

Design and Governance of the National Water Infrastructure Development Fund

Department of Agriculture and Water Resources

Department of Infrastructure, Regional Development and Cities

Department of the Prime Minister and Cabinet

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Canberra ACT
28 February 2018

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Agriculture and Water Resources, the Department of Infrastructure, Regional Development and Cities and the Department of the Prime Minister and Cabinet, titled *Design and Governance of the National Water Infrastructure Development Fund*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely



Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Summary and recommendations

Background

1. In advance of the 2013 Federal Election, the Coalition released its *2030 Vision for Developing Northern Australia* policy paper that committed to ‘investigating the establishment of a Water Project Development Fund to support the advancement of meritorious proposals for water infrastructure across northern Australia, including dams and groundwater projects’.
2. In June 2015, the Government announced the establishment of the National Water Infrastructure Development Fund (the Fund). The objective of the \$500 million Fund is to:

start the detailed planning and to build or augment existing water infrastructure, including dams, pipelines or managed aquifer recharge. This will help secure the nation’s water supplies and deliver regional economic development benefits for Australia, whilst also protecting the environment.
3. The Fund has two components:
 - a feasibility component of \$59.5 million over four years from 2015–16—including approximately \$30 million for projects in northern Australia—to fund, or contribute to the funding of, early scoping and feasibility assessments of infrastructure proposals; and
 - a capital component of \$440 million over eight years from 2017–18—including up to \$170 million for projects in northern Australia—to contribute towards the construction costs of infrastructure projects (with a maximum contribution of 50 per cent of such costs).¹
4. The design of the Fund was informed by a number of separate precursor and concurrent processes over the period from November 2013 to July 2015 including:
 - the *Agricultural Competitiveness* and *Developing Northern Australia* White Paper processes—each assisted by a taskforce established within the Department of the Prime Minister and Cabinet (PM&C) involving officers seconded from multiple Australian Government entities;
 - an examination by the Joint Select Committee on northern Australia—comprising Members of Parliament and Senators;
 - the *Water Infrastructure Options Paper* process (March 2014 to August 2014)—prepared by the Minister for Agriculture and Water Resources (the Minister) with support from a Ministerial Working Group on Water Infrastructure.² The Department of Agriculture and Water Resources (Agriculture) assisted the Ministerial Working Group, with support from an interdepartmental working group;

1 Funding transfers subsequent to the Fund’s establishment resulted in a net reduction of \$0.5 million to the Fund.

2 The Ministerial Working Group on Water Infrastructure comprised: the Minister (chair); Deputy Prime Minister (and Minister for Infrastructure and Regional Development); Minister for the Environment; Assistant Minister for Infrastructure and Regional Development; and the Parliamentary Secretary to the Minister for the Environment.

- advice to Government on the establishment of the National Water Infrastructure Development Fund—prepared by Agriculture, with assistance from an interdepartmental working group; and
 - PM&C in its capacity as advisor to the Prime Minister throughout the processes listed above.
5. As at December 2017, the Australian Government had committed the following contributions to water infrastructure projects under the Fund:
- \$25 million to four feasibility projects announced in the *Developing Northern Australia* White Paper in June 2015 when the Fund was established;
 - \$32.3 million to 34 feasibility projects and \$45.6 million to one capital project proposed by the state and territory governments that were approved by the Minister and/or Government after a merit assessment undertaken by Agriculture³;
 - \$249.8 million to water infrastructure election commitments announced in the lead-up to the 2016 election that were subsequently incorporated into the Fund.⁴
6. While all feasibility component funding has been committed to projects, \$146.9 million of the capital component remains available to fund further projects.

Audit approach

7. The objective of the audit is to examine the effectiveness of the design and governance of the National Water Infrastructure Development Fund (the Fund).
8. To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:
- Was an appropriate design process established to support the achievement of the Government’s objectives for the Fund?
 - Was a sound governance framework established for the Fund, including robust performance monitoring, reporting and evaluation arrangements?
9. The audit did not examine the merits-based assessment and selection of projects under the feasibility and capital components of the Fund, or the subsequent management of projects.
10. Agriculture administered the Fund until January 2018. In January 2018, after the completion of audit fieldwork, Machinery of Government changes resulted in the transfer of administrative responsibility for dam infrastructure programs, including the Fund, from Agriculture to the Department of Infrastructure, Regional Development and Cities. Recommendations related to Fund governance have been directed to the Department of Infrastructure, Regional Development and Cities.

3 With assistance from a Technical Expert Panel, the Water Infrastructure Investment Governance Board (for capital proposals) and Infrastructure Australia (for capital proposals greater than \$100 million).

4 The Australian Government’s contributions to water infrastructure projects committed under the Fund are listed individually in Appendix 2.

Conclusion

11. The design of the National Water Infrastructure Development Fund (the Fund) was effective. There is scope to improve governance arrangements to better support the implementation of the Fund.

12. Informed by extensive stakeholder consultation, the advice prepared by Agriculture on the design of the Fund was sound in relation to the rationale for the Fund's feasibility component and the expected outcomes of the Fund, as well as its funding composition and duration, and design arrangements. The advice could have more clearly: outlined the evidence-base for including a capital component to the Fund; justified the capital funding envelope; and set out implementation arrangements at the time of the Fund's approval. The advice provided to Government by Agriculture and PM&C informing the selection of the four Fund projects for announcement in the *Developing Northern Australia* White Paper was not underpinned by consistent assessment processes demonstrating that the most meritorious projects were recommended.

13. Appropriate oversight and project assessment arrangements have been established by Agriculture to support the implementation of the Fund. There were, nonetheless, weaknesses in program planning, risk management, and processes to demonstrate the proper use of relevant money, which put at risk effective implementation of the Fund going forward. In addition, the Fund's performance monitoring, measurement and reporting framework requires further development to enable Agriculture to report against the Fund's objectives.

Supporting findings

Program design

14. The Fund was established following a 2013 election commitment from the then Coalition Opposition. An evidence-based rationale for the Australian Government's intervention in accelerating investment in water infrastructure through support for feasibility studies and water resource assessments, particularly in northern Australia, was developed by Agriculture. The rationale for the Fund's capital component relied more on assertions about project readiness than evidence, particularly taking into account the lack of 'shovel ready' projects and long lead times to progress projects through development phases. The advice to Government on the selection of the first Fund feasibility studies and water resource assessments announced in the *Developing Northern Australia* White Paper was not underpinned by documentation demonstrating: that all projects were assessed consistently and categorised on merit; and the rationale for project funding recommendations from the broader field of projects under consideration.

15. Agriculture and PM&C took adequate steps to identify lessons learned from previous programs and reviews that informed the design of the Fund.

16. Input was obtained and considered from relevant stakeholders external to the Australian Government through multiple structured forums. This input was used to inform advice to Government on the design of the Fund. The interdepartmental working group that developed the Options Paper and advice to Government on the design of the Fund sought the advice of officials with relevant skills, expertise and experience from its member organisations.

17. Overall, the advice Agriculture provided to Government on the design of the Fund in June 2015 was sound. Both the justification for, and expected outcomes from, the Fund were clear, although the choice of a grants-based funding model in preference to alternative funding and delivery options could have been better substantiated. While the composition and duration of funding was justified clearly, the size of the capital funding envelope was not. The Fund's design supports the likelihood of the Fund achieving its objectives with value for money, but implementation details were lacking in advice to decision-makers at the time of the Fund's approval. After the 2016 election, Agriculture also provided appropriate advice to Government regarding the incorporation of the water infrastructure election commitments into the Fund.

Program governance

18. Appropriate arrangements have been established to oversee the implementation of the Fund. Oversight is provided by departmental senior executives, with assistance from the division's Water Project Board. The Minister also received briefs on Fund progress. Further, the entities responsible for the implementation of the White Paper initiatives also receive regular updates of Fund status, although its effectiveness as an oversight mechanism would be improved if actual Fund progress was compared to expectations documented in the Fund implementation and project plans.

19. A fit-for-purpose Implementation Plan was established to initially guide Fund implementation, which was later supplemented by a Project Plan for the Fund's capital component. Implementation of the Fund's feasibility component, however, continues to be governed by the Implementation Plan that has not been updated to reflect program design and scheduling changes that occurred since 2015.

20. Agriculture has undertaken risk management planning for the Fund inconsistently and in a manner that makes it difficult for the department to monitor the implementation of risk treatments. Evidence has not been retained demonstrating that Fund risks, including the implementation and effectiveness of risk treatments, identified in risk management plans have been formally monitored at the program level since the Fund commenced in 2015. Additional risks arising from incorporating 2016 election commitment water infrastructure projects into the Fund have not been assessed in risk registers. Consolidated Fund risks are monitored and reported quarterly to Agriculture's executive management committee.

21. A sound framework for assessing and selecting merit-based proposals has been established which included appropriate plans and guidance for assessors, including in relation to conducting consistent assessments, and managing probity and conflict of interest. Agriculture's merit assessment processes support the Minister's decisions that the selected projects represented a proper use of relevant money. However, Agriculture's recommendations to the Minister to approve three White paper project announcements and two 2016 election commitments under the Fund did not sufficiently justify that expenditure on these projects would represent a proper use of relevant money.

22. The performance monitoring, measurement and reporting framework for the Fund requires further development for Agriculture to report on achievements against the Fund's objective. A suitable range of relevant, reliable and complete performance criteria for the Fund has yet to be developed. The ability of the established project monitoring arrangements to

capture and aggregate the information necessary to report on the achievement of Fund objectives is uncertain. Public reporting of Fund performance has thus far been limited to activity-based indicators or status information.

Recommendations

Recommendation no.1

Paragraph 2.39

The Department of Agriculture and Water Resources and the Department of the Prime Minister and Cabinet ensure that the basis on which key program design elements and features are determined are appropriately documented and retained.

Department of Agriculture and Water Resources' response: *Agreed.*

Department of the Prime Minister and Cabinet's response: *Agreed.*

Recommendation no.2

Paragraph 3.11

The Department of Infrastructure, Regional Development and Cities review and update the key governance plans for the National Water Infrastructure Development Fund to reflect current program design, parameters and scheduling.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

Recommendation no.3

Paragraph 3.27

The Department of Infrastructure, Regional Development and Cities update the risk management plan for the National Water Infrastructure Development Fund to reflect departmental risk management guidance and regularly monitor the implementation of risk treatments, changes in risk ratings and emerging risks.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

Recommendation no.4

Paragraph 3.38

The Department of Infrastructure, Regional Development and Cities ensure that legislative requirements for committing public money under the National Water Infrastructure Development Fund are met and appropriately documented.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

Recommendation no.5

Paragraph 3.51

The Department of Infrastructure, Regional Development and Cities further develop and implement the monitoring and evaluation plan for the National Water Infrastructure Development Fund to support the ongoing monitoring and reporting of progress towards achieving the Fund's objective.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

Summary of entity responses

23. The summary response to the report from each entity is provided below, with full responses provided at Appendix 1.

Department of Agriculture and Water Resources

The department welcomes the audit's overall conclusions and findings. The department is pleased that the report acknowledges that the design of the National Water Infrastructure Development Fund (the fund) was effective, that overall the advice provided on the design of the fund was sound, and that appropriate arrangements were established by the department to oversee the implementation of the fund.

The department is also pleased the report recognises that the department developed an evidence-based rationale for accelerating investment in water infrastructure feasibility studies and that adequate steps were taken to identify lessons learned from previous programs and reviews to inform the design of the fund.

The department agrees with the recommendation directed to the department that *the basis on which key program design elements and features are determined are appropriately documented and retained*.

The department acknowledges the importance of appropriate records management in enabling the department to meet its business, legislative and accountability requirements. The department is committed to ensuring staff are aware of and fully comply with their record management responsibilities and seeks to foster a culture that promotes good record management practices. This commitment is supported by an ongoing training and user education program for all staff to ensure the greatest possible compliance with records management requirements within the agency.

Department of Infrastructure, Regional Development and Cities

The Department of Infrastructure, Regional Development and Cities (the department) welcomes the audit's overall conclusions and findings. The department is pleased the report acknowledges that the design of the National Water Infrastructure Development Fund (the Fund) was effective, that overall the advice provided on the design of the Fund was sound, and that appropriate arrangements were established by the department to oversee the implementation of the Fund.

The audit report recognises that an evidence-based rationale was developed for accelerating investment in water infrastructure feasibility studies and that adequate steps were taken to identify lessons learned from previous programs and reviews to inform the design of the Fund.

The department agrees with the recommendations of the report and is taking action to implement these recommendations as part of the transfer of administrative responsibility for the Fund. The department is currently updating key governance and risk management documentation and strengthening monitoring and evaluation planning. The department is committed to ensuring legislative requirements for the commitment of public money are met and appropriately documented.

Department of the Prime Minister and Cabinet

The Department welcomes the audit's overall finding that the design of the National Water Infrastructure Development Fund was effective. We also note the audit found the design of the Fund was informed by extensive consultation with relevant stakeholders, incorporated lessons learned from previous processes and was based on sound advice.

We acknowledge there were elements of the process which could be improved upon, particularly that agencies could have better documented the basis on which key program design elements and features were determined. The Department is strengthening its internal record keeping practices in response to this finding.

Key learnings for all Australian Government entities

24. Below is a summary of key learnings and areas for improvement identified in this audit report that may be considered by other Commonwealth entities when designing and governing programs.

Policy/Program design

- For continuous improvement, transparency and accountability purposes, entities should ensure that appropriate documents are retained to record the basis on which advice was developed for government consideration, particularly in relation to the need for the program and size of the funding envelope.

Policy/Program implementation

- When seeking ministerial approval of proposed expenditure under the *Public Governance, Performance and Accountability Act 2013*, entities should assist their Ministers to demonstrate that they have met their requirements to make reasonable inquiries that the proposed expenditure represents a proper use of relevant money.

