

# Chapter 2

## Annual reports of departments

### Department of Agriculture, Fisheries and Forestry

2.1 The Department of Agriculture, Fisheries and Forestry (DAFF) *Annual Report 2010-11* was prepared in accordance with section 63 of the *Public Service Act 1999*. The report was received by the Senate on 6 October 2011 and tabled on 11 October 2011.

2.2 The report is presented in accordance with the list of requirements specified in the Department of the Prime Minister and Cabinet's *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 8 July 2011 (Requirements for Annual Reports).

2.3 DAFF's *Annual Report 2010-11* contains the following information:

- the secretary's yearly review highlighting the achievements of the department;
- a departmental overview outlining DAFF's operations and organisational structure;
- report on performance as measured against deliverables and key performance indicators (KPIs) specified in the Portfolio Budget Statements (PBS);
- an overview of the department's management and accountability arrangements, including corporate governance practices, people management, systems and administrative processes, external scrutiny, reviews and evaluations and external service providers;
- appendices detailing agency resource and outcome resource statements, workforce statistics, occupational health and safety, reporting under the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act), the *Freedom of Information Act 1982* (FOI Act), grant programs, advertising and market research, purchaser-provider arrangements, ABARES publicly released reports/conference papers, status of import risk analyses, market access, report on operation of the *Natural Resources Management (Financial Assistance) Act 1992* and correction of errors in the 2009-10 annual report; and
- financial statements.

2.4 Also included are the financial statements for the Australian Quarantine Inspection Service (AQIS) and National Residue Survey.<sup>1</sup>

### ***Departmental overview***

2.5 The committee notes the following items of significance for DAFF during 2010-11:

- extreme weather events, including flooding in Queensland and Victoria, and Tropical Cyclone Yasi;
- reform in Biosecurity and animal welfare policy;
- West Australian (WA) pilot of drought reform;
- increased communications, including using social media to communicate situation reports on plague locusts and using YouTube to broadcast presentations for conferences;
- recognition of risk management in the national Comcover award for excellence; and
- 13 per cent increase in levies revenue from previous year.

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

2.6 DAFF has measured its performance against the deliverables and key performance indicators (KPIs) specified in the 2010-11 PBS. A helpful overview of DAFF's performance framework is provided at the beginning of the report on performance. The committee is disappointed to find that DAFF has removed its 'Summary of performance' section in its report for 2010-11. The committee found this to be a useful tool in DAFF's 2009-10 report, as it made it clear when establishing whether or not performance targets were met. The committee encourages DAFF to include this section in its next annual report, with specific figures on targets met.

2.7 Notwithstanding the removal of this summary, the committee finds DAFF's reporting on performance to be comprehensive and informative, providing assessments of actual performance in relation to targets where appropriate.

2.8 The committee notes that DAFF has included a 'performance history' statement underneath each KPI, stating if it is a new KPI for 2010-11, or if the target has been met in the past.<sup>2</sup> Past performance is not included in every 'performance history' statement and the committee points DAFF to the Requirements for Annual Reports that requires a statement on whether the department has historically met each

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1 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, pp 397–452 and 453–496.

2 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, pp 50–51, 66–67, 75–76, 84, 83 101–102, 108–109, 113, 131, 138, 141, 156, 178–179, 204.

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KPI, with a suggested period of three years of KPI performance data to be provided, where applicable.<sup>3</sup>

2.9 The committee notes the following items:

- 10,100 FarmReady reimbursement grants were paid in 2010-11, including 1300 relating to earlier approvals. DAFF greatly exceeded its target of 2700 grants.<sup>4</sup>
- Agricultural land that was Exceptional Circumstance-declared declined from 26.1 per cent in June 2010 to 0.3 per cent in June 2011. The expenditure for Exceptional Circumstance (EC) assistance to primary producers and small businesses in 2010-11 was lower than 2009-10, reflecting this decline.<sup>5</sup> Each KPI for DAFF's drought programs was met in 2010-11.<sup>6</sup>
- The WA pilot of drought reform measures has been extended for another 12 months, with cessation now scheduled for 30 June 2012. The pilot has been expanded and will now cover 96 per cent of farmers in the south-west of WA.<sup>7</sup>
- The most recent five-yearly independent reviews for Regional Forestry Agreements took place in 2009-10 and 2010-11, with joint Commonwealth and State responses for Victoria and New South Wales expected to be tabled in late 2011. The Committee notes that the achievement for the progress in conducting Regional Forestry Agreements reviews is listed as 'partially met', however, the performance history does not provide a clear explanation as to why. The Committee reminds DAFF that its annual report would benefit from specific explanations when achievements are not listed as 'met'.
- The Forest Industries Climate Change Research Fund concluded on 30 June 2011. The fund, through Program 1.3: Forestry Industry, provided \$4.76 million for 20 projects, five of which were due to provide their final report by December 2011.<sup>8</sup>

