Regional Land Partnerships

Department of Agriculture, Water and the Environment

Australian National
Audit Office

Canberra ACT

24 November 2021

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Agriculture, Water and the Environment. The report is titled *Regional Land Partnerships*. 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

Audit team

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Audit snapshot

Auditor-General Report No.9 2021–22

Regional Land Partnerships

❓ Why did we do this audit?

- ▶ The Regional Land Partnerships (RLP) program is a major component of the National Landcare Program Phase Two. It aims to deliver national priority actions for the conservation of threatened species, ecological communities and heritage values, and support sustainable land management practices.

- ▶ This audit examined the Department of Agriculture, Water and the Environment's (DAWE) effectiveness in implementing the RLP program to provide assurance over value for money and the delivery of intended outcomes.

🔑 Key facts

- ▶ RLP is providing $450 million from 2018–19 to 2022–23 for services that contribute to the achievement of six environment and agriculture outcomes.

- ▶ Fifty service providers were contracted to deliver 225 projects in 54 management units around Australia, comprising 159 environment and 66 agriculture projects.

✏️ What did we find?

- ▶ DAWE's implementation of the RLP program was partly effective.

- ▶ The procurement processes supported the achievement of value for money and largely complied with the Commonwealth Procurement Rules.

- ▶ DAWE's management of service provider performance is partly effective. DAWE has clearly articulated requirements in service agreements and established largely effective processes to assess service provider performance. Engagement with service providers and management of projects risks are partly effective.

- ▶ DAWE's monitoring and reporting of program outcomes is partly effective. DAWE has developed an effective framework but has not yet reported progress as required by the framework.

What did we recommend?

- ▶ Four recommendations were made to DAWE.

- ▶ DAWE agreed to four recommendations.

$263.4 m

Amount spent on services as at 30 June 2021, comprising 59 per cent of total RLP program budget.

2999

Number of RLP project services being delivered over the term of the program.

22

Number of RLP projects completed as at 9 September 2021.

Summary and recommendations

Background

1.   The Regional Land Partnerships (RLP) program is a major component of the National Landcare Program Phase Two. The RLP program is funded through the Natural Heritage Trust of Australia Account, established under the *Natural Heritage Trust of Australia Act 1997* (NHT Act). The RLP program is providing $450 million over five years from 2018–19 to 2022–23 for services that contribute to the achievement of four environmental and two agricultural outcomes.

2.   Fifty service providers have been contracted to deliver 225 projects in 54 regions across Australia. The program comprises 159 environment projects and 66 agriculture projects. Twenty-two projects have been completed as at 9 September 2021.

Rationale for undertaking the audit

3.   Effective management of Australia's environment and natural resources is important to ensure conservation of nationally and internationally significant species, ecological communities, and heritage values. Sustainable land management practices support increased agricultural productivity with reduced environmental impact.

4.   Previous Auditor-General reports examining the delivery of Natural Resource Management (NRM) activities have identified issues such as the clarity of assessment and selection processes, the implementation of risk-based compliance strategies, and performance monitoring.[1] This audit examined the Department of Agriculture, Water and the Environment's (DAWE) effectiveness in implementing the RLP program. It provides assurance over the RLP program's value for money, governance and monitoring arrangements, and the delivery of intended outcomes.

Audit objective and criteria

5.   The objective of the audit was to examine DAWE's effectiveness in implementing the RLP program.

6.   To form a conclusion against this objective, the following high-level criteria were adopted:

- Did the procurement processes support the achievement of value for money?
- Does the department effectively manage service provider performance?
- Does the department effectively monitor achievement of program outcomes?

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1   See, for example: Auditor-General Report No.31 2006–07 *The Conservation and Protection of National Threatened Species and Ecological Communities*; Auditor-General Report No.21 2007–08 *Regional Delivery Model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality*; Auditor-General Report No.10 2014–15 *Administration of the Biodiversity Fund Program*; Auditor-General Report No.4 2016–17 *Award of Funding under the 20 Million Trees Programme*; and Auditor-General Report No.32 2017–18 *Funding Models for Threatened Species Management*.