Governance and risk management

- Entities should ensure that key program planning documentation is updated as necessary to reflect current program design, parameters and scheduling.
- Entities should regularly monitor and document the implementation of risk treatments, changes in risk ratings and emerging risks.

Performance and impact measurement

- As part of the design process for new programs, entities should ensure that program performance indicators are, and performance information will be, complete, reliable and relevant.

Audit findings

1. Background

Water infrastructure in Australia

1.1 Water storages aid water security for consumptive purposes and open up opportunities for industries that rely on ready access to water, including irrigated agriculture and mining. In southern Australia, dams have been an effective means of providing reliable water supplies in a dry and variable climate. Much of the irrigated land in the Murray-Darling Basin, Australia's major food bowl, could not be watered without critical storage infrastructure such as the Hume and Dartmouth dams.

1.2 Over the period from 1950 to 1990, the number of large dams in Australia trebled from less than 150 to more than 450—most of which are located in southern Australia. The construction of new dams in Australia started to plateau in the mid-1990s—a trend also seen in other developed countries. The inherent potential for expanded water infrastructure, particularly in northern Australia, and associated economic benefits has been noted in a number of reviews in recent years. For example, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) noted that intensive irrigated agriculture was a significant contributor to the northern Australian economy, the expansion of which was directly limited by access to water. While suitable agricultural soil is comparatively plentiful, CSIRO also noted there were significant challenges to expanding water storage due to northern Australia's geology, topography, climate and rainfall.⁵

1.3 Public infrastructure procurement decisions need to be evaluated carefully to ensure that long-term net benefits are not undermined in the pursuit of short-term gains. Poorly chosen infrastructure projects can reduce productivity and financially burden the community for decades with infrastructure that is unnecessary and expensive to maintain.⁶ Between 2007 and mid-2015, successive Australian Governments committed almost \$13 billion to water infrastructure and reform across Australia, with much of the expenditure occurring in the Murray-Darling Basin through the \$10 billion Sustainable Rural Water Use and Infrastructure Programme.

1.4 In advance of the 2013 Federal Election, the Coalition released its *2030 Vision for Developing Northern Australia* policy paper that committed to 'investigating the establishment of a Water Project Development Fund to support the advancement of meritorious proposals for water infrastructure across northern Australia, including dams and groundwater projects'.

5 CSIRO, *Northern Australia Land and Water Science Review 2009*, October 2009, Chapter Summaries, p. 6.

6 Productivity Commission, *Public Infrastructure - Productivity Commission Inquiry Report - Overview - No.71*, May 2014, pp. 6-7, 75.

The National Water Infrastructure Development Fund

1.5 In late 2013 following the Election, the Government announced that it would develop two White Papers—into *Agricultural Competitiveness* and *Developing Northern Australia*—and moved to establish a Joint Select Committee on northern Australia to examine, among other things, the water infrastructure needs of the agricultural industry and northern Australia.⁷ In March 2014, the Prime Minister established a Water Infrastructure Ministerial Working Group chaired by the Minister for Agriculture to develop an Options Paper to advance the Government's election commitment. The Options Paper, published in October 2014, identified how investment in water infrastructure could be accelerated and priorities for investment in new or existing dams.

1.6 The *Developing Northern Australia* White Paper, published in June 2015, announced the establishment of the National Water Infrastructure Development Fund (the Fund). The objective of the \$500 million Fund, as described on the Department of Agriculture and Water Resources' (Agriculture) website, is to:

start the detailed planning and to build or augment existing water infrastructure, including dams, pipelines or managed aquifer recharge. This will help secure the nation's water supplies and deliver regional economic development benefits for Australia, whilst also protecting the environment.

1.7 The Fund was established with two components:

- a feasibility component of \$50 million over four years from 2015–16—including approximately \$30 million for projects in northern Australia—to fund, or contribute to the funding of, early scoping and feasibility assessments of infrastructure proposals; and
- a capital component of \$450 million over eight years from 2017–18—including up to \$170 million for projects in northern Australia—to contribute towards the construction costs of infrastructure projects (with a maximum contribution of 50 per cent of such costs).

1.8 Four feasibility projects totalling \$25 million were announced in June 2015 when the Fund was established. As at December 2017, an additional 34 feasibility projects and one capital project have been selected for funding after assessment against the Fund's eligibility and merit criteria from the 60 feasibility projects and 10 capital projects submitted by the state and territory governments.

1.9 Subsequent to the Fund's establishment:

- \$9.5 million was transferred to the Fund's feasibility component from the Rural Research and Development for Profit Programme to fund additional water infrastructure

7 The terms of reference for the:

- Agricultural Competitiveness White Paper included considering 'the efficiency and competitiveness of inputs to the agricultural value chain—such as ... critical infrastructure ...';
- Developing Northern Australia White Paper included identifying 'the critical economic and social infrastructure needed to support the long-term growth of the region, and ways to incentivise public and private planning and investment in such infrastructure'; and
- Joint Select Committee on northern Australia included identifying 'the critical economic and social infrastructure needed to support the long-term growth of the region, and ways to support planning and investment in that infrastructure'.

feasibility studies in northern Australia—increasing the Fund’s feasibility component funding envelope to \$59.5 million;

- \$10 million was transferred from the Fund’s capital component to the Community Development Grants Programme (administered by the Department of Infrastructure and Regional Development) to fund the Wagga Wagga Levee election commitment—reducing the Fund’s capital component funding envelope to \$440 million; and
- other water infrastructure election commitments announced in the lead-up to the 2016 election were incorporated into the Fund—\$2.3 million for two feasibility studies and \$247.5 million for five capital projects.

1.10 Agriculture was responsible for administering the Fund until January 2018 when administrative responsibility was transferred to the Department of Infrastructure, Regional Development and Cities. As at December 2017:

- all feasibility component funding (\$59.5 million) has been committed to 40 projects (including \$40.4 million to 17 projects in northern Australia);
- \$293.1 million (66.6 per cent) of capital component funding has been committed to six projects (including \$130 million to one project in northern Australia);
- \$146.9 million (33.4 per cent) of the capital component funding remained available (including \$40 million for projects in northern Australia) to fund further projects; and
- Agriculture was assessing 19 capital proposals seeking \$376.6 million from the Fund (including \$31.8 million for projects in northern Australia).

1.11 Table 1.1 provides a summary of the Australian Government’s contribution to water infrastructure projects committed under the Fund as at December 2017. Appendix 2 contains lists of the feasibility and capital component projects announced.

Table 1.1: Summary of the Australian Government’s contribution to water infrastructure projects committed under the Fund

	Feasibility projects		Capital projects	
	No.	\$million	No.	\$million
Projects announced in June 2015 with the establishment of the Fund	4	25.0	-	-
Projects approved and announced before the 2016 election	34	32.2	-	-
Projects announced as 2016 election commitments	2	2.3	5	\$247.5
Projects approved and announced after the 2016 election	-	-	1	\$45.6
Total	40	\$59.5	6	\$293.1

Source: Department of Agriculture and Water Resources.

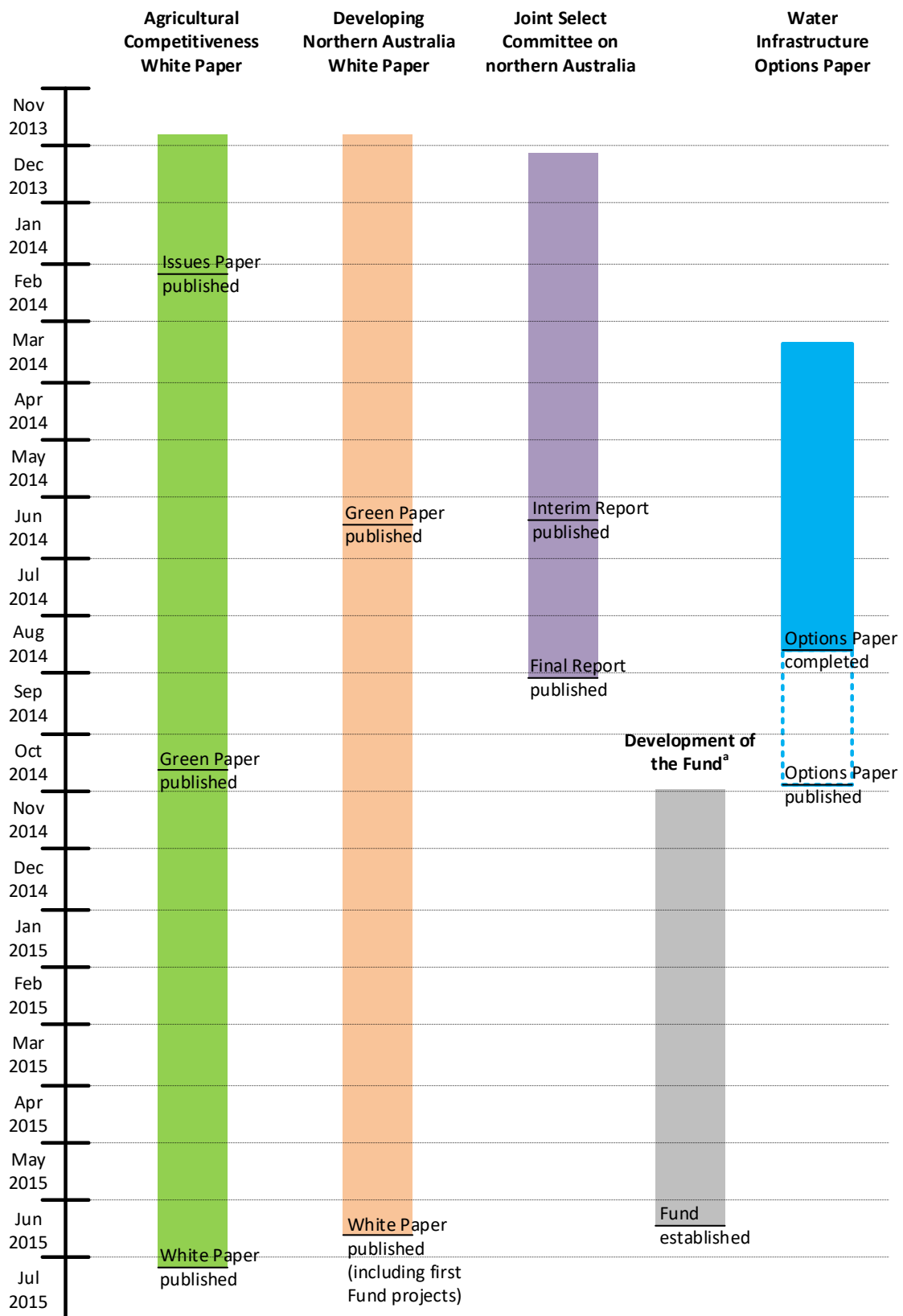
Design arrangements for the Fund

1.12 The design of the Fund was informed by a number of separate precursor and concurrent processes involving multiple Australian Government entities including:

- the *Agricultural Competitiveness* White Paper process (November 2013 to July 2015)—assisted by a taskforce established within the Department of the Prime Minister and Cabinet (PM&C) comprising officials seconded from Agriculture; PM&C and the Departments of Industry; Infrastructure and Regional Development; Foreign Affairs and Trade;
- the *Developing Northern Australia* White Paper process (November 2013 to June 2015)—assisted by a taskforce established within PM&C comprising officials seconded from the Departments of the Treasury; Industry; Environment; Infrastructure and Regional Development; Foreign Affairs and Trade; and PM&C;
- an inquiry by the Joint Select Committee on northern Australia (December 2013 to September 2014)—comprising Members of Parliament and Senators;
- the *Water Infrastructure Options Paper* process (March 2014 to August 2014)—prepared by the Minister for Agriculture and Water Resources (the Minister) with support from a Ministerial Working Group on Water Infrastructure comprising: the Minister (chair); Deputy Prime Minister (and Minister for Infrastructure and Regional Development); Minister for the Environment; Assistant Minister for Infrastructure and Regional Development; and the Parliamentary Secretary to the Minister for the Environment. The Ministerial Working Group was assisted by an interdepartmental working group of officials from within the respective Ministers' portfolio departments, the Department of Industry, CSIRO and PM&C;
- advice to Government on the establishment of the National Water Infrastructure Development Fund (October 2014 to June 2015)—as for the Water Infrastructure Options Paper process above, with the addition of assistance from officials from the Department of Finance; and
- PM&C in its capacity as advisor to the Prime Minister throughout the processes listed above.

1.13 The timeline for the processes that informed the design of the Fund is illustrated at Figure 1.1.

Figure 1.1: Processes that informed the design of the Fund



Note a: For the purposes of this audit, briefings and information provided by officials to the Government during the development of the Fund has been termed 'advice to Government'.

Source: ANAO, from departmental information.

Assessment and governance arrangements of the Fund

1.14 Under the Fund, Agriculture assesses and makes funding recommendations to the Minister regarding water infrastructure proposals from the state/territory governments, with assistance from a Technical Expert Panel⁸, Water Infrastructure Investment Governance Board⁹ (for capital proposals) and Infrastructure Australia (for capital proposals greater than \$100 million). The Minister is responsible for approving projects under the Fund's feasibility component, while the Government is responsible for approving capital projects (on the Minister's recommendation).