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3 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports*, 8 July 2011, p. 7.

4 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, pp 45 and 49.

5 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, p. 136.

6 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, p. 138.

7 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, pp i and 139.

8 Department of Agriculture, Fisheries and Forestry, *Annual Report 2010-11*, p. 71.

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

2.10 Three ANAO performance audits relating to DAFF's activities were tabled during 2010-11. Two of these reports related to audits of financial statements. The third report related to drought assistance, the findings of which are discussed below.

2.11 The Australian National Audit Office (ANAO) Report No. 53 of 2010-11 assessed the effectiveness of DAFF's administration of the EC measures and the implementation of the WA pilot of new drought reform measures.

2.12 The report found that DAFF's administration of the EC programs was 'generally sound'. Applications were assessed and reviewed by DAFF and the National Rural Advisory Council in a timely and consistent manner, and the Minister was provided sufficient information in order to make an informed decision to declare an area as experiencing EC or not.<sup>9</sup>

2.13 EC payments require a coordinated effort, with DAFF playing a key role in assuring that Centrelink delivers the payments in a timely and accurate manner. In its audit, ANAO recommended that DAFF negotiate arrangements to provide greater assurance in relation to Centrelink's performance in delivering each drought assistance program against KPIs. DAFF agreed with this recommendation.<sup>10</sup>

2.14 Overall, DAFF agreed to two recommendations and agreed with qualification to the third and final recommendation. In its response, DAFF stated that it is 'committed to addressing the matters raised in the report, especially given the Australian Government's commitment to national drought policy reform'.<sup>11</sup>

### ***Conclusion***

2.15 The committee considers that DAFF's *Annual Report 2010-11* complies with the reporting requirements of a Commonwealth department and is 'apparently satisfactory'.

## **Department of Infrastructure and Transport**

2.16 The committee notes that on 14 September 2010, the department changed its name from the Department of Infrastructure, Transport, Regional Development and Local Government, with the transfer of its regional development and local government functions to the newly established Department of Regional Australia, Regional Development and Local Government. Certain staffing and financial resources also moved with the transfer.<sup>12</sup>

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9 ANAO, *Drought Assistance*, Audit Report No, 53 of 2010-11, p. 21.

10 ANAO, *Drought Assistance*, Audit Report No, 53 of 2010-11, pp 22 and 30.

11 ANAO, *Drought Assistance*, Audit Report No, 53 of 2010-11, p. 29.

12 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 2.

2.17 This is the first annual report for the Department of Infrastructure and Transport (Infrastructure) since these changes.

2.18 Infrastructure's *Annual Report 2010-11* was prepared in accordance with section 63 of the *Public Service Act 1999* and other relevant legislation. The report was tabled in the Senate on 1 November 2011, however, the committee notes that it was received by the Minister on 7 October 2011. Despite being tabled after the 31 October deadline, the committee has decided to consider Infrastructure's report in this review of annual reports.

2.19 The report is presented in accordance with the list of requirements specified in the Requirements for Annual Reports.

2.20 Infrastructure has provided a comprehensive review of its performance for 2010-11. Its report is clearly presented and includes a detailed and easy to follow list of requirements.

2.21 The Infrastructure Annual Report for 2010-11 contains the following information:

- the secretary's yearly review highlighting the achievements of the department, and a summary of the financial performance for the year;
- a departmental overview outlining Infrastructure's outcome, program and organisational structure;
- report on performance as measured against deliverables and key performance indicators (KPIs) specified in the Portfolio Budget Statements (PBS);
- report on Infrastructure Australia's, in its capacity as a statutory body, with performance reporting as measured against the deliverables and KPIs specified in the PBS;
- an overview of the department's management and accountability arrangements, including corporate governance framework, external scrutiny, and management of human resources;
- appendices detailing agency resource statements, resources for outcomes, procurement practices, compliance with environmental performance, reporting under the FOI and OH&S Acts, grants program, additional human resource statistics, and a list of requirements; and
- financial statements.