7.   The audit focused on DAWE's administration of the RLP program. The audit did not examine the outcome of National Landcare Program Phase One or National Landcare Program Phase Two's other sub-programs.[2]

Conclusion

8.   DAWE's implementation of the RLP program is partly effective. Progress has been made since previous NRM programs in establishing frameworks and processes to measure and report on the achievement of outcomes. However, DAWE's implementation has not yet met the intent of the framework.

9.   The procurement processes supported the achievement of value for money. However, the probity framework developed for the RLP program could have been implemented more effectively.

10.   DAWE's management of service provider performance is partly effective. Program requirements are adequately specified in services agreements and project work orders. Management of service provider performance occurs through engagement activities that are not well-documented, and assurance activities that have identified a high rate of non-compliance. Management of service provider performance is not informed by risk.

11.   DAWE's monitoring and reporting of program outcomes is partly effective. DAWE has developed a framework for monitoring and reporting progress towards achievement of program outcomes. However, it is not clear how many projects have established baseline data, DAWE has not reported progress as required by the framework, and the risks associated with demonstrating achievement of program outcomes have not been managed effectively.

Supporting findings

Procurement processes

12.   The approved projects align with the program outcomes. Program logics were developed to support alignment of projects and services with each program outcome. Project designs were assessed by DAWE to determine how they contributed to the program outcomes.

13.   DAWE largely complied with the Commonwealth Procurement Rules. Each of the five procurement processes were guided by approved procurement plans. Approaches to market met the relevant content and timing requirements. DAWE documented reasons for undertaking the one limited tender process. While DAWE established clear probity frameworks, it did not implement the frameworks effectively.

14.   The procurement processes were conducted in accordance with the tender evaluation plans. Screening reports were approved for each tender. Each compliant tender's project designs, financial viability, and pricing were assessed and rated against relevant criteria.

15.   Management of procurement risks was largely appropriate. A risk assessment was undertaken for each of the five procurements. Risk treatments identified to reduce risk ratings

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2   For a list of other sub-programs under Phase Two of the National Landcare Program, see Department of Agriculture, Water and the Environment, *National Landcare Program Phase Two* [Internet], http://www.nrm.gov.au/national-landcare-program [accessed 15 November 2021].

were largely implemented but risk assessments were not updated accordingly. Two risk assessments were not appropriately updated and adapted to their respective procurements.

Service provider performance

16.   DAWE has a services agreement with each of the 50 service providers selected to deliver services under the RLP program. Program requirements are adequately specified in the services agreements and project work orders that are executed under the services agreements.

17.   DAWE has established largely effective processes for assessment of service provider deliverables. A process is in place to assess and approve core service plans that are submitted by service providers, however not all submitted plans have been approved. The process to assess project deliverables was amended from July 2021, however guidance materials do not clearly reflect this change.

18.   Review of service provider reporting for accuracy occurs through assurance activities for a selection of projects, which show high levels of inaccuracies and issues with providing evidence of service delivery as reported. Engagement with service providers to manage these risks and address compliance issues is not well-documented.

19.   Management of project risks is partly effective. Service providers are required to assess risks relating to the delivery of their projects. DAWE project managers do not use this information to inform contract management activities, and have not assessed the risks of the projects they manage. The RLP Contracts Assurance Section has recently assessed the financial risks of projects and service providers to guide its assurance activities.

Monitoring and reporting on program outcomes

20.   It is not clear whether baseline data has been established for all projects. Baseline data services are not clearly identified, making accurate reporting difficult. Service providers have reported that they can quantify the level of achievement against a baseline for all short-term outcome statements in 128 projects (64 per cent), out of 200 reports submitted to 9 September 2021.

21.   DAWE's management of program risks is partly effective. There is no formal mechanism for recording consultation and decisions made on program risks. A risk assessment document is maintained and provided quarterly to the responsible Senior Executive Service officer. It is not clear how this risk assessment is reviewed and updated, and the reasons for changes are not well-documented.