1.15 Agriculture established the Fund under the Federal Financial Relations governance framework, using a Project Agreement (for the feasibility component) and a National Partnership Agreement (for the capital component). Governance arrangements for the Fund include:

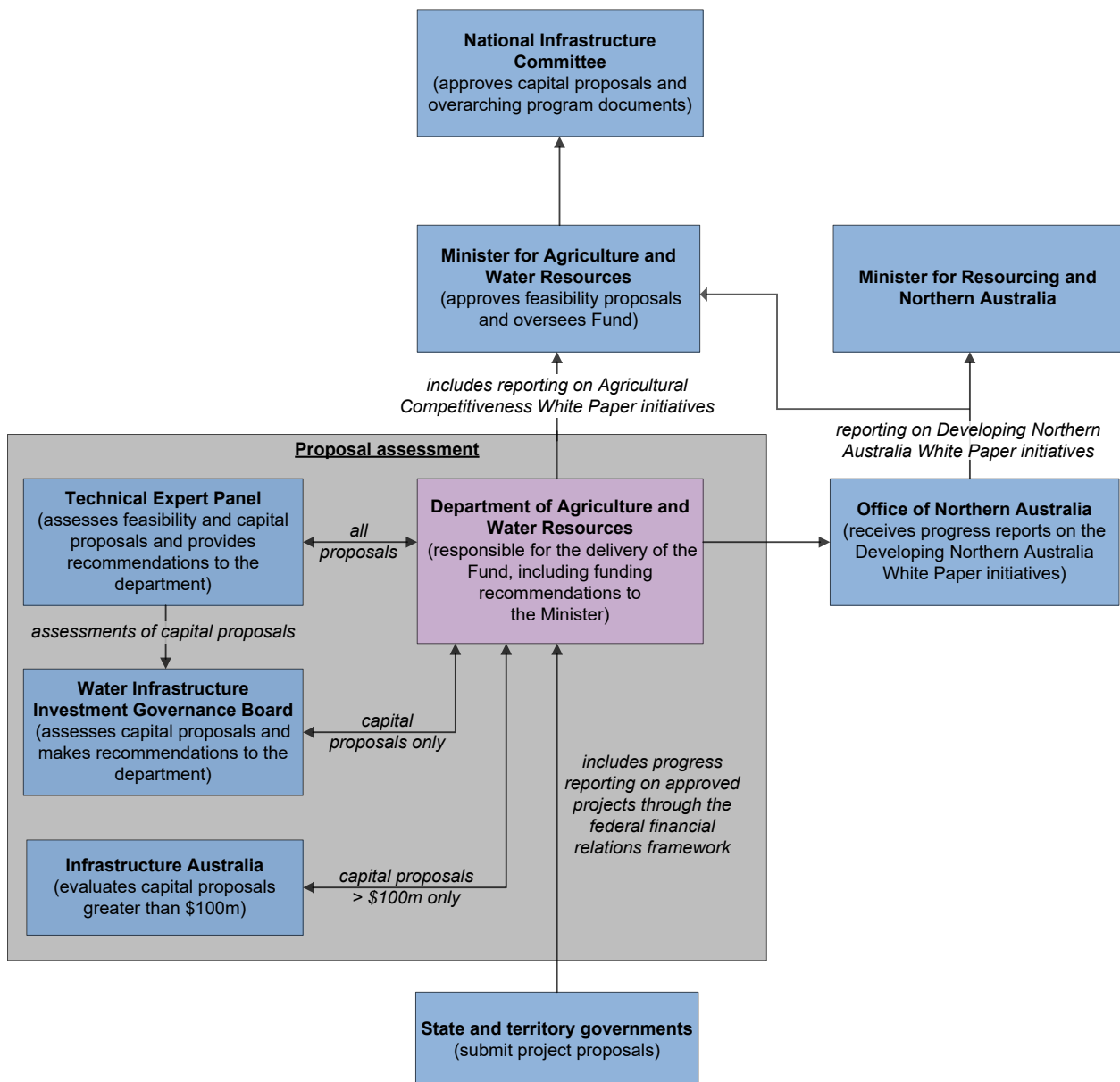
- oversight provided by the Water Project Board (comprising senior departmental executives responsible for water, financial, compliance and service delivery issues) that oversees water programs administered within Agriculture's Water Division;
- Fund briefings and proposal funding recommendations to the Minister and/or the Government's National Infrastructure Committee;
- monthly status reporting on White Paper initiatives to the responsible ministers—the Minister for Agriculture and Water Resources in relation to the *Agricultural Competitiveness* White Paper, and the Minister for Agriculture and Water Resources and Minister for Resources and Northern Australia in relation to *Developing Northern Australia* White Paper; and
- periodic progress reports from the state/territory governments to Agriculture on the status of approved feasibility and capital proposals.

1.16 The assessment and governance arrangements for the Fund are illustrated at Figure 1.2.

8 The Technical Expert Panel is chaired by the Assistant Secretary responsible for water resources and comprises members from the private sector and academia with expertise in hydrology, engineering, economics, and agriculture.

9 The Water Infrastructure Investment Governance Board is chaired by the First Assistant Secretary of the Water Division and comprises representatives from Agriculture; PM&C; the Departments of Finance; and Infrastructure and Regional Development; and the Office of Northern Australia.

Figure 1.2: Overview of the assessment and governance arrangements for the Fund



Source: ANAO analysis of departmental documentation.

Audit approach

1.17 The objective of the audit is to examine the effectiveness of the design and governance of the National Water Infrastructure Development Fund.

1.18 To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Was an appropriate design process established to support the achievement of the Government's objectives for the Fund?
- Was a sound governance framework established for the Fund, including robust performance monitoring, reporting and evaluation arrangements?

Scope and methodology

1.19 The Fund was selected for audit due to the significant implementation challenges and financial risks inherent with new large infrastructure investments. In particular, an examination of the establishment of the Fund early in the program's lifecycle will provide assurance on the extent to which its design and governance arrangements effectively support the broader objectives of the Fund and identify opportunities to improve the ongoing implementation of the Fund. The audit will also address stakeholder and Parliamentary interest in the Fund.

1.20 The scope of the audit covered the advice to Government regarding the establishment of the Fund, as well as:

- to the extent that it informed the advice to Government regarding the Fund's establishment, information gathered and considered in the separate precursor and concurrent processes outlined in paragraph 1.12 above;
- the identification and selection of the first Fund projects announced within the *Developing Northern Australia* White Paper; and
- the incorporation of the 2016 election commitments within the Fund.

1.21 The audit did not examine the merits-based assessment and selection of projects under the feasibility and capital components of the Fund, or the subsequent management of projects under the Water Infrastructure Project Agreement or National Partnership Agreement.

1.22 The principal methods used to collect and analyse audit evidence were:

- reviewing key documents against: requirements set by entities; relevant Commonwealth policies and guidance materials; and recognised best practices; and
- testing entity assertions through analysis of primary documents and other relevant material.

1.23 In January 2018, after the completion of audit fieldwork, Machinery of Government changes resulted in the transfer of administrative responsibility for dam infrastructure programs, including the Fund, from Agriculture to the Department of Infrastructure, Regional Development and Cities. Recommendations related to Fund governance have been directed to the Department of Infrastructure, Regional Development and Cities.

1.24 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$225 400.

1.25 The team members for this audit were Grant Caine, Sonya Carter and Mark Rodrigues.

2. Program design

Areas examined

This chapter examines whether the Department of Agriculture and Water Resources (Agriculture) and the Department of the Prime Minister and Cabinet (PM&C), including the taskforces set up within PM&C, provided sound advice to government to inform the design of the National Water Infrastructure Development Fund (the Fund).

Conclusion

Informed by extensive stakeholder consultation, the advice prepared by Agriculture on the design of the Fund was sound in relation to the rationale for the Fund's feasibility component and the expected outcomes of the Fund, as well as its funding composition and duration, and design arrangements. The advice could have more clearly: outlined the evidence-base for including a capital component to the Fund; justified the capital funding envelope; and set out implementation arrangements at the time of the Fund's approval. The advice provided to Government by Agriculture and PM&C informing the selection of the four Fund projects for announcement in the *Developing Northern Australia* White Paper was not underpinned by consistent assessment processes demonstrating that the most meritorious projects were recommended.

Areas for improvement

The ANAO made one recommendation aimed at improving the recording and retention of documentation to substantiate the key design elements and features of new programs.

Was the need for the program clearly established?

The Fund was established following a 2013 election commitment from the then Coalition Opposition. An evidence-based rationale for the Australian Government's intervention in accelerating investment in water infrastructure through support for feasibility studies and water resource assessments, particularly in northern Australia, was developed by Agriculture. The rationale for the Fund's capital component relied more on assertions about project readiness than evidence, particularly taking into account the lack of 'shovel ready' projects and long lead times to progress projects through development phases. The advice to Government on the selection of the first Fund feasibility studies and water resource assessments announced in the *Developing Northern Australia* White Paper was not underpinned by documentation demonstrating: that all projects were assessed consistently and categorised on merit; and the rationale for project funding recommendations from the broader field of projects under consideration.

2.1 In June 2013, the then Opposition released its *2013 Vision for Developing Northern Australia* containing a commitment to investigate establishing a water project development fund to support the advancement of meritorious proposals across Northern Australia, including dams and ground water projections. The new Government determined in late 2013/early 2014, that this commitment would be investigated through multiple channels including:

- the *Agricultural Competitiveness* and *Developing Northern Australia* White Paper processes;

- moving to establish the Joint Select Committee on northern Australia; and
- the *Water Infrastructure Options Paper*.

Research on water infrastructure needs

2.2 Research undertaken or obtained by Agriculture and PM&C including during the *Water Infrastructure Options Paper* process, the Joint Select Committee inquiry and the White Paper processes, consistently identified:

- a general lack of water infrastructure projects that were ‘shovel ready’ (that is, ready for construction pending final investment decisions) throughout Australia, with the exception of the Tasmanian Tranche II irrigation schemes¹⁰;
- a very small number of priority water infrastructure projects that were being actively pursued by the states/territories;
- the importance of a robust business case for capital funding supported by a rigorous cost-benefit analysis; and
- limited knowledge of the potential feasibility of water infrastructure at particular locations or within particular regions.

2.3 The Options Paper noted that an ‘overwhelming majority’ of the 60 potential projects for possible Commonwealth involvement identified by the states/territories¹¹ were considered to be in early scoping or very early stages of assessing feasibility. At the time of developing advice to Government on the establishment of the Fund in early 2015, Agriculture noted that little further progress had been made in the development of these projects.

2.4 While there was a general lack of ‘shovel ready’ projects identified by the states/territories, studies by the CSIRO noted the inherent potential for expanded water infrastructure in northern Australia, and associated economic benefits. Since the *CSIRO Northern Australia Land and Water Science Review 2009*, two CSIRO ‘rapid studies’ commissioned for the *Developing Northern Australia* White Paper computer-modelled variants of potential dam scenarios across northern Australia, considering their proximity to suitable land/soils for irrigated cropping and horticulture. The studies assessed the potential for surface and ground water storage at a catchment level, concluding that some catchments have more inherently favourable conditions than others and recommending that further ‘pre-feasibility’ assessments be undertaken at a regional level before specific sites are chosen.

2.5 Comments received from the state and territory governments, research organisations and other stakeholders within and outside government emphasised the importance of cost-benefit

10 Infrastructure projects, including those for water, typically progress through a number of distinct development phases from initial concept to construction completion. Agriculture developed an infrastructure project development schematic, adapted from Infrastructure Australia’s project development framework, which contains five stages: early scoping, assessing feasibility, decision to proceed, ready to go and construction/operations. The timeframes for infrastructure proposals to progress through the pre-construction stages can be significant—in the order of four to seven years.

11 As noted in the *Water Infrastructure Options Paper*, an additional three projects were identified by the Water Infrastructure Ministerial Working Group. These were: the Great Artesian Basin Sustainability Initiative; Apsley Dam—Walcha, New South Wales; and Fitzroy Dam (Northern Australia Integrated Irrigation Industry Development), Western Australia.

analyses or equivalent assessments underpinning decisions to fund capital investments in water infrastructure projects.¹² State and territory governments also reinforced the need for, and value of, early scoping and feasibility studies to understand the opportunities for water infrastructure investments.

Advice to Government on water infrastructure needs

2.6 Agriculture's advice to Government on the design of the Fund in June 2015 recommended a feasibility component—which would meet its 2013 election commitment—and a capital component either focussed on water infrastructure in northern Australia only or nationwide. This advice was in accordance with a proposal to develop the north's water resources under consideration by Government within the context of the *Developing Northern Australia* White Paper process. While the advice justified the feasibility component in accordance with the research undertaken or obtained (outlined above), the justification of the capital component was not supported by a documented evidence-base.

2.7 The advice to Government noted that very few of the projects identified in the Options Paper were currently ready to commence construction.¹³ The capital component of the Fund was justified by noting that: it would encourage states/territories to fast-track projects; and some projects identified in the Options Paper may be ready within 12 months if state/territory governments and private sector proponents prioritise them for final feasibility and cost-benefit assessments. Agriculture informed the ANAO that these comments were based on assertions from PM&C and state/territory governments to Agriculture or ministers. Agriculture's advice to the Minister identified only one project (in southern Australia) listed in the *Water Infrastructure Options Paper* that could proceed within 12 months, and only two others that may proceed within three years, subject to significant caveats.

Advice to Government on White Paper project announcements

2.8 One of the Prime Minister's stated purposes for commissioning the *Water Infrastructure Options Paper* in March 2014 was so the Government was 'in a position to consider one or two tangible proposals on dams as outcomes from the White Papers on Northern Australia and Agricultural Competitiveness'. Using the projects listed in the Options Paper completed in July 2014 as a starting point, the Developing Northern Australia taskforce within PM&C refined advice to Government in 2015 to identify 'four or five immediate projects' from the Fund. Informed by the taskforce's advice, the Government announced four water feasibility studies within the *Developing Northern Australia* White Paper published in June 2015.

12 The importance of a rigorous assessment of infrastructure costs and benefits was reinforced by the Productivity Commission's *Public Infrastructure Inquiry Report* published in May 2014. The Productivity Commission strongly advocated subjecting public infrastructure proposals to rigorous cost-benefit analysis (that are publicly released—to improve transparency).

13 Prior to the advice to government on the establishment of the Fund, the Australian Government had announced that it would contribute \$60 million towards five of the six projects described in the *Water Infrastructure Options Paper* as 'likely to be sufficiently developed to allow consideration of possible capital investment within the next 12 months' (all associated with Tasmanian Irrigation Tranche II). This contribution was not funded by the National Water Infrastructure Development Fund.