### ***Departmental overview***

2.22 The committee notes the following items of significance for Infrastructure during 2010-11:

- The release of *Our Cities, Our Future—a national urban policy for a productive, sustainable and liveable future* (also known as the National Urban Policy).
- Continued implementation of enhanced security screening and cargo security measures for aviation.
- The release of *Reforming Australia's Shipping*, a discussion paper towards the revitalisation of the Australian shipping industry.
- Further implementation of initiatives detailed in the Aviation White Paper, including the appointment of the first Aircraft Noise Ombudsman.
- The completion of the first phase of the high-speed rail study, with phase two continuing in 2011-12.

2.23 Infrastructure reported a deficit of \$10.1 million for 2010-11. This figure is attributed to no longer receiving funding for depreciation and amortisation expenses. The report states that if this funding had been appropriated, Infrastructure would have reported a surplus of \$2.4 million.<sup>13</sup> The report also provides a table that contains a summary of the financial performance and position for the last five financial years. The table includes figures for the surplus or deficit attributable to the Australian Government, which is useful in comparing 2010-11 with previous years.<sup>14</sup>

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

2.24 Infrastructure has measured its performance against the deliverables and KPIs specified in the 2010-11 PBS. A useful summary of performance is provided at the beginning of each program section. Infrastructure has again provided a clear and easy to read table for each KPI that clearly states whether or not it was achieved, as well as a results key under each table, clearly explaining the terms used in the table. The committee notes that all KPIs for 2010-11 were 'achieved'.<sup>15</sup>

2.25 Under Program 1: Infrastructure, the committee notes that:

- Infrastructure administered \$50.4 million to improve road safety at identified crash sites. In 2010-11, 220 Black Spot projects were completed, with a further 128 under construction at 30 June 2011.<sup>16</sup>
- Nation Building Heavy Vehicle Safety and Productivity received \$21.3 million to improve safety and productivity for Australian heavy

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13 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 5.

14 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 6.

15 Department of Infrastructure and Transport, *Annual Report 2010-11*, pp 20–21, 36–38, 45, 58, 66, 85.

16 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 23.

vehicle transport industry. In 2010-11, 37 projects were completed, with a further 43 underway at 30 June 2011.<sup>17</sup>

- Within the Regional Infrastructure Fund, Infrastructure paid \$11.4 million for two projects, the Mackay Ring Road in Queensland and the Scone level crossing in New South Wales.<sup>18</sup>
- Across all states and territories, a total of 38 land transport infrastructure projects were completed, 32 were road infrastructure projects and six were rail infrastructure projects.<sup>19</sup>

2.26 Under Program 2: Transport, the committee notes that:

- Of the 13 aviation security initiatives listed in the National Aviation Policy White Paper, six have now been implemented. One of these measures involved amending the Aviation Transport Security Regulations 2005 to enhance the Aviation Security Identification Card scheme. Work is continuing on the remaining seven aviation security initiatives.<sup>20</sup>
- The *Aviation Transport Security Amendment (2009 Measures No. 2) Act 2010* took effect on 11 September 2010. This Act made technical amendments to strengthen air cargo security legislative framework. This regulatory action was partly in response to an incident on 29 October 2010, when improvised explosive devices were detected in air cargo that was consigned in Yemen for transport to the United States.<sup>21</sup> Following this incident, Infrastructure engaged in international activities to help coordinate strengthening air cargo security arrangements.<sup>22</sup>
- Infrastructure provided a formal response to the Australian National Audit Office's (ANAO) report into the *Management of the Aviation and Maritime Security Identification Card Schemes*, which noted positive comments on Infrastructure's approach to risk management.<sup>23</sup> Further information on the ANAO report can be found in the management and accountability section of this report.
- The Tasmanian Freight Equalisation Scheme received \$98.5 million in assistance and the Bass Strait Passenger Vehicle Equalisation Scheme

17 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 23.