22.   DAWE has not met the requirement to report annually on project deliverables. DAWE received project outcomes reports from service providers in July 2021, and is collating the results to report against program outcomes in November 2021.

Recommendations

Recommendation no. 1 **Paragraph 3.64**	For future programs, Department of Agriculture, Water and the Environment establish processes to improve the effectiveness of relationship management arrangements — for example, by: • engaging in regular discussions of project risks; • adapting the frequency of engagement to service providers' risk profiles; and • ensuring that records of engagement are captured in a consistent manner. **Department of Agriculture, Water and the Environment response:** *Agreed*.
Recommendation no. 2 **Paragraph 3.78**	Department of Agriculture, Water and the Environment implement a process to manage project risks that: • incorporates risks relating to project delivery and compliance; • is regularly reviewed and updated to reflect changing risk profiles; and • is used to inform project management activities and reporting to the executive. **Department of Agriculture, Water and the Environment response:** *Agreed*.
Recommendation no. 3 **Paragraph 4.11**	The Department of Agriculture, Water and the Environment: • determine whether an appropriate baseline has been established for each project; and • assess the risks associated with the outcome statements that cannot be measured against a baseline. **Department of Agriculture, Water and the Environment response:** *Agreed*.
Recommendation no. 4 **Paragraph 4.28**	The Department of Agriculture, Water and the Environment implement a process to manage program risks that: • is informed by project risk assessments and compliance data; and • documents the monitoring and review process, including the rationale for and authorisation of changes. **Department of Agriculture, Water and the Environment response:** *Agreed*.

Summary of the Department of Agriculture, Water and the Environment's response

The Department of Agriculture, Water and the Environment welcomes the findings of the performance audit of the Regional Land Partnerships program including that the procurement processes supported the achievement of value for money, the requirements are clearly articulated in services agreements, and the department has established largely effective processes for assessment of service provider deliverables. The Report acknowledges the progress that has been made in addressing issues identified in previous Auditor-General reports examining the delivery of Natural Resource Management activities. The Department is committed to continuous improvement in program design and delivery. The recommendations and suggestions from this audit will guide further improvements in administrative and management practices.

Key messages from this audit for all Australian Government entities

23.   Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Procurement
- Entities should ensure any declared conflicts of interests are managed appropriately. Clear records documenting steps taken to manage declared interests should be kept to ensure transparency and accountability in the procurement process.

Governance and risk management
- Where risk management occurs at different organisational levels, establishing an overarching framework can help ensure that the assessment, control, and monitoring of key risks are effective and cohesive at all levels, including the system or program level.

Contract management
- Where there is heavy reliance on the accuracy of service provider reporting, the process for assessment and review of evidence of service deliverables should be consistent and risk-based. This ensures entities are assured of quality and completeness of key deliverables prior to processing payment.

- When transitioning a long-standing program from grants to a procurement model, entities should ensure that they have appropriate governance and assurance arrangements in place to manage the delivery of contractual requirements. Contract performance should be closely monitored to make sure that the service provider is delivering services under the terms and conditions of the new contract.

Performance and impact measurement
- Where the intended benefits of a program are projected to be realised over a long period, entities should describe what the intended benefits are and how they could be measured. DAWE's use of program logics is a good example of this.

- Entities collecting performance data from service providers should validate the accuracy of data early in the collection cycle or as soon as practicable. Validation methodology should consider the size of the program, the key risks to data accuracy, and importance of performance data in influencing future Commonwealth investment in the relevant area.

Audit findings

1. Background

Introduction

The Regional Land Partnerships program

1.1   The Regional Land Partnerships (RLP) program is a major component of the National Landcare Program Phase Two.[3] The RLP program is providing $450 million over five years from 2018–19 to 2022–23 for services that contribute to the achievement of six outcomes under Australian Government responsibilities (see Table 1.1).