2.9 As outlined below, the advice provided to Government informing the selection of the four projects was not underpinned by consistent assessment processes demonstrating that the most meritorious projects were recommended. In addition, the advice did not include relevant information on each project obtained during precursor processes. Evidence has not been retained to demonstrate:

- that Agriculture consistently assessed or categorised all projects on their merits; and
- the rationale for the project funding recommendations of the Developing Northern Australia taskforce in PM&C from the broader field of projects under consideration.

Projects nominated in the Water Infrastructure Options Paper

2.10 Agriculture developed a 'Projects at a Glance' template (based on Infrastructure Australia's information requirements) that was used to summarise research and proponent-supplied information on most projects nominated by the state and territory governments or the Ministerial Working Group. The template was used for 44 of the 63 nominated projects. Agriculture informed the ANAO that the remaining 19 nominated projects were either not researched in the same structured manner or at all for reasons including the lack of project specificity (and information), project size, the categorisation of projects (discussed below) and changes to the project research process over time. Agriculture also sought comments from other Australian Government agencies (including the Departments of the Environment; Industry; Infrastructure and Regional Development; and PM&C; and CSIRO) on 39 of the 44 researched project summaries. The reasons for Agriculture not seeking comments on the remaining five researched project summaries have not been documented.

2.11 Each project listed in the *Water Infrastructure Options Paper* was classified into one of two primary categorisations based on their suitability and readiness for funding: projects for 'possible Commonwealth involvement'; and projects 'identified for Commonwealth consideration'.¹⁴ While the categorisation of some projects changed over time as new research and/or consultations were undertaken, 11 nominated projects changed categories for undocumented reasons or reasons that were inconsistent with Agriculture's categorisation of other projects at similar stages of development.¹⁵ The category changes for seven of these projects came from the Ministerial Working Group, which elevated six projects from the 'identified for Commonwealth consideration' category to the 'possible Commonwealth involvement' category (including one project located in the electorate of a Ministerial Working Group member) and demoted one project.¹⁶

2.12 Agriculture would have been in a better position to demonstrate that water infrastructure projects had been treated consistently in the categorisation process had all projects been researched and documented in a similar manner.

14 Projects were further classified into sub-categories within each primary category.

15 The categorisation of projects subsequently became important as projects categorised as 'possible Commonwealth involvement' were initially considered for funding through the *Developing Northern Australia* White Paper process (discussed from paragraph 2.13).

16 The other four projects were all demoted in the category changes.

Projects announced in the Developing Northern Australia White Paper

2.13 The Developing Northern Australia taskforce first provided formal advice to Government on potential projects in early February 2015, which:

- included all 12 ‘possible Commonwealth involvement’ projects located in northern Australia from the *Water Infrastructure Options Paper*, and one ‘identified for consideration’ project. The taskforce did not rationalise the inclusion of the latter project while excluding another seven ‘identified for consideration’ projects in northern Australia;
- contained two to four comments on each project in ‘dot point’ format that primarily reflected project information obtained from sources separate to the precursor processes (as documented in the *Water Infrastructure Projects Report*)¹⁷;
- re-categorised projects as either ‘potential initial Commonwealth contribution’ or ‘no immediate contribution’, although the comments documented for two of the 13 projects did not clearly justify the distinction; and
- nominated six ‘potential initial Commonwealth contribution’ projects for possible funding on the basis of achieving ‘good coverage across jurisdictions’ noting stakeholder support for these projects—four of which were subsequently selected by Government and announced in the *Developing Northern Australia White Paper*.

2.14 Over the period from February to June 2015, the taskforce obtained feedback from, and refined its advice to, Government on projects for announcement in the White Paper. PM&C informed the ANAO that the lack of ‘shovel ready’ projects in northern Australia meant that its advice to Government recommended options for funding feasibility and pre-feasibility studies (including water resource assessments) that would indicate the potential for water infrastructure capital investments in the future. PM&C’s advice to Government in this regard was informed by the two CSIRO ‘rapid studies’ commissioned for the *Developing Northern Australia White Paper* (see paragraph 2.4) and ongoing consultations with state/territory government ministers and officials whose support for the nominated projects was an important consideration.

2.15 The evidence retained by PM&C, however, does not clearly demonstrate the rationale for the particular projects PM&C recommended to Government for funding from the broader field of projects under consideration. In addition, PM&C’s advice to Government on project funding options over time did not expand on the project information contained in the first formal briefing of early February 2015 or document the reasons for changes to project funding options or emphasis from earlier briefings. PM&C would be in a better position to demonstrate that it recommended the most meritorious water infrastructure projects to Government for funding had: PM&C’s advice better reflected the project information obtained during precursor processes; and PM&C documented the rationale for its recommendations linked to the available evidence base.

17 Agriculture prepared a *Water Infrastructure Projects Report* (not published) that accompanied the *Options Paper* based on its ‘projects at a glance’ research. For each of the 29 projects ‘identified for possible Commonwealth involvement’, the *Projects Report* contained a two to three page outline of the projects’ status/history, location, purpose, infrastructure type, costs-benefits, funding, and stakeholder support/opposition.

Did lessons from previous programs and reviews inform the design of the Fund?

Agriculture and PM&C took adequate steps to identify lessons learned from previous programs and reviews that informed the design of the Fund.

2.16 Agriculture and PM&C worked to identify lessons learned from previous programs and reviews to inform the design of the Fund. As part of the research undertaken during the development of the *Agricultural Competitiveness* and *Developing Northern Australia* White Papers, the respective taskforces identified recent and current inquiries and reviews of potential relevance to their contents, although no inquiries or reviews identified were directly relevant to the water infrastructure initiative. Early research by the Developing Northern Australia taskforce identified the 'Supporting More Efficient Irrigation Program in Tasmania' as a good model of how a regionally focussed water project development fund for northern Australia could work. This Tasmanian program was promoted in the Developing Northern Australia Green Paper (published in June 2014) as a possible model for the water project development fund and mentioned in a case study on collaborative investment in the *Agricultural Competitiveness* White Paper.

2.17 Agriculture identified a further lesson from previous programs and reviews while developing the *Water Infrastructure Options Paper*. This research highlighted the importance of completing a cost-benefit analysis prior to making Commonwealth capital investments in water infrastructure, with reference to the ANAO's audit of the Adelaide Desalination Plant (ANAO Report No.32 2012–13 *Grants for the Construction of the Adelaide Desalination Plant*). The submission and assessment of a detailed project cost-benefit analysis are requirements of the merit-assessed capital component of the Fund.¹⁸

Were the views of relevant stakeholders considered when designing the Fund?

Input was obtained and considered from relevant stakeholders external to the Australian Government through multiple structured forums. This input was used to inform advice to Government on the design of the Fund. The interdepartmental working group that developed the Options Paper and advice to Government on the design of the Fund sought the advice of officials with relevant skills, expertise and experience from its member organisations.

2.18 The advice to Government on the design of the Fund was informed by stakeholder input from multiple structured forums related to precursor and concurrent processes. The most important of these was during the development of the *Water Infrastructure Options Paper* when Agriculture sought and obtained input from the states and territories regarding their water infrastructure priorities and perceptions of the barriers to, and opportunities for, accelerating investments in water infrastructure generally. The content of the *Water Infrastructure Options Paper* was based heavily on the input provided by the states and territories which, in turn,

18 Department of Agriculture and Water Resources 2016, *National Water Infrastructure Development Fund – Capital Component: Expression of Interest Guidelines*.

provided the basis for much of the policy rationale underpinning the advice to Government on the design of the Fund.

2.19 Stakeholder comments on water infrastructure were also obtained and analysed from other targeted and public sources. Targeted consultations were undertaken by the Office of the Minister with four stakeholder groups¹⁹ during the development of the *Water Infrastructure Options Paper*. Further targeted consultations were organised by Agriculture on the release of the Options Paper in October 2014 at a Water Infrastructure Roundtable attended by approximately 80 representatives from government, the construction industry, water infrastructure owners/users, and financiers.

2.20 Comments from members of the public were obtained from submissions and meetings/hearings over the period from February 2014 to January 2015 related to: the *Agricultural Competitiveness* and *Developing Northern Australia* White Paper processes; and examination by the Joint Select Committee on northern Australia. Public comments obtained during the White Paper processes tended to be analysed at an aggregate level (for example, stakeholder numbers for and against additional water infrastructure). The Joint Select Committee received 352 submissions from government, industry, peak bodies and individuals and its report refers to potential water infrastructure projects suggested by stakeholders.

2.21 Table 2.1 summarises the structured external consultations related to water infrastructure by forum.

2.22 Agriculture received assistance from an interdepartmental working group during the development of the Options Paper and when providing advice to Government on the design of the Fund. This assistance provided Agriculture with access to Australian Government officials with skills, expertise and experience relevant to the consideration of issues associated with water infrastructure developments or enhancements. At times, advice was sought from or through member organisations of the committee and working group that included: Agriculture; PM&C and the Departments of Infrastructure and Regional Development; Environment; Industry; and Finance, as well as the CSIRO.

19 The stakeholder groups were the National Farmers' Federation, National Irrigators Council, NSW Irrigators Council, and Integrated Food and Energy Developments.

Table 2.1: Structured external stakeholder consultations related to water infrastructure

Forum (Timeframe)	Stakeholders	Stakeholder comments related to water infrastructure
Agricultural Competitiveness Issues Paper (Feb–May 2014)	General public—675 submissions; and meetings with 950 stakeholders in 34 locations around Australia	34 submissions supported water infrastructure or bulk storage improvements generally.
Inquiry by Joint Select Committee on northern Australia (Dec 2013–Aug 2014)	General public—352 submissions; and 27 public hearings with 240 groups/individuals	22 submissions supported water infrastructure or bulk storage improvements generally (including 9 that identified specific projects); 2 submissions were not supportive; and 1 submission indicated mixed support
Water Infrastructure Options Paper (May–Jul 2014)	Targeted—Submissions and meetings with: state/territory governments and officials; and 4 stakeholder groups	Stakeholders identified: potential water infrastructure projects; and barriers to, and opportunities for, accelerating investment in water infrastructure
Developing Northern Australia Green Paper (Jun–Oct 2014)	General public—187 submissions	29 submissions supported water infrastructure or bulk storage improvements generally (including 13 that identified specific projects); and 10 submissions were not supportive
Water Infrastructure Roundtable (29 Oct 2014)	Targeted—around 80 attendees from government, construction industry, water infrastructure owners/users, financiers	A key focus was the opportunities for and barriers to private sector investment in dams and other large water infrastructure, and how all levels of governments can potentially encourage investment
Agricultural Competitiveness Green Paper (Oct 2014–Jan 2015)	General public—357 submissions; meetings with 150 stakeholders around Australia	40 submissions supported investing in new water infrastructure; 28 submissions supported new water infrastructure with adaptations/caveats; and 16 submissions did not support new water infrastructure
Advice to Government on development of the Fund (Dec 2014–Jun 2015)	Targeted—consultations with state/territory governments	State/territory governments updated progress on previously identified water infrastructure projects and any new priorities

Source: ANAO, from PM&C and Agriculture information.

Was sound advice provided to government on the design of the Fund?

Overall, the advice Agriculture provided to Government on the design of the Fund in June 2015 was sound. Both the justification for, and expected outcomes from, the Fund were clear, although the choice of a grants-based funding model in preference to alternative funding and delivery options could have been better substantiated. While the composition and duration of funding was justified clearly, the size of the capital funding envelope was not. The Fund's design supports the likelihood of the Fund achieving its objectives with value for money, but implementation details were lacking in advice to decision-makers at the time of the Fund's approval. After the 2016 election, Agriculture also provided appropriate advice to Government regarding the incorporation of the water infrastructure election commitments into the Fund.

2.23 In its advice to Government on the design of the Fund, Agriculture considered an appropriate range of matters including:

- justification for, and expected outcomes from, the Fund;
- size, composition and duration of the Fund;
- design and implementation arrangements; and
- the subsequent inclusion of 2016 project election commitments in the Fund post-establishment.

Justification for, and expected outcomes from, the Fund

2.24 The advice to government on Fund design in June 2015 indicated that, with effective risk management, the Fund is likely to provide positive short and long-term regional economic stimulus, including:

- encouraging regional developments through expanded mining and irrigated agriculture;
- providing economic boosts to local towns and communities during construction through employment creation and provision of services;
- increasing the resilience of regional economies and communities through improved water security in the face of challenges such as increased climate variability; and
- additional public benefits such as safe drinking water and sanitation, and flood mitigation.

2.25 The justification for the Fund contained in the advice drew heavily on the precursor *Water Infrastructure Options Paper* developed by the Water Infrastructure Ministerial Working Group. The Ministerial Working Group determined that while water and water infrastructure are primarily the responsibility of the states/territories, the Australian Government could play a leadership role in facilitating the development of viable new or augmented water infrastructure.

2.26 The Ministerial Working Group also developed 'Commonwealth involvement principles' (based on transport infrastructure investment principles) to guide potential Commonwealth involvement in water infrastructure, consistent with the National Water Initiative. These principles affirmed that Commonwealth involvement in water infrastructure development should be directed towards projects that are demonstratively in the national interest, and deliver net economic, social, and broader public benefits.

2.27 Within its remit of identifying how investment in water infrastructure could be accelerated, the Options Paper considered alternative potential funding and financing models to direct capital funding by the Australian Government. Models briefly discussed included public-private partnerships, concessional loans, debt guarantees/financing, demand guarantees, contingent loans (income or other measure) and betterment levies. The Options Paper noted that alternative financing mechanisms could remove some impediments to private sector financing but their use should be considered after a case-by-case analysis of the attribution of benefits, costs and risks. While Agriculture acknowledged to the Minister after the Options Paper that alternative finance mechanisms 'needed more work', financing options other than direct capital funding for water infrastructure were not further researched or mentioned in the subsequent advice to Government on the design of the Fund.

