increased activity for the Department as we assisted the government in addressing the effects of the global recession by delivering its economic stimulus plan.<sup>18</sup>

2.26 The committee notes the following items of significance for Infrastructure during 2008-09:

- administration of programs providing over \$5.2 billion in direct and indirect grants for the construction and maintenance of land transport infrastructure, as part of the government's Nation Building Program;
- completion of National Partnership Agreements with all states and territories for land transport infrastructure projects from 2008-09 to 2013-14;
- completion of the second phase of checked baggage screening measures with provision of funding to 22 regional airports to assist with the costs of purchasing and installing x-ray equipment with explosive detection capabilities;

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18 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, p. 3.

- development of regulatory reform proposals to introduce single, national regulatory systems for heavy vehicles, maritime safety and rail safety;
- development of the *National Road Safety Action Plan 2009 and 2010* to improve road safety across all parts of Australia's road transport system;
- development of the Aviation White Paper on national aviation policy, for release in the first half of 2009-10;
- release of the Aviation Green Paper in December 2008 to provide greater planning and investment certainty for the industry and clear commitments for users of aviation services and communities;
- as part of the release of the Aviation Green Paper, the government announced that the Australian Transport Safety Bureau (ATSB) would become a separate statutory agency from 1 July 2009;
- progress towards implementing the Regional Development Australia initiative with memorandums of understanding signed between the Australian Government and nearly all state and territory governments;
- establishment of the Australian Council of Local Government, a new partnership between the Australian Government and local governments; and
- review of governance arrangements across the department's program management operations, resulting in the establishment of a number of project boards to oversee and report on program planning and implementation.<sup>19</sup>

2.27 Infrastructure reported an operating deficit of \$3.0 million for 2008-09. This was within the Department's approved operating deficit of \$3.5 million.<sup>20</sup>

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

2.28 Infrastructure has measured its performance against performance indicators specified in the 2008-09 PBS. A useful summary of performance is provided at the beginning of each output section. The committee notes that Infrastructure no longer uses a rating scale from 'fully achieved' to 'not achieved' to assess the achievement of programs against performance indicators from the PBS. As a result, the extent to which programs have been achieved is not quite as clear as in previous annual reports.

2.29 Under Outcome 1, the committee notes that:

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19 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, pp 2-3, 37, 43, 52 and 56.

20 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, p. 4.



- 292 level crossing upgrade projects were approved for funding in 2008-09 and 2009-10, to install boom gates and other safety measures at high-risk level crossings around Australia;<sup>21</sup> and
- The government received a project proposal report and committed \$1 million in 2008-09 to support the planning phase of the Murray River Bridges – Federation Fund project. However, as a result of significant delays, the government decided to close the Federation Fund.<sup>22</sup>

2.30 Under Outcome 2, the committee notes that:

- Following a review of the Tasmanian Freight Equalisation Scheme, the government announced in November 2008 that the scheme would be retained in its current form;<sup>23</sup> and
- Due to the lack of demand for the Seatbelts on Regional School Buses program, \$7.5 million of the program's funding was reallocated to Regional Partnerships in the 2008-09 PAES.<sup>24</sup>

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

2.31 One major ANAO performance audit of Infrastructure activities and five cross-portfolio audits involving Infrastructure were tabled during 2008-09.

2.32 The ANAO Audit Report No. 29 of 2008-09, *Delivery of Projects on the AusLink National Network*, identified a number of concerns in relation to the effectiveness of Infrastructure's administration of the AusLink program, in working with the States to deliver the expected outcomes. The ANAO found that the delivery cost of most of the sampled AusLink stage 1 projects (covering the first five year plan from 2004-5 to 2008-09) was greater than expected at the time of funding approval, with increases ranging from six per cent to 249 per cent. In addition, there were significant delays in the delivery of some major projects.<sup>25</sup> This resulted from:

- projects being approved for funding after limited prior consultation with the States and before the necessary planning and preconstruction work had been completed; and

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21 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, pp 21 and 27.

22 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, pp 22 and 29.

23 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, pp 60–61.

24 Department of Infrastructure, Transport, Regional Development and Local Government, *Annual Report 2008-09*, pp 72 and 75.

25 ANAO, *Delivery of Projects on the AusLink National Network*, Audit Report No. 29, 2008-09, pp 16–17.

- shortcomings in estimating practices and Infrastructure's scrutiny of estimates submitted by the States.<sup>26</sup>

2.33 The ANAO observed that the documented project assessment and approval processes for AusLink projects are based on projects being considered for funding on a phased basis. However, it has become common for funding commitments for major road projects to be announced during Federal election campaigns before robust project proposals have been developed, creating challenges for Infrastructure and State transport agencies in delivering projects on time and budget.<sup>27</sup>

2.34 In addition, the ANAO noted that while an evaluation framework was developed and documented in mid-2006, there had been considerable slippage in its implementation.<sup>28</sup>

2.35 In developing its audit recommendations, the ANAO took into account administrative improvements already made or underway by Infrastructure and proposals by Infrastructure Australia to improve the robustness and quality of projects submitted by the States.<sup>29</sup> The ANAO indicated that:

In combination, these various initiatives, together with implementation of the recently promulgated cost estimating standard, can be expected to enhance the administration of funding for National Network projects and, consequently, the delivery of projects.<sup>30</sup>

2.36 The ANAO made four recommendations which Infrastructure has accepted.

### ***Conclusion***

2.37 The committee considers that Infrastructure's *Annual Report 2008-09* complies with the reporting requirements of a Commonwealth department.

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26 ANAO, *Delivery of Projects on the AusLink National Network*, Audit Report No. 29, 2008-09, p. 17.

27 ANAO, *Delivery of Projects on the AusLink National Network*, Audit Report No. 29, 2008-09, p. 17.

28 ANAO, *Delivery of Projects on the AusLink National Network*, Audit Report No. 29, 2008-09, pp 18 and 38–39.

29 ANAO, *Delivery of Projects on the AusLink National Network*, Audit Report No. 29, 2008-09, p. 19.

30 ANAO, *Delivery of Projects on the AusLink National Network*, Audit Report No. 29, 2008-09, p. 20.