Table 1.1:   Regional Land Partnerships program five-year outcomes

Environment outcomes	
Outcome 1	By 2023, there is restoration of, and reduction in threats to, the ecological character of Ramsar sites[a], through the implementation of priority actions.
Outcome 2	By 2023, the trajectory of species targeted under the Threatened Species Strategy[b], and other *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) priority species[c], is stabilised or improved.
Outcome 3	By 2023, invasive species management has reduced threats to the natural heritage Outstanding Universal Value of World Heritage properties[d] through the implementation of priority actions.
Outcome 4	By 2023, the implementation of priority actions is leading to an improvement in the condition of EPBC Act listed Threatened Ecological Communities.[e]
Agriculture outcomes	
Outcome 5	By 2023, there is an increase in the awareness and adoption of land management practices that improve and protect the condition of soil, biodiversity and vegetation.
Outcome 6	By 2023, there is an increase in the capacity of agriculture systems to adapt to significant changes in climate and market demands for information on provenance and sustainable production.

Note a: Ramsar sites refer to wetlands protected under the Convention on Wetlands of International Importance (the Ramsar Convention). Australia has 65 Ramsar sites covering more than 8.3 million hectares.

Note b: The Threatened Species Strategy outlines key action areas and target measures to halt the decline of Australia's threatened species and support their recovery.

Note c: The EPBC Act identifies threatened species as: extinct; extinct in the wild; critically endangered; endangered; vulnerable; or conservation dependent.

Note d: World Heritage Lists are maintained by the United Nations Educational, Scientific and Cultural Organization (UNESCO). Australia has 20 properties on the World Heritage List.

Note e: The EPBC Act lists threatened ecological communities under the categories: critically endangered; endangered; or vulnerable.

Source: Department of Agriculture, Water and the Environment.

1.2   The RLP program is funded through the Natural Heritage Trust of Australia Account (NHT Account), established under the *Natural Heritage Trust of Australia Act 1997* (NHT Act).[4] The Natural

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3   The National Landcare Program is administered by the Department of Agriculture, Water and the Environment (DAWE) and provides funding to deliver various environmental and agricultural programs. Phase One delivered $1 billion from 2014–15 to 2017–18. Phase Two is delivering approximately $1 billion from 2018–19 to 2022–23.

4   The Natural Heritage Trust of Australia Account provides funding for a number of programs relating to environmental protection and sustainable resources management as specified in the NHT Act.

Heritage Ministerial Board, which comprises the Environment Minister and the Agriculture Minister, supports the design and delivery of the program. The Department of Agriculture, Water and the Environment (DAWE) administers the program, supports the Board, and delivers program governance, risk management, and financial reporting in accordance with the NHT Act.[5]

1.3   The Joint Executive Committee (JEC) provided oversight of the RLP program from August 2017.[6] Membership comprised nine executive representatives from the Department of the Environment and Energy (DoEE) and the Department of Agriculture and Water Resources (DAWR). In March 2020, following the Machinery of Government changes that merged the two departments into DAWE, the JEC was superseded by the RLP Management Committee. The new committee retained membership from environment and agriculture divisions of DAWE and met until July 2020.[7] Ongoing management and oversight of the RLP program is currently provided by the First Assistant Secretary, Biodiversity Conservation Division.

1.4   RLP program services are being delivered in 54 management units across Australia.[8] Each management unit represents a catchment area or geographical region. Management units are based on existing natural resource management (NRM) regions, which were established in 2002–03 under the Natural Heritage Trust program (see Figure 1.1). Each region is overseen by an NRM organisation, which are regional bodies responsible for the delivery of various regional NRM initiatives, including the RLP program.

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5   Initially, the program was jointly administered by the Department of Environment and Energy (DoEE) and the Department of Agriculture and Water Resources (DAWR). Machinery of Government changes in February 2020 combined the two departments into the Department of Agriculture, Water and the Environment (DAWE). This report refers to DAWE, except where it is necessary to identify DoEE or DAWR specifically.

6   The JEC dealt with the oversight, issues and risks relating to the delivery of the National Landcare Program Phase Two. It also acted as a forum for information sharing about NRM policies.

7   The executives in the Biodiversity Conservation Division determined that committee oversight was no longer required as the program was established, and ongoing management would be the responsibility of one branch.