Size, composition and duration of the Fund

2.28 Agriculture's June 2015 advice to Government on the Fund's design recommended a \$50 million feasibility component from 2015–16 to 2018–19 (with approximately \$30 million for proposals in northern Australia) and either a \$170 million capital component for northern Australia proposals from 2018–19 to 2024–25 or a \$450 million nationwide capital component from 2017–18 to 2024–25 (with up to \$170 million for proposals in northern Australia). The differing timeframes for the funding of the two components was justified on the basis of the expectation of immediate calls for water resource assessments and feasibility studies, and a delayed commencement of capital component funding as capital proposals would not be ready for some time. Specific funding allocations to proposals in northern Australia were in recognition of the Government's commitments to develop northern Australia that were outlined in the *Developing Northern Australia White Paper*.

2.29 The funding envelope for the Fund (feasibility and capital components) was considered by Agriculture to be scalable —based on the number of proposals that the Government may wish to support. In relation to the feasibility component, the advice to government indicated that \$50 million would support approximately ten water resource assessments, feasibility assessments and business cases (that is, an average cost of \$5 million each). Agriculture appropriately justified these costings on the basis of: costing information from the states and territories on past water infrastructure feasibility assessments; and cost estimates from CSIRO regarding water resource assessments in various catchments in northern Australia.

2.30 The advice to government indicated that a \$450 million capital component would part-fund construction costs for an estimated two to six projects (that is, an average cost of \$90–\$225 million each). Agriculture has not indicated the basis for its determination of the estimated number of capital proposals the Fund could support.²⁰

Design and implementation arrangements

2.31 Having recommended in advice to Government that the Fund provide direct financial assistance to water infrastructure proposals, Agriculture also recommended in June 2015 that the Fund's design arrangements include the provision of limited financial assistance through the Federal Financial Relations framework to meritorious proposals submitted by state/territory governments.²¹ The targeting of funding towards state and territory governments was appropriate given major water infrastructure developments are a state and territory responsibility and the limitations of the Australian Government's financial responsibilities (discussed below), with the recommended funding vehicle, the Federal Financial Framework, appropriate for infrastructure investments.

2.32 Agriculture's advice also indicated that the Fund's merit assessment criteria would be consistent with the Commonwealth involvement principles from the Options Paper, with

20 Funding assigned to Agriculture to administer the Fund (an average of \$1.1 million per year) was clearly costed and justified by listing each officers' expected administrative duties and responsibilities and on-cost calculations based on historical precedents.

21 With provision for the Australian Government to directly source its science agencies (such as the CSIRO and Geoscience Australia) for feasibility-related work.

assessments undertaken with assistance from a technical expert panel.²² In addition, funding for capital proposals was conditional on: Australian Government funding not exceeding 50 per cent of project costs; an evaluation by Infrastructure Australia where more than \$100 million of Australian Government funding is sought; and ongoing operational and maintenance costs being fully funded by proponents or end users consistent with the National Water Initiative. The selection of projects using merit-based assessment criteria with assistance from technical experts, and appropriate limitations on Australian Government funding, support the likelihood of the Fund achieving its objectives with value for money.

2.33 Information contained in the advice to Government of June 2015 on Fund implementation arrangements was limited. PM&C indicated that an implementation plan should accompany the advice to Government on the establishment of the Fund due to its: potential national scale and significant cost implications; complexity involving multiple state and Australian Government agencies, funding arrangements and delivery outcomes by third-parties; and potential high risks.²³ Nevertheless, Agriculture obtained an exemption from providing an implementation plan with the advice as the delivery agency for the Fund had yet to be confirmed.²⁴ An implementation plan for the Fund was provided to, and approved by, the Government in October 2015 after Agriculture was confirmed as the delivery agency.

2.34 In the absence of an implementation plan, the June 2015 advice to Government indicated, in general terms, that the Fund's intended delivery through the Federal Financial Relations Framework would mitigate most financial and governance risks. Other risks canvassed in the advice related to the potential suitability of the projects submitted and the states and territories willingness to provide co-funding—to be mitigated by maintaining close engagement with the states/territories. In addition, performance monitoring and evaluation arrangements for the Fund were not included in the advice.

2.35 The inclusion of an implementation plan in the advice to Government on Fund design would have provided decision-makers with more timely and better information at the time of the Fund's approval in June 2015 on the significance of the risks identified (through formal assessments and ratings) and the specifics of proposed mitigation measures, as well as indications of how achievements against the Fund's objective were to be measured. The lack of a confirmed delivery agency for the Fund should not have been a barrier to the implementation plan's inclusion as its contents need not have been agency-specific.

22 See Chapter 3 for a list of the merit assessment criteria for capital proposals.

23 In developing the advice to Government, Agriculture completed the Risk Potential Assessment Tool for the \$500 million Fund, resulting in a 'Medium/Low' risk rating. Risks related to the financial, stakeholder, implementation issues, among others, were assessed individually using the Tool—but this level of detail was not incorporated into the advice to Government.

24 The advice to government on Fund design provided five options for its administrative responsibility—the Department of Agriculture, the Department of Environment, the Department of Infrastructure and Regional Development and two joint delivery arrangements—with each department having different experience and capabilities in delivering water infrastructure. In August 2015, the Prime Minister agreed with the consensus reached by the Ministers of the respective departments that the Minister for Agriculture would administer the Fund.

Inclusion of project election commitments in the Fund post-establishment

2.36 In the lead-up to the 2016 federal election, the Minister announced funding support for seven water infrastructure election commitments totalling \$249.8 million, should the Government be returned. The latest information that Agriculture had provided the Minister on these projects prior to their announcement was as follows:

Feasibility projects

- Walcha Water Security Feasibility Study (\$0.1 million)—identified by the Ministerial Working Group and included in the *Water Infrastructure Options Paper* in August 2014 as a project ‘likely to be suitable for further consideration’. The NSW Government advised in March 2015 that this project had not progressed significantly since the Options Paper was developed;
- Hells Gate Dam Feasibility Study (\$2.2 million)—merit-assessed in April 2016 as meeting the assessment criteria and programme objectives to a lesser degree, and not funded in preference to higher-ranked assessments;

Capital projects

- Dungowan Dam (\$75 million)—recommended by the NSW Government in May 2015 and not assessed by Agriculture. Mentioned by name as a newly suggested water infrastructure project in the *Agricultural Competitiveness White Paper* published in July 2015;
- Macalister Irrigation District 2030 Phase 1B (\$20 million)—identified by the Victorian Government and included in the *Water Infrastructure Options Paper* in August 2014 as a project ‘likely to be sufficiently developed to allow consideration of possible capital investment within the next 12 months’. The Victorian Government advised in March 2015 that it was the state’s most advanced project and it was ready to commence. Mentioned by name as one of a number of water infrastructure projects ‘showing potential’ in the *Agricultural Competitiveness White Paper* published in July 2015;
- South West Loddon Rural Water Supply (\$20 million)—Agriculture provided no information to the Minister on this project;
- Rookwood Weir (\$130 million)—after a merit-assessment in April 2016, \$2 million was allocated to a feasibility study proposal that is due for completion by 30 April 2018;
- McLaren Vale water security (\$2.5 million)—after the announcement of the election, the South Australian Minister for Agriculture, Food and Fisheries wrote to the Federal Assistant Minister for Agriculture and Water Resources providing information on, and expressing support for, this project.

2.37 After the 2016 federal election, the Minister accepted advice from Agriculture to incorporate the seven water infrastructure election commitments totalling \$249.8 million into the Fund. While this advice did not state the extent to which the election commitments would be assessed against the Fund’s merit selection criteria, subsequent advice to Government in October 2016 outlined the tailored assessment criteria that would be applied to the election

commitments (which are described in paragraph 3.36).²⁵ The implications for the Fund's risk management and project assessment framework from the incorporation of election commitments are considered further in Chapter 3.

Documentation supporting the advice

2.38 The advice to government was not sufficiently supported by documentation that outlined the evidence-base of some key program design elements, such as the rationale for the capital component and its funding envelope. Furthermore, the documentation supporting the selection of White Paper projects for approval did not clearly demonstrate that projects were assessed consistently and categorised on merit and the reasons for the project funding recommendations made. Agriculture and PM&C should improve the documentation of the evidence underpinning their advice to government to support accountability in the decision-making process.

Recommendation no.1

2.39 The Department of Agriculture and Water Resources and the Department of the Prime Minister and Cabinet ensure that the basis on which key program design elements and features are determined are appropriately documented and retained.

Department of Agriculture and Water Resources' response: *Agreed.*

2.40 The department acknowledges the importance of appropriate records management in enabling the department to meet its business, legislative and accountability requirements. The department is committed to ensuring staff are aware of and fully comply with their record management responsibilities and seeks to foster a culture that promotes good record management practices. This commitment is supported by an ongoing training and user education program for all staff to ensure the greatest possible compliance with records management requirements within the agency.

The Department of the Prime Minister and Cabinet's response: *Agreed.*

2.41 We acknowledge there were elements of the process which could be improved upon, particularly that agencies could have better documented the basis on which key program design elements and features were determined. The Department is strengthening its internal record keeping practices in response to this finding.

25 The Project Plan for the Fund's Capital Component also specifically addressed the assessment requirements for the 2016 election commitments, which differ from that contained in the October 2016 advice to Government.

3. Program governance

Areas examined

This Chapter examines whether appropriate governance and project assessment arrangements were established to support the timely and effective implementation of the National Water Infrastructure Development Fund (the Fund).

Conclusion

Appropriate oversight and project assessment arrangements have been established by Agriculture to support the implementation of the Fund. There were, nonetheless, weaknesses in program planning, risk management, and processes to demonstrate the proper use of relevant money, which put at risk effective implementation of the Fund going forward. In addition, the Fund's performance monitoring, measurement and reporting framework requires further development to enable Agriculture to report against the Fund's objectives.

Areas for improvement

The ANAO has made four recommendations, three of which are aimed at improving the Fund's: key planning documentation; risk management; and the performance monitoring, measurement and reporting framework. The fourth recommendation is aimed at ensuring that all Fund expenditure meets legislative requirements for the commitment of public money.

The ANAO also suggested improvements to White Paper initiative reporting.

Are the arrangements established to oversee the implementation of the Fund appropriate?

Appropriate arrangements have been established to oversee the implementation of the Fund. Oversight is provided by departmental senior executives, with assistance from the division's Water Project Board. The Minister also received briefs on Fund progress. Further, the entities responsible for the implementation of the White Paper initiatives also receive regular updates of Fund status, although its effectiveness as an oversight mechanism would be improved if actual Fund progress was compared to expectations documented in the Fund implementation and project plans.

3.1 At the time of the audit, the administration of the Fund was undertaken within a branch in Agriculture with internal oversight provided by departmental senior executives, with assistance from the Water Project Board.²⁶ Agriculture informed the ANAO that departmental senior executives are verbally briefed on Fund matters as required. Most of these discussions are not documented, although key Fund developments are summarised weekly in a short narrative for submission to Agriculture's senior executives. The Minister also received briefings on Fund progress from time to time. In addition, the Fund's overall risk management and performance is

26 The Water Project Board is an internal departmental governance board chaired by the Deputy Secretary responsible for Water and provides oversight and governance to programs of water reform within Agriculture. As noted in Chapter 1, administrative responsibility for the Fund was transferred to the Department of Infrastructure, Regional Development and Cities in January 2018.

monitored within the context of divisional reporting to Agriculture's executive management committee on a quarterly and six monthly basis, respectively (discussed below).

3.2 The Water Project Board commenced oversight of the Fund in November 2015 by endorsing its design, implementation plan and guidelines for the feasibility component that had been previously approved by the Government. The Water Project Board has since received periodic updates on the progress of the Fund.

3.3 As an initiative arising from the *Agricultural Competitiveness* and *Developing Northern Australia* White Papers, Agriculture prepares monthly updates on the status of the Fund to those responsible for monitoring the implementation of the White Paper initiatives—Agriculture and the Office of Northern Australia (within the Department of Industry, Innovation and Science). Updates on the status of White Paper initiatives are provided to the responsible Ministers—the Minister for Agriculture in relation to the *Agricultural Competitiveness* White Paper, and the Minister for Agriculture and Minister for Resources and Northern Australia in relation to the *Developing Northern Australia* White Paper. While these updates encapsulate the Fund's current activities, upcoming milestones and sensitivities/issues, the effectiveness of the White Paper initiative reporting as an oversight mechanism would be improved if actual Fund progress was compared to expectations documented in the Fund implementation and project plans.

Have fit-for-purpose planning arrangements been established to guide Fund implementation?

A fit-for-purpose Implementation Plan was established to initially guide Fund implementation, which was later supplemented by a Project Plan for the Fund's capital component. Implementation of the Fund's feasibility component, however, continues to be governed by the Implementation Plan that has not been updated to reflect program design and scheduling changes that occurred since 2015.

3.4 The primary plans guiding the implementation of the Fund are the Fund Implementation Plan and the Project Plan for the Fund's capital component, approved by the Government in October 2015 and October 2016, respectively.

Implementation plan

3.5 As outlined in Chapter 2, Agriculture obtained an exemption from providing an implementation plan with the advice to Government on the design of the Fund until the Fund's delivery entity was determined. After Agriculture was confirmed as the delivery entity in August 2015, the department drafted an implementation plan for the Fund, which was approved by the Government in October 2015.

3.6 The Implementation Plan contains key information on the Fund's management including:

- the Fund structure and delivery arrangements;
- an implementation schedule summary for the life of the Fund and detailed schedule for the first three months;
- governance and resourcing arrangements, including roles and responsibilities;

- an overview of stakeholder engagement arrangements, with details contained in a Communications Plan;
- a summary of risks and their after-treatment ratings extracted from the Fund's Risk Management Plan; and
- a summary of the Fund's monitoring, review and evaluation arrangements, with details contained in the Fund's Evaluation Plan.