18 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 23.

19 Department of Infrastructure and Transport, *Annual Report 2010-11*, pp 24–25.

20 Department of Infrastructure and Transport, *Annual Report 2010-11*, pp 35 and 39.

21 Department of Infrastructure and Transport, *Annual Report 2010-11*, pp 35, 36 and 37.

22 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 38.

23 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 35.

(BSPVES) received \$36.5 million. The rebates payable under the BSPVES were increased, in accordance with the Consumer Price Index.<sup>24</sup>

- The National Transport Regulatory reforms are on track to be in place by the end of 2012. The Australian Maritime Safety Authority will become the national maritime regulator and the Australian Transport Safety Bureau will undertake all rail safety investigations. Having national regulators and national laws will eliminate inefficiencies, with productivity benefits and boost to national income expected to be up to \$30 billion over 20 years.<sup>25</sup>

2.27 The committee is pleased to note that, following comments in its previous report, Infrastructure has included the KPI result from the previous financial year alongside the 2010-11 result. While the Requirements for Annual Reports states that the report on performance must include a statement noting if the department has historically met each KPI, the committee considers that the way in which the information is provided in Infrastructure's 2010-11 report is satisfactory.

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

2.28 Three major ANAO performance audits relating to Infrastructure's activities and four cross-portfolio audits involving Infrastructure were tabled during 2010-11. The main report, of particular interest, is discussed below.

2.29 The ANAO Report No. 39 of 2010-11 assessed the management of the Aviation and Maritime Security Identification Card (ASIC and MSIC) Schemes. The ANAO noted that there is a diverse range of government and industry bodies involved in the management of the ASIC and MSIC schemes, however the scope of the audit was confined to the role undertaken by Infrastructure and the Attorney-General's Department.<sup>26</sup>

2.30 Infrastructure administers the *Aviation Transport Security Act* and the *Maritime Transport and Offshore Facilities Security Act 2003*. The Office of Transport Security (OTS), within Infrastructure, plays a role in the approval of transport security plans and monitoring compliance with approved plans. The OTS approves ASIC programs and MSIC plans on behalf of the Secretary and monitors the compliance of industry participants.

2.31 The ANAO stated that the ASIC and MSIC schemes are a multi-layered approach to the security of the aviation and maritime industries. The effectiveness of the schemes require an appropriate balance between the risk of terrorism and other

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24 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 44.

25 Department of Infrastructure and Transport, *Annual Report 2010-11*, p. 49.

26 ANAO, *Management of the Aviation and Maritime Security Identification Card Schemes*, Audit Report No. 39 of 2010-11, pp 12 and 14.



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unlawful acts occurring, and the impact mitigation strategies may have on the efficiency of these operations. The ANAO found that the implementation of these schemes has been successful and has resulted in the timely issue of security cards. However, it also found that there are risks associated with the current delivery model, primarily relating to issuing bodies and visitor management, which could be better managed by the OTS.<sup>27</sup>

2.32 The ANAO provided recommendations that would strengthen the schemes, increase assurance, improve compliance activities, and improve risk management.<sup>28</sup> Infrastructure noted in its response to the ANAO that enhancements to the ASIC scheme arising from the National Aviation Policy White Paper are close to finalisation, after extensive industry consultation.<sup>29</sup> Infrastructure agreed to all recommendations made in the Audit Report, and in its response, states that the implementation of two of the three recommendations has commenced.<sup>30</sup>

### ***Conclusion***

2.33 The committee considers that Infrastructure's *Annual Report 2010-11* complies with the reporting requirements of a Commonwealth department and is 'apparently satisfactory'.

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27 ANAO, *Management of the Aviation and Maritime Security Identification Card Schemes*, Audit Report No. 39 of 2010-11, pp 24–25.

28 ANAO, *Management of the Aviation and Maritime Security Identification Card Schemes*, Audit Report No. 39 of 2010-11, pp 12 and 14.

29 ANAO, *Management of the Aviation and Maritime Security Identification Card Schemes*, Audit Report No. 39 of 2010-11, p. 100.

30 ANAO, *Management of the Aviation and Maritime Security Identification Card Schemes*, Audit Report No. 39 of 2010-11, pp 100–101.