8   The RLP program covers 54 of 56 management units. Separate arrangements have been implemented for the Torres Strait and Marine management units. See paragraph 2.6.

Figure 1.1:   NRM regions across Australia
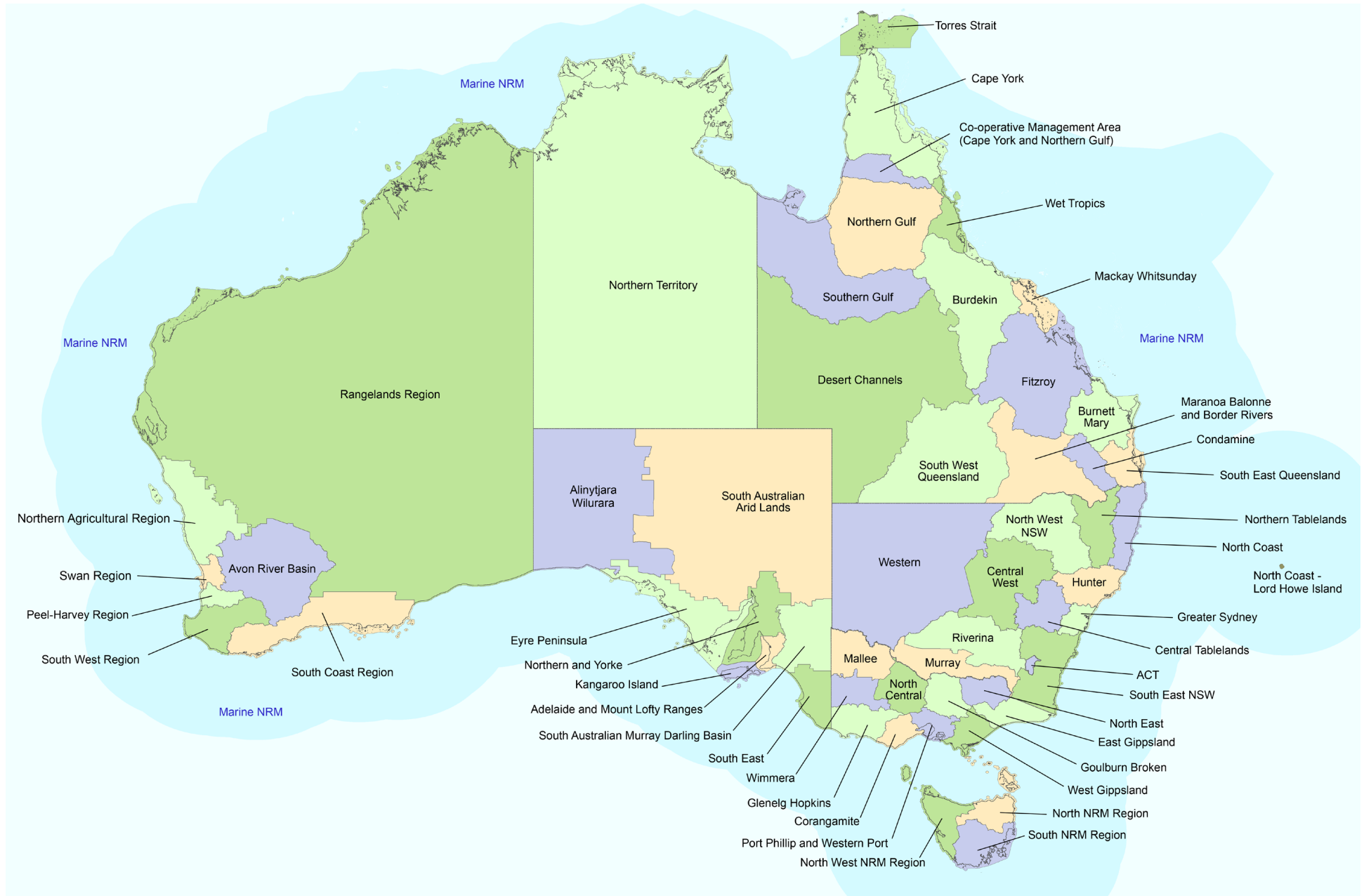
Source: Department of Agriculture, Water and the Environment.