3.7 The Fund Implementation Plan has not been updated in the two years since it was first approved to reflect significant program design changes including variations to the funding envelope and scheduling, and the incorporation of 2016 election commitments to specific water infrastructure projects. Furthermore, Agriculture has not retained evidence that the Fund's Communications Plan has been used to guide the messaging for the Fund or that the effectiveness of the communications strategy has been monitored according to the metrics contained in the plan. The metrics included statistics on website visits and factsheet downloads.²⁷ The effectiveness of Agriculture's risk management and monitoring/evaluation planning is discussed later in this chapter.

Project Plan for the Fund's capital component

3.8 Agriculture drafted a Project Plan for the Fund's capital component in August/September 2016 that was approved by the Government in October 2016—a year after developing the Fund's Implementation Plan to coincide with the implementation schedule for the capital component. Agriculture informed the ANAO that up until the time of drafting the Project Plan, the Fund's Implementation Plan served as the primary guiding document for the Fund's administration.²⁸

3.9 The Project Plan for the Fund's capital component contains similar subject matter to the Fund's Implementation Plan (while incorporating changes to the Fund since the Implementation Plan was developed). The Project Plan includes a self-contained risk management plan of seven risks, all rated as 'acceptable' (discussed below), but does not indicate how Fund performance will be monitored beyond a formal external review that has been scheduled for the final year of the Fund (2024–25). The Project Plan was updated in April 2017 to reflect the Fund's most recent changes, including to: update the decision and action register; include a reference to the January 2017 Monitoring and Evaluation Plan; and the funding envelope and profile.

3.10 Program governance plans that are out of date or do not document key governance elements hinder the effective administration of the Fund.

27 Agriculture informed the ANAO that it monitors media coverage relevant to the program on a daily basis and engages regularly with stakeholders through multiple communication channels.

28 The Fund Implementation Plan still serves as the Project Plan for the Fund's feasibility component.

Recommendation no.2

3.11 The Department of Infrastructure, Regional Development and Cities review and update the key governance plans for the National Water Infrastructure Development Fund to reflect current program design, parameters and scheduling.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

3.12 The department acknowledges the importance of reviewing and updating key governance plans. The key governance planning documentation for the Fund is being updated, which will include documenting any changes to governance arrangements as a result of the transfer of administrative responsibilities.

Are risks to Fund implementation being appropriately managed?

Agriculture has undertaken risk management planning for the Fund inconsistently and in a manner that makes it difficult for the department to monitor the implementation of risk treatments. Evidence has not been retained demonstrating that Fund risks, including the implementation and effectiveness of risk treatments, identified in risk management plans have been formally monitored at the program level since the Fund commenced in 2015. Additional risks arising from incorporating 2016 election commitment water infrastructure projects into the Fund have not been assessed in risk registers. Consolidated Fund risks are monitored and reported quarterly to Agriculture's executive management committee.

3.13 Agriculture's risk management framework requires the development of a program risk management plan for the Fund after assessing risks in accordance with departmental methodology. Program risks are also summarised in Agriculture's divisional business plans, which are required to be reviewed on a quarterly basis.

Fund risk management planning

3.14 Concurrent with the drafting of the Fund Implementation Plan in September 2015, Agriculture first drafted a Risk Management Plan for the Fund—a summary of which appears in the Implementation Plan.²⁹ The Risk Management Plan identified 21 risks covering administrative and operational matters (10), the feasibility component (seven) and capital component (four). All risks were rated 'medium' or 'high' pre-treatment, and with the implementation of nominated risk treatments 18 risks were reduced to 'low' or 'medium' ratings.

3.15 Agriculture also determined that it was prepared to accept the following two high and one medium risks:

- changes in state, territory or federal government lead to changes in priorities, delays in signing agreements or completing projects (High);

²⁹ The Fund-specific risks identified in the risk management plan do not closely align with the contents of Agriculture's consideration of risk during the development of the advice to Government on the design of Fund, as documented in the Risk Potential Assessment Tool. The Risk Potential Assessment Tool considered strategic and implementation complexity risks using a different metric—risk area (for example, 'Stakeholders', 'Information Technology', 'Procurement', Contractual/Delivery arrangements')

- irreconcilable community conflict over the nature and intent of the Fund, particularly the construction of new dams (High); and
- projects are not delivered on time and/or on budget (Medium).

3.16 While risk treatments have been identified for some risks, contrary to departmental risk management guidance they have been combined with and are indistinguishable from current controls, no timetable for their implementation has been nominated, and treatment owners have not been identified.

3.17 Agriculture also developed a Risk Management Plan exclusively for the Fund's feasibility component. This Plan included all 10 risks related to administrative and operation matters contained in the September 2015 Risk Management Plan, and a modified set of feasibility-related risks from the earlier plan. Nevertheless, the feasibility Risk Management Plan risk assessments differ markedly from the September 2015 Risk Management Plan. Information missing includes: likelihood and consequence ratings; current controls; and risk treatments, treatment owners and timeframes. Agriculture's rationale for developing this edition of the risk management plan, which also does not accord with departmental risk management guidance, is unclear.

3.18 The Project Plan for the Fund's Capital component, approved in October 2016, included a new risk management plan drafted in accordance with then current departmental risk management guidance, with contents that also markedly differ from the September 2015 Risk Management Plan. While many risks from the September 2015 Risk Management Plan remain or have been reconfigured, new risks and risk sources have been identified while some former risks are no longer listed.

3.19 The risk management plan in the Project Plan identified current controls for the seven listed risks and assessed their effectiveness (with all but two controls assessed as 'adequate'—the highest rating) before assessing the current risk level. One of the controls assessed as adequate relates to the Fund's monitoring and evaluation plan outlining how performance will be measured and relevant performance data collected. However, the ANAO has identified shortcomings with the Fund monitoring and evaluation plan in these respects (discussed below). Agriculture rated all risks—one high and six medium—as acceptable. The assessment of the effectiveness of current controls without further risk treatments is in stark contrast with the September 2015 Risk Management Plan outlined above, where many risk treatments were identified.

3.20 While the Project Plan was updated in April 2017, its risk management plan was not updated to reflect the latest departmental risk management template. The latest template introduced a need to assess 'shared risks'³⁰, which is an element of the Commonwealth Risk Management Policy released in July 2014.

3.21 Agriculture has not identified which of the three editions of risk management plans outlined above are still current.

30 Shared risks are those extending beyond a single entity, which require shared oversight and management. Accountability and responsibility for the management of shared risks should include any risks that extend across entities and may involve other sectors, the community, industry or other jurisdictions (Department of Finance, *Commonwealth Risk Management Policy*, July 2014, paragraph 20).

Fund risk monitoring and reporting

3.22 Evidence has not been retained that Fund risks, including the implementation and effectiveness of risk treatments identified in the three risk management plan editions outlined above, have been formally monitored at the program-level since the Fund commenced in 2015. Agriculture informed the ANAO that risk monitoring occurs informally, with any changes to risks or risk levels reported on an exceptions basis to Agriculture’s senior executives and/or the Water Project Board—the need for which has not occurred. From time to time, risks are also identified and reported in the monthly status updates of White Paper initiatives. However, these are described narratively, without analysis or ratings, and often do not accord with risks identified in the risk management plans. Agriculture’s approach to Fund risk management contrasts with the Department of Finance’s risk management practice guidance that states that ‘effective risk management programs require regular review and evaluation mechanisms, both formal and informal’.³¹

3.23 In addition, Agriculture has not assessed potential risk arising from incorporating the 2016 election commitment water infrastructure projects into the Fund. Across the three risk management plans, Agriculture has identified the inherently high risks arising from inappropriate or unsuitable projects being funded, which are to be managed through robust assessments against the merit-based criteria. However, the 2016 election commitment projects will be assessed against tailored criteria that differ from the merit-based criteria contained in Fund guidelines.³²

Divisional risk management

3.24 Risks associated with the Fund have been consolidated and reported within the Water Division’s Business Plans. The 2016–17 Business Plan contained two Funds risks and the 2017–18 Business Plan contains two updated Fund risks reflecting the progression of the program (see Table 3.1).

Table 3.1: Fund risks contained in Water Division Business Plans

2016–17 Business Plan	2017–18 Business Plan
<ul style="list-style-type: none">• Unwillingness of state and territory governments to co-fund water infrastructure projects; and• Budgetary pressures; available funds are insufficient to meet the demand from states and territories.	<ul style="list-style-type: none">• States fail to deliver the agreed feasibility study outputs for proposed new national water infrastructure projects• States fail to seek funding for eligible new national water infrastructure projects.

Source: ANAO, based on Agriculture information.

3.25 Agriculture has rated Fund risks contained in the Business Plans as ‘medium’ after considering the effectiveness of current controls, and considers that no additional risk treatments are necessary. In accordance with Agriculture’s risk management policy, divisional risks are

31 Department of Finance 2016, *Implementing the Commonwealth Risk Management Policy – Guidance*, Resource Management Guide 211, p. 26.

32 The criteria used to assess the 2016 water infrastructure election commitments included under the Fund are described at paragraph 3.36.

considered by Agriculture's executive management committee each quarter. The latest quarterly enterprise risk reports have confirmed a medium rating for the Fund risks.

3.26 A fit-for-purpose risk management plan for the Fund (that accords with departmental risk management guidance) and appropriate risk monitoring arrangements in place at the program level would better position Fund administrators to identify and manage risks associated with the implementation of the Fund.

Recommendation no.3

3.27 The Department of Infrastructure, Regional Development and Cities update the risk management plan for the National Water Infrastructure Development Fund to reflect departmental risk management guidance and regularly monitor the implementation of risk treatments, changes in risk ratings and emerging risks.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

3.28 The department acknowledges the importance of appropriate risk management measures and is updating the risk management plan for the Fund to reflect current departmental risk management guidance. The department will monitor and record the implementation of risk treatments, changes in risk ratings and emerging risks.

Was a sound assessment and selection framework established for the Fund?

A sound framework for assessing and selecting merit-based proposals has been established which included appropriate plans and guidance for assessors, including in relation to conducting consistent assessments, and managing probity and conflict of interest. Agriculture's merit assessment processes support the Minister's decisions that the selected projects represented a proper use of relevant money. However, Agriculture's recommendations to the Minister to approve three White Paper project announcements and two 2016 election commitments under the Fund did not sufficiently justify that expenditure on these projects would represent a proper use of relevant money.

Merit-based assessment and selection framework

3.29 Agriculture established a sound assessment and selection framework for water infrastructure proposals put forward by the state and territory governments. The assessment and selection process involved:

- state and territory governments nominating feasibility and capital water infrastructure proposals to Agriculture;
- Agriculture, with assistance from the technical expert panel, assessing each proposal against the eligibility criteria;
- the technical expert panel (chaired by Agriculture) assessing feasibility and capital proposals against the merit criteria and providing funding recommendations to Agriculture;

- for capital proposals, the Water Infrastructure Investment Governance Board (chaired by Agriculture) assessing their relative risks for the Australian Government's potential investment;
- Agriculture recommending proposals to the Minister to: approve (feasibility component); or recommend to Government for approval (capital component).

3.30 The assessment and selection framework was set out in Fund Guidelines produced for each component that clearly outlined lodgement details and timeframes, the proposal information required, the eligibility and merit assessment criteria (with descriptions of information required or requested), the assessment process and decision-makers, and funding terms and conditions. The assessment criteria appropriately align with the Fund's parameters, with the merit criteria, particularly for the capital component, aligning with the 'Commonwealth involvement principles' from the *Water Infrastructure Options Paper* developed by the Water Infrastructure Ministerial Working Group. Table 3.2 contains a list of the assessment criteria for capital proposals under the Fund.³³

Table 3.2: Assessment criteria for capital proposals under the Fund

Criterion	Weighting
1. The proposed project involves construction of water infrastructure (demonstrating the need for, and significance of, the infrastructure)	5%
2. The proposed project will be compliant with the National Water Initiative	15%
3. The proposed project will be of public benefit	10%
4. The proposed project is unlikely to proceed, or will only proceed at a much later date, or with a limited scope, without assistance from the Fund	5%
5. The proposed project has received the required Commonwealth and state regulatory and administrative approvals required to proceed to construction	15%
6. Overall business case (including cost-benefit analysis)	35%
7. Co-funding greater than 50 per cent of the total project cost	10%
8. Stakeholder and Indigenous engagement	5%
9. For the northern component, the proposed project is located in, or will have a significant benefit for, northern Australia	

Source: *National Water Infrastructure Development Fund—Capital Component: Expression of Interest Guidelines*.

3.31 Those involved in the eligibility and merit assessment of water infrastructure proposals have been well supported by:

- an assessment plan and templates to aid assessors to score and rank proposals consistently;
- appropriate probity guidance, including privacy and confidentiality deeds for members of the technical expert panel and Water Infrastructure Investment Governance Board external to Agriculture; and

33 Eligibility criteria included that only state and territory governments may apply for funding and a commitment from the state to manage water in the catchment where the infrastructure is proposed consistent with the National Water Initiative.

- conflict of interest guidance, register and declarations from assessors.

Assessments to support proper use of relevant money

3.32 Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), departmental secretaries (and their delegates) are required to govern their departments in a way that promotes the proper use and management of public resources for which they are responsible (s.15(1)(a)). Before approving proposed expenditure, ministers are required to make reasonable inquiries that the proposed expenditure would be a proper use of relevant money (that is, the efficient, effective, economical and ethical use of the money) (PGPA Act s.71(1) and PGPA Rule 2014 Cl.18).

3.33 The merit assessment process forms the basis of a minister's 'reasonable inquiries' before approving proposed expenditure on water infrastructure projects selected by this method. In addition to merit-assessed projects, as at December 2017 the Minister had approved the commitment of funding to four projects announced in the *Developing Northern Australia* White Paper and four 2016 election commitments incorporated into the Fund.

3.34 Agriculture sought and obtained expenditure approval under the PGPA Act from the Minister in December 2015 for the three water resource assessments to be undertaken by CSIRO (which are collectively accounted for as one project) announced in the White Paper.³⁴ In the brief to the Minister, Agriculture justified the expenditure on the basis that CSIRO represented the best value for money as a local market leader in providing scientific expertise to carry out the required work, and cited CSIRO's production of a similar assessment in the recent past. In contrast with the CSIRO briefing, evidence has not been retained of Agriculture having explicitly sought expenditure approval under the PGPA Act before the Minister entered into funding agreements with the respective state and territory governments in 2016 to provide a total of \$10 million funding to the Nullinga Dam (Queensland) and Ord Stage 3 (Western Australia and Northern Territory) feasibility studies.

3.35 Agriculture sought and obtained expenditure approval under the PGPA Act from the Minister in July 2016 for two water infrastructure feasibility studies announced as 2016 election commitments. The brief to the Minister, however, did not outline the basis on which Agriculture had assessed that the proposed expenditure would represent an efficient, effective, economical and ethical use of the money. Agriculture informed the ANAO that the:

- Hells Gate Dam (Queensland) feasibility study had been previously merit-assessed within a broader proposal as meeting 'the assessment criteria and programme objectives to a lesser degree' and ranked below the cut-off point of available feasibility funding; and.
- Walcha (New South Wales) feasibility study would meet the objectives of the Fund's feasibility component 'as it will deliver an assessment of options, including a new dam on the Apsley River, to provide secure and affordable water to support regional growth'.

34 The Government announced that CSIRO would lead the water resource assessments in the Mitchell River catchment (Queensland), West Kimberley (Western Australia) and the Darwin region (Northern Territory).

3.36 Agriculture obtained Government approval for the incorporation of 2016 election commitment capital projects within the Fund conditional on: matching funding commitments from the states; evidence that the projects are economically viable; all necessary Commonwealth and state regulatory approvals being in place; and commitments greater than \$100 million undergoing an economic review by Infrastructure Australia. In May 2017, Agriculture sought and obtained expenditure approval under the PGPA Act from the Minister for two Victorian capital infrastructure project election commitments totalling \$40 million. While Agriculture reported in the advice to the Minister that its assessment of the business cases had determined that the funding conditions had been met, the robustness of the evidence base for this determination was ambiguous as Agriculture took at face value the information provided by the Victorian Government, including the projects' business cases/cost-benefit analyses.

3.37 The Fund's administrators could have better informed the Minister how it assessed the evidence base to determine that Fund conditions established for the 2016 election commitment capital projects had been met.

Recommendation no.4

3.38 The Department of Infrastructure, Regional Development and Cities ensure that legislative requirements for committing public money under the National Water Infrastructure Development Fund are met and appropriately documented.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

3.39 The department acknowledges the importance of meeting legislative requirements for the commitment of public money and appropriately documenting these requirements have been met. Staff are supported through the provision of training and approval templates that provide clear guidance material to ensure legislative requirements are met and appropriately documented.

Has an effective performance monitoring, measurement and reporting framework been established?

The performance monitoring, measurement and reporting framework for the Fund requires further development for Agriculture to report on achievements against the Fund's objective. A suitable range of relevant, reliable and complete performance criteria for the Fund has yet to be developed. The ability of the established project monitoring arrangements to capture and aggregate the information necessary to report on the achievement of Fund objectives is uncertain. Public reporting of Fund performance has thus far been limited to activity-based indicators or status information.

Monitoring and evaluation planning

3.40 Monitoring and evaluation plans for the Fund are not sufficiently developed to identify how Agriculture intends to measure progress towards the achievement of the Fund's objective.

3.41 A Fund Evaluation Plan was first developed in October 2015, in conjunction with the Fund's Implementation Plan. The Evaluation Plan outlines the Fund's objective and outcomes,

(four) key performance indicators and targets, a program of ongoing evaluation, a formal evaluation and review for the final year of the Fund (2024–25), and data collection sources. However, key aspects of the plan were under-developed including:

- key performance indicators and targets—which relate exclusively to quantitative Fund outputs (for example, the number of projects supported, and the percentage of projects that transition from feasibility to capital investment)—do not help measure the achievement of the Fund’s objective; and
- continuous evaluation—with focus questions relating to short term administration and longer term performance. The metrics, means and reporting intervals that Agriculture intends to use to answer the focus questions (including ‘Is the Fund on track to meet its objectives and the Australian Government’s election commitment?’) are not described.

3.42 In January 2017, Agriculture developed a Monitoring and Evaluation Plan for the joint Fund/National Water Infrastructure Loan Facility—acknowledging their similar program objectives. Similar shortcomings to the earlier Evaluation Plan are present in the latter Plan in relation to key performance indicators and focus questions for ongoing evaluations. The sole key performance indicator for the Fund has quantitative targets that do not aid in the measurement of the Fund’s objective.³⁵ The Plan’s key evaluation focus questions (including ‘How well do funded projects align with the outcomes of the programmes?’) do not describe how and how frequently they will be considered. The state of Fund key performance indicators accords with the findings of a Readiness Assessment of the Agricultural Competitiveness and Developing Northern Australia White Paper initiatives in June 2016 which found that the maturity of performance metrics and associated data across the board was generally low.

3.43 Agriculture also informed the ANAO of the following planned Fund evaluation activities (which are not mentioned in the Fund’s Monitoring and Evaluation Plan):

- A planned initial program review of the Fund for 2017–18 that has been reported in the monthly *Developing Northern Australia* White Paper progress updates since 2016. As at December 2017, Agriculture had not finalised the parameters of, or commenced preparations/planning for, this internal review; and
- The Fund is to be included in a post-commencement evaluation of the *Developing Northern Australia* White Paper initiatives in 2018–19 by the responsible agency, the Office of Northern Australia. The evaluation is expected to determine whether the initiatives’ lead agencies (which is Agriculture in the case of the Fund) have identified: appropriate performance measures and data sources; and early outcomes/indications of future outcomes from available data.

35 The performance indicator has been replicated in Agriculture’s Portfolio Budget Statements and Corporate Plan—see Table 3.3 below.

Monitoring project performance

3.44 Performance reporting at a Fund project level has been established in bilateral schedules to the Fund agreements between the Australian Government and the state/territory governments, namely the:

- National Partnership for the NWIDF – Capital component; and
- Project Agreement for the NWIDF – Feasibility component.

3.45 Under the Fund agreements, the state/territory governments are to report six-monthly or when performance milestones contained in the bilateral schedules fall due. Satisfaction of these milestones triggers the Commonwealth's financial contributions under the agreements. In relation to capital projects, the state/territory governments are also required to prepare final project reports within 90 days of practical completion of the final element of each project. The final project reports are designed to be stand-alone documents that can be used for public information dissemination purposes.

3.46 The Monitoring and Evaluation Plan for the Fund/Loan Facility developed in January 2017 describes the Fund project performance reports as providing 'the main source of information for programme evaluation and are expected to be the most comprehensive and cost effective source of information for monitoring and reporting on the programmes'. The Australian Government's ability to determine and/or standardise the state/territory project reports are limited under the Federal Financial Relations framework.³⁶ Project reporting by the states and territories thus far (for the feasibility component only) has demonstrated significant variability in the structure and content between jurisdictions. As a consequence, aggregating Fund performance nationally and obtaining information necessary to monitor progress towards the achievement of the Fund's objective will be challenging. While acknowledging the variability of feasibility report structure and content, Agriculture considers that the information they contain will be adequate to evaluate the effectiveness of the Fund's feasibility component.

3.47 Agriculture identified a further challenge to monitoring Fund performance relating to measuring the realisation of economic benefits from water infrastructure capital investments over a 10–30 year horizon—well beyond the expected conclusion of the Fund. Agriculture informed the ANAO that this challenge will be further considered in developing performance indicators for the Fund.

Public reporting of Fund performance

3.48 Public reporting of Fund performance has thus far been limited to activity-based indicators or status information. Within its Portfolio Budget Statements and Corporate Plans for 2016–17 and 2017–18, Agriculture has one Fund measure with targets related to the number of projects funded, as outlined in Table 3.3.

36 Under the Federal Financial Relations framework, the states and territories determine the structure and contents of reports required to demonstrate the achievement of milestones, outputs and outcomes.

Table 3.3: Fund measure and targets

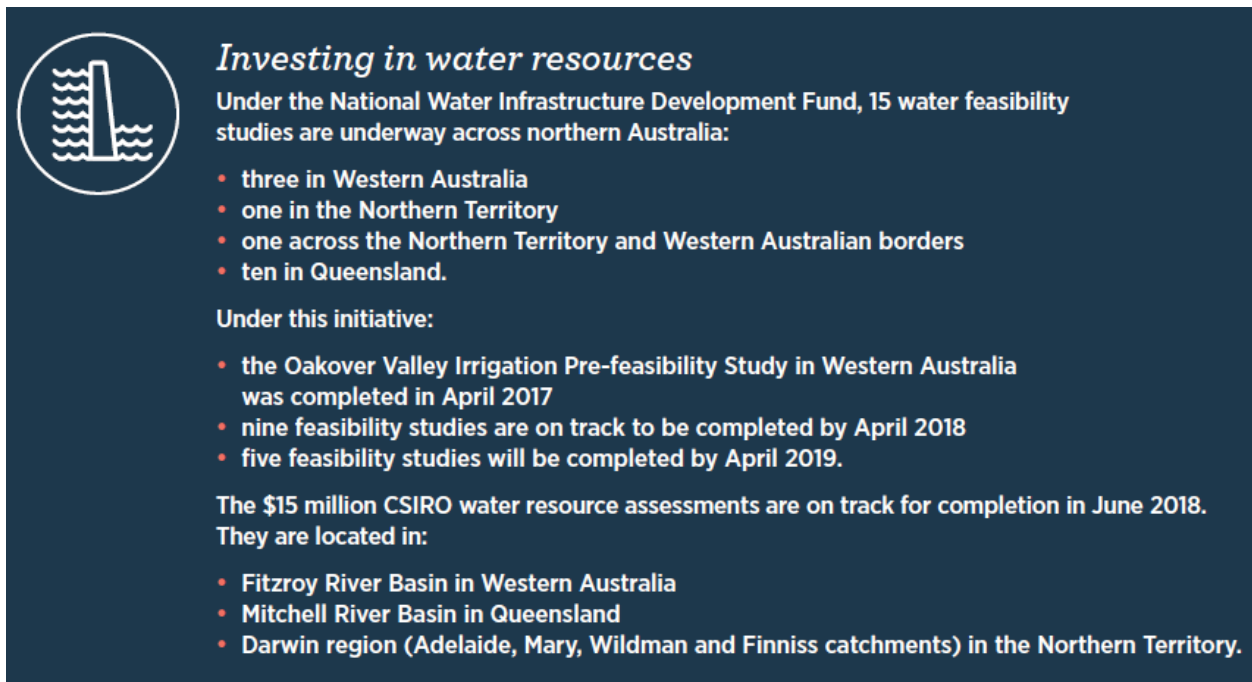
Measure	Targets			
	2016–17	2017–18	2018–19	2019–20
National Water Infrastructure Development Fund investments provide affordable water to support the growth of regional economies	At least 25 water infrastructure feasibility studies are funded, including at least five in Northern Australia	A commitment to co-fund the construction of water infrastructure is made with at least one state or territory in the reporting year through the National Water Infrastructure Development Fund	As per 2017–18	As per 2017–18

Source: Department of Agriculture and Water Resources Corporate Plan 2016–17.

3.49 While Agriculture’s 2016–17 Annual Report indicated that the Fund’s 2016–17 target had been achieved, it is unclear how meeting the reported target demonstrates the achievement of the Fund measure. In addition, the reported measure itself does not reflect all aspects of the Fund’s objective—in relation to ‘protecting the environment’. While reportable achievements from funded projects are generally lacking this early in the life of the Fund, Agriculture should develop more robust performance indicators and targets so that it is in a better position to report on achievements against the Fund’s objective and outcomes over time.

3.50 In addition to Fund performance reporting by Agriculture, the Office of Northern Australia has published information regarding the progress of the Fund—as one of the *Developing Northern Australia* White Paper initiatives. In October 2017, the Office of Northern Australia released the *Developing Northern Australia* White Paper 2017 Implementation Report that summarised the status of the 15 water resource assessments and feasibility studies in northern Australia under the Fund (see Figure 3.1). As with Agriculture’s monitoring and reporting on the performance of the Fund, the Office of Northern Australia’s reporting to date is activity-based and does not inform an assessment of the impact of the projects on the intended Fund outcomes.

Figure 3.1: Fund performance as reported in the *Developing Northern Australia White Paper 2017 Implementation Report*



Source: Developing Northern Australia White Paper 2017 Implementation Report.

Recommendation no.5

3.51 The Department of Infrastructure, Regional Development and Cities further develop and implement the monitoring and evaluation plan for the National Water Infrastructure Development Fund to support the ongoing monitoring and reporting of progress towards achieving the Fund's objective.

Department of Infrastructure, Regional Development and Cities' response: *Agreed.*

3.52 The department acknowledges the importance of monitoring and evaluation. The department is revising and updating the monitoring and evaluation plan for the Fund to support the evaluation and reporting of progress towards achieving the Fund's objectives.

Grant Hehir
Auditor-General

Canberra ACT
28 February 2018

Appendices

Appendix 1 Entity responses

Department of Agriculture and Water Resources



Australian Government
Department of Agriculture
and Water Resources

SECRETARY

Ref: EC18-000057

Ms Lisa Rauter
Group Executive Director, Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Ms Rauter

Thank you for your correspondence of 12 January 2018 seeking comment from the Department of Agriculture and Water Resources (the department) on the Australian National Audit Office's (ANAO) proposed report on the *Design and Governance of the National Water Infrastructure Development Fund*.