The procurement approach

1.5   Previous NRM initiatives, including Phase One of the National Landcare Program, were primarily delivered through grants programs.[9] Parliamentary reviews and ANAO audits of these initiatives raised findings relating to lack of meaningful performance information, difficulties in demonstrating value for money, and poorly defined and coordinated targets and priorities.[10]

1.6   In response to the findings of these reviews and audits, the Australian Government proposed an open procurement approach to deliver the RLP program. This approach was intended to provide greater clarity and transparency on purchases, reporting of services delivered, and project outcomes.[11]

1.7   The procurement of service providers for the RLP program involved five tenders conducted between December 2017 and June 2019. At the conclusion of the procurement process, DAWE had executed 50 services agreements to deliver 225 projects in 54 management units.[12]

1.8   The contractual arrangement for the RLP program comprises an overarching services agreement with each service provider, with work orders separately executed under the agreement for each project.

- Services agreements specify the 'core services' that are to be delivered by the service providers for the duration of the program for each management unit. These include NRM planning for the management unit, community engagement activities, and delivery and monitoring of projects.
- Project work orders specify project-specific requirements, including project service deliverables for each project. Examples of deliverables include number of hectares treated for weeds, number of community engagement workshops, and kilometres of fencing installed.

Regional Land Partnerships projects

1.9   Of the 225 projects funded under the RLP program, 159 are environment projects (addressing Outcomes 1, 2, 3 and 4) and 66 are agriculture projects (addressing Outcomes 5 and 6). Twenty-two projects have been completed as at 9 September 2021, comprising:

- 17 projects in 2019 (five of which were agriculture projects);
- three projects in 2020; and

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9   National Landcare Program Phase One comprised over 26 sub-programs, delivered through grants and procurements.

10   For an overview of previous NRM initiatives and results of their reviews, see Senate Standing Committee on Environment and Communications, Parliament of Australia, *National Landcare Program*, March 2015, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/landcare/Report [accessed 15 November 2021].

11   Department of Agriculture, Water and the Environment, *Regional Land Partnerships consultation* [Internet], available from http://www.nrm.gov.au/regional-land-partnerships/consultation [accessed 15 November 2021].

12   There are 50 service providers contracted to deliver services under the RLP program. Two service providers manage multiple management units under one contract. One service provider manages multiple management units under separate contracts. Appendix 3 provides a list of service providers and number of projects in each management unit.

• two projects in June 2021 (one agriculture project).

1.10   RLP projects cover a range of activities that support achievement of the six program outcomes. For example: controlling pests such as weeds and feral animals; revegetating habitats; establishing breeding sites and populations; increasing water and soil quality; and increasing understanding of sustainable land management practices.

1.11   Service providers nominate one of the six RLP program outcomes towards which their project will principally contribute. These are called the primary outcomes (see Figure 1.2).

Figure 1.2:   Regional Land Partnerships projects by primary outcome
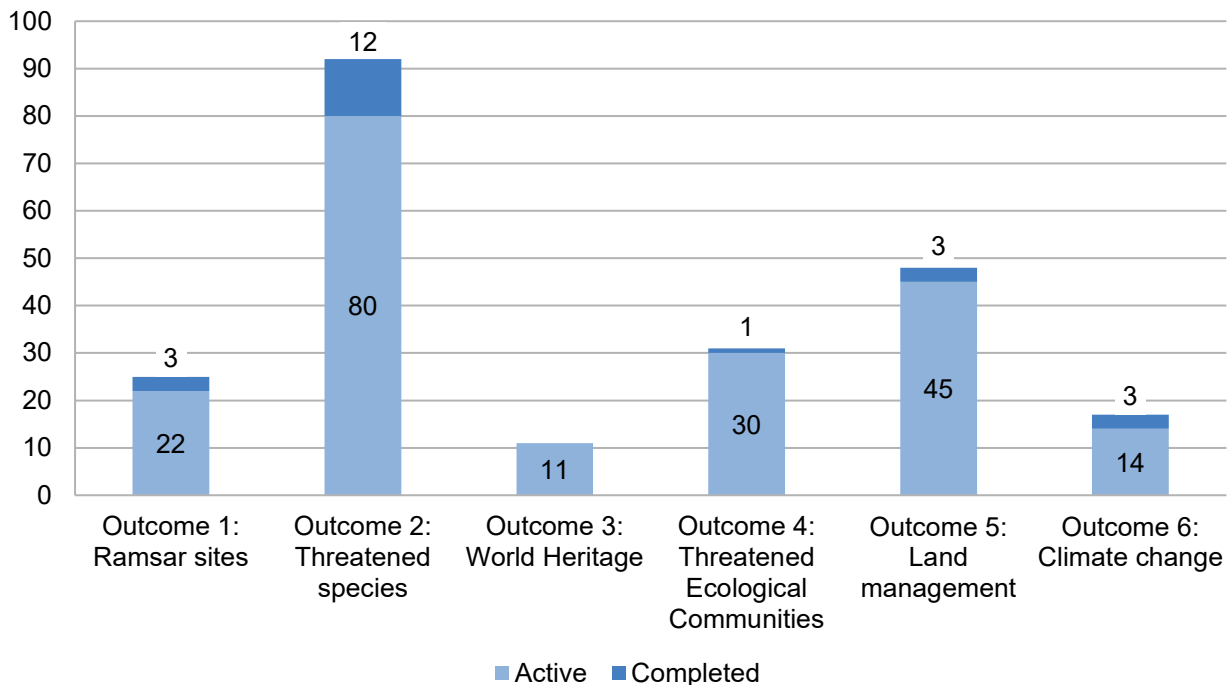
Source: ANAO analysis of RLP data.

1.12   DAWE reported that as at 30 June 2020, the total contract value of the 225 projects was $448.6 million.[13] As at 30 June 2021, $263.4 million (59 per cent) has been spent on services delivered under the contracts.

1.13   A budget of $49.2 million over 2018–19 to 2022–23 was allocated from the NHT Account to the departments for the administration of the RLP program, with:

• $39 million allocated to DoEE, comprising Average Staffing Level (ASL) funding of $32.3 million and professional services funding of $6.7 million; and

• $10.2 million allocated to DAWR, comprising ASL funding of $4 million and professional services funding of $6.2 million.

Rationale for undertaking the audit

1.14   Effective management of Australia's environment and natural resources is important to ensure conservation of nationally and internationally significant species, ecological communities,

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13   Department of Agriculture, Water and the Environment, *Annual Report 2019–2020,* p. 69.

and heritage values. Sustainable land management practices support increased agricultural productivity with reduced environmental impact.

1.15   Previous Auditor-General reports examining the delivery of NRM activities have identified issues such as the clarity of assessment and selection processes, the implementation of risk-based compliance strategies, and performance monitoring.[14] This audit examined DAWE's effectiveness in implementing the RLP program. It provides assurance over the RLP program's value for money, governance and monitoring arrangements, and the delivery of intended outcomes.

Audit approach

Audit objective, criteria and scope

1.16   The objective of the audit was to examine DAWE's effectiveness in implementing the RLP program.

1.17   To form a conclusion against this objective, the following high-level criteria were adopted:

•   Did the procurement processes support the achievement of value for money?

•   Does the department effectively manage service provider performance?

•   Does the department effectively monitor achievement of program outcomes?

1.18   The audit focused on DAWE's administration of the RLP program. The audit did not examine the outcome of National Landcare Program Phase One or National Landcare Program Phase Two's other sub-programs.[15]

Audit methodology

1.19   The audit methodology included:

•   examination of DAWE documentation;

•   assessment of DAWE processes; and

•   interviews with relevant DAWE staff.

1.20   The ANAO received 18 submissions from the public via the citizen contribution facility on the ANAO website. Key points from the submissions are summarised in Appendix 4.

1.21   The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately $356,500.

1.22   The team members for this audit were Jennifer Myles, Se Eun Lee, Aden Pulford, Michael White and Corinne Horton.

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14   See, for example: Auditor-General Report No.31 2006–07 *The Conservation and Protection of National Threatened Species and Ecological Communities*; Auditor-General Report No.21 2007–08 *Regional Delivery Model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality*; Auditor-General Report No.10 2014–15 *Administration of the Biodiversity Fund Program*; Auditor-General Report No.4 2016–17 *Award of Funding under the 20 Million Trees Programme*; and Auditor-General Report No.32 2017–18 *Funding Models for Threatened Species Management*.

15   For a list of other sub-programs under Phase Two of the National Landcare Program, see Department of Agriculture, Water and the Environment, *National Landcare Program Phase Two* [Internet], available from http://www.nrm.gov.au/national-landcare-program [accessed 15 November 2021].

2. Procurement processes

Areas examined

This chapter examines whether the procurement processes conducted by the Department of Agriculture, Water and the Environment (DAWE) supported the achievement of value for money.

Conclusion

The procurement processes supported the achievement of value for money. However, the probity framework developed for the RLP program could have been implemented more effectively.

Areas for improvement

The ANAO made suggestions for improvement relating to the management of conflicts of interest and ensuring that risk assessment templates are appropriately adapted to reflect risk information for each procurement.

2.1   Paragraph 4.4 of the Commonwealth Procurement Rules (CPRs) states that 'officials responsible for a procurement must be satisfied, after reasonable enquiries, that the procurement achieves a value for money outcome'.[16]

2.2   To assess whether the procurement processes met this requirement, the ANAO examined whether:

- the approved projects align with the program outcomes;
- the procurements complied with the CPRs;
- the procurement processes were conducted in accordance with the tender evaluation plans; and
- procurement risks were managed appropriately.

Do the approved projects align with the program outcomes?

The approved projects align with the program outcomes. Program logics were developed to support alignment of projects and services with each program outcome. Project designs were assessed by DAWE to determine how they contributed to the program outcomes.

The procurement processes

2.3   The procurement of service providers for the RLP program involved five tenders conducted between December 2017 and June 2019.[17] The initial open tender received 44 submissions that complied with the tender requirements.[18] The submissions comprised one response for each

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16   Department of Finance, *Commonwealth Procurement Rules,* 14 December 2020, paragraph 4.4, available from https://www.legislation.gov.au/Details/F2020L01519 [accessed 15 November 2021].

17   The Department of the Environment and Energy (DoEE) had primary responsibility for the development of the tender documentation, receipt of tender proposals, and coordination of the procurement process. The Department of Agriculture and Water Resources (DAWR) liaised and assisted with the process as required. This report refers to DAWE, except where it is necessary to identify DoEE or DAWR specifically.

18   One tender submission was excluded in the screening stage for non-compliance with the minimum tender requirements.

management unit, with one respondent applying for multiple management units as a consortium. Of the 44 responses, 39 tenders were assessed to be suitable, covering all states and territories except for Queensland and two of three management units in Tasmania.

2.4   As the initial tender did not achieve its intended purpose of procuring a service provider for each of the 56 management units, four subsequent tenders were undertaken (see Table 2.1).

Table 2.1:   Summary of subsequent tender processes

Management units	Result from Initial Tender	Subsequent tender process
Queensland Limited Tender		
Ten management units in Queensland: • Burdekin • Burnett Mary • Cape York • Desert Channels • Fitzroy • Mackay Whitsunday • South East Queensland • Southern Gulf • Wet Tropics • Northern Gulf	Thirteen NRM organisations in Queensland submitted a single tender as a consortium for 13 management units in Queensland. The consortium bid was found unsuitable, but individual NRM organisations listed as 'key subcontractors' for nine management units were identified as potentially suitable service providers.	• A limited tender process was undertaken to engage nine potentially suitable service providers for