The department welcomes the audit's overall conclusions and findings. The department is pleased that the ANAO found the design of the National Water Infrastructure Development Fund (the fund) was effective, that overall the advice provided was sound, and that appropriate oversight arrangements have been established.

The department agrees with the recommendation directed to the department to ensure that *the basis on which key program design elements and features are determined are appropriately documented and retained*.

The department's response to the proposed report is at [Attachment A](#) and a formal response to the proposed report's recommendation directed to the department is at [Attachment B](#).

I would like to thank the ANAO for the cooperation of the audit team and the professional manner in which the audit was conducted.

Thank you again for the opportunity to comment on the proposed audit report.

Yours sincerely

Daryl Quinlivan

13 February 2018

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ATTACHMENT A

Department of Agriculture and Water Resources Summary Response to the *Design and Governance of the National Water Infrastructure Development Fund*

The department welcomes the audit's overall conclusions and findings. The department is pleased that the report acknowledges that the design of the National Water Infrastructure Development Fund (the fund) was effective, that overall the advice provided on the design of the fund was sound, and that appropriate arrangements were established by the department to oversee the implementation of the fund.

The department is also pleased the report recognises that the department developed an evidence-based rationale for accelerating investment in water infrastructure feasibility studies and that adequate steps were taken to identify lessons learned from previous programs and reviews to inform the design of the fund.

The department agrees with the recommendation directed to the department that *the basis on which key program design elements and features are determined are appropriately documented and retained*.

The department acknowledges the importance of appropriate records management in enabling the department to meet its business, legislative and accountability requirements. The department is committed to ensuring staff are aware of and fully comply with their record management responsibilities and seeks to foster a culture that promotes good record management practices. This commitment is supported by an ongoing training and user education program for all staff to ensure the greatest possible compliance with records management requirements within the agency.

ATTACHMENT B

Department of Agriculture and Water Resources Response to the Recommendations

Recommendation No. 1: Agreed

The department acknowledges the importance of appropriate records management in enabling the department to meet its business, legislative and accountability requirements. The department is committed to ensuring staff are aware of and fully comply with their record management responsibilities and seeks to foster a culture that promotes good record management practices. This commitment is supported by an ongoing training and user education program for all staff to ensure the greatest possible compliance with records management requirements within the agency.

Department of Infrastructure, Regional Development and Cities



Australian Government

Department of Infrastructure, Regional Development and Cities

**Secretary
Dr Steven Kennedy PSM**

PDR ID: EC18-000066
Contact: Drue Edwards

Ms Lisa Rauter
Group Executive Director, Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Ms Rauter

**Proposed Report on the Design and Governance of the National Water Infrastructure
Development Fund**

Thank you for your correspondence of 12 January 2018 seeking comment from the Department of Infrastructure, Regional Development and Cities (the department) on the Australian National Audit Office's (ANAO) proposed report on the *Design and Governance of the National Water Infrastructure Development Fund*.

The department took over responsibility for the administration of the National Water Infrastructure Development Fund following the Machinery of Government changes announced on 19 December 2017.

The department welcomes the audit's overall conclusions and findings and acknowledges the ANAO findings that: the design of the National Water Infrastructure Development Fund was effective; overall the advice provided was sound; and appropriate oversight arrangements have been established.

The department agrees with the recommendations in the proposed report and is taking action to implement these recommendations as part of the transfer of administrative responsibility for the Fund.

The department's response to the proposed report is at [Attachment A](#).

Thank you for the opportunity to comment on the proposed audit report.

Yours sincerely

A handwritten signature in black ink, appearing to be 'SK', written over a horizontal line.

Steven Kennedy

19 February 2018

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ATTACHMENT A

Department of Infrastructure, Regional Development and Cities **Response to the ANAO's proposed report on the** ***Design and Governance of the National Water Infrastructure Development Fund***

The Department of Infrastructure, Regional Development and Cities (the department) welcomes the audit's overall conclusions and findings. The department is pleased the report acknowledges that the design of the National Water Infrastructure Development Fund (the Fund) was effective, that overall the advice provided on the design of the Fund was sound, and that appropriate arrangements were established by the department to oversee the implementation of the Fund.

The audit report recognises that an evidence-based rationale was developed for accelerating investment in water infrastructure feasibility studies and that adequate steps were taken to identify lessons learned from previous programs and reviews to inform the design of the Fund.

The department agrees with the recommendations of the report and is taking action to implement these recommendations as part of the transfer of administrative responsibility for the Fund. The department is currently updating key governance and risk management documentation and strengthening monitoring and evaluation planning. The department is committed to ensuring legislative requirements for the commitment of public money are met and appropriately documented.

The department's response to the specific recommendations is set out below.

Recommendation No. 2: Agreed.

The department acknowledges the importance of reviewing and updating key governance plans. The key governance planning documentation for the Fund is being updated, which will include documenting any changes to governance arrangements as a result of the transfer of administrative responsibilities.

Recommendation No. 3: Agreed.

The department acknowledges the importance of appropriate risk management measures and is updating the risk management plan for the Fund to reflect current departmental risk management guidance. The department will monitor and record the implementation of risk treatments, changes in risk ratings and emerging risks.

Recommendation No. 4: Agreed.

The department acknowledges the importance of meeting legislative requirements for the commitment of public money and appropriately documenting these requirements have been met. Staff are supported through the provision of training and approval templates that provide clear guidance material to ensure legislative requirements are met and appropriately documented.

Recommendation No. 5: Agreed.

The department acknowledges the importance of monitoring and evaluation. The department is revising and updating the monitoring and evaluation plan for the Fund to support the evaluation and reporting of progress towards achieving the Fund's objectives.

Department of the Prime Minister and Cabinet



Australian Government
Department of the Prime Minister and Cabinet

SECRETARY

DR MARTIN PARKINSON AC PSM

Ref: EC18-000120

Ms Lisa Rauter
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
Lisa.Rauter@anao.gov.au

Dear Ms Rauter

Thank you for your email of 15 January 2018 regarding the *Design and Governance of the National Water Infrastructure Development Fund* audit.

I welcome the findings of the audit, particularly that the design of the National Water Infrastructure Development Fund was effective. We acknowledge there were elements of records management that could be improved upon and are taking steps to action these. Please find the Department's response attached.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Parkinson'.

13 February 2018

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Department's response to the ANAO

Recommendation: The Department of Agriculture and Water Resources and the Department of the Prime Minister and Cabinet ensure that the basis on which key program design elements and features are determined are appropriately documented and retained.

The Department of the Prime Minister and Cabinet's response: Agreed.

Summary of Department's Response

The Department welcomes the audit's overall finding that the design of the National Water Infrastructure Development Fund was effective. We also note the audit found the design of the Fund was informed by extensive consultation with relevant stakeholders, incorporated lessons learned from previous processes and was based on sound advice.

We acknowledge there were elements of the process which could be improved upon, particularly that agencies could have better documented the basis on which key program design elements and features were determined. The Department is strengthening its internal record keeping practices in response to this finding.

Appendix 2 National Water Infrastructure Development Fund announced proposals

Table A.1.1: Fund Feasibility Component approved proposals

Project name	In northern Australia?	Selection Method	Australian Government contribution
New South Wales			
Border Rivers Infrastructure Investment Feasibility Study	No	Merit assessed	\$550 000
Peel Water Infrastructure Investment Feasibility Study	No	Merit assessed	\$850 000
Cobar and Nyngan Water Supply Feasibility Study	No	Merit assessed	\$850 000
Walcha Water Security Feasibility Study	No	Election commitment	\$100 000
Total NSW: 4 projects			\$2 350 000
Victoria			
Agriculture and Job Growth West of Melbourne Feasibility Study	No	Merit assessed	\$540 000
Lindenow Valley Water Security Feasibility Study	No	Merit assessed	\$554 400
Coldstream Recycled-Water Pipeline (CROPS) Feasibility Study	No	Merit assessed	\$300 000
Macalister Irrigation District MID2030 Phase 2 Development Feasibility Study	No	Merit assessed	\$675 000
Southern Victorian Irrigation Development Pre-feasibility Study	No	Merit assessed	\$677 160
Dilwyn Aquifer Infrastructure Feasibility Study	No	Merit assessed	\$100 000
South East Melbourne Regional Water Plan Feasibility Study	No	Merit assessed	\$91 500
Mitiamo Reticulated Water Supply Feasibility Study	No	Merit assessed	\$750 000
Moonambel Water Supply Feasibility Study	No	Merit assessed	\$180 000
Total Vic: 9 projects			\$3 868 060
Queensland			
Mitchell Catchment water resource assessment ^a	Yes	White Paper	\$5 000 000
Nullinga Dam Feasibility Study	Yes	White Paper	\$5 000 000
Bundaberg Channel Capacity Upgrade Feasibility Study	No	Merit assessed	\$750 000

Project name	In northern Australia?	Selection Method	Australian Government contribution
Gayndah Regional Irrigation Development Feasibility Study	No	Merit assessed	\$1 231 024
Lockyer Valley Aquifer Recharge Feasibility Study	No	Merit assessed	\$120 000
Burdekin Falls Dam Raising Feasibility Study	Yes	Merit assessed	\$400 000
Burdekin Houghton Channel Capacity Upgrade Feasibility Study	Yes	Merit assessed	\$1 915 000
Lower Fitzroy River Infrastructure Business Case	Yes	Merit assessed	\$2 000 000
Clermont Water Security Feasibility Study	Yes	Merit assessed	\$225 000
North West Queensland Strategic Water Storage Feasibility Study	Yes	Merit assessed	\$1 765 000
Urannah Dam Feasibility Study	Yes	Merit assessed	\$3 000 000
South East Queensland Treated Effluent for Agricultural Production Feasibility Study	No	Merit assessed	\$650 000
Emu Swamp Dam Feasibility Study	No	Merit assessed	\$3 970 000
Lakeland Irrigation Area Feasibility Study	Yes	Merit assessed	\$825 000
Hells Gate Dam Feasibility Study	Yes	Election commitment	\$2 200 000
Tablelands Irrigation Project Feasibility Study	Yes	Merit assessed	\$750 000
Total Qld: 15½ projects^a			\$29 801 024
Total Qld in northern Australia: 10½ projects^a			\$23 080 000
South Australia			
Northern Adelaide Irrigation Scheme Feasibility Study	No	Merit assessed	\$2 500 000
Northern Reservoirs Feasibility Study	No	Merit assessed	\$1 200 000
Total SA: 2 projects			\$3 700 000
Western Australia			
Fitzroy Basin water resource assessment ^a	Yes	White Paper	\$5 000 000
Ord Stage 3 Feasibility Study (WA component)	Yes	White Paper	\$2 500 000
Western Trade Coast Managed Aquifer Recharge Feasibility Study	No	Merit assessed	\$693 000
Peel Business Park Nambeelup Managed Aquifer Recharge Feasibility Study	No	Merit assessed	\$702 000
Myalup-Wellington Infrastructure and Water Use Improvement Project Feasibility Study	No	Merit assessed	\$1 000 000

Project name	In northern Australia?	Selection Method	Australian Government contribution
Oakover Valley Irrigation Precinct Prefeasibility Study	Yes	Merit assessed	\$268 994
Pilbara Irrigated Agriculture Feasibility Study	Yes	Merit assessed	\$960 000
Ord Siphon Feasibility Study	Yes	Merit assessed	\$162 000
Total WA: 7½ projects^a			\$11 285 994
Total WA in northern Australia: 4½ projects^a			\$8 890 994
Tasmania			
nil			
Australian Capital Territory			
nil			
Northern Territory			
Darwin Region water resource assessment ^a	Yes	White Paper	\$5 000 000
Ord Stage 3 Feasibility Study (NT component)	Yes	White Paper	\$2 500 000
Northern Territory Irrigation Feasibility Study	Yes	Merit assessed	\$985 000
Total NT: 2½ projects^a			\$8 485 000
Total NT in northern Australia: 2½ projects^a			\$8 495 000
Total Australia: 40 projects			\$59 500 078
Total Australia in northern Australia: 17 projects			\$40 465 994

Note a: The three water resource assessments announced in the *Developing Northern Australia* White Paper have been recorded as one Fund feasibility component project.

Source: ANAO, based on Agriculture information.

Table A.1.2: Fund Capital Component announced projects as at December 2017

Project name	In northern Australia?	Selection Method	Total project cost	Australian Government contribution
New South Wales				
Dungowan Dam	No	Election commitment	Est. \$160–200 million ^a	\$75 000 000
Total NSW: 1 project			Est. \$160–200 million	\$75 000 000
Victoria				
Macalister Irrigation District 2030 Phase 1B	No	Election commitment	\$60 000 000	\$20 000 000
South West Loddon Rural Water Supply	No	Election commitment	\$80 600 000	\$20 000 000
Total Vic: 2 projects			\$140 600 000	\$40 000 000
Queensland				
Rookwood Weir	Yes	Election commitment	\$352 200 000	\$130 000 000
Total Qld: 1 project			\$352 200 000	\$130 000 000
Total Qld in northern Australia: 1 project			\$352 200 000	\$130 000 000
South Australia				
McLaren Vale water security	No	Election commitment	Not available	\$2 500 000
Northern Adelaide Irrigation Scheme	No	Merit assessed	\$155 600 000	\$45 600 000
Total SA: 2 projects			Not available	\$48 100 000
Western Australia				
nil				
Tasmania				
nil				
Australian Capital Territory				
nil				
Northern Territory				
nil				
Total Australia: 6 projects			Not available	\$293 100 000
Total Australia in northern Australia: 1 project			\$352 200 000	\$130 000 000

Note a: To be confirmed when the business case is completed.

Source: ANAO, based on Agriculture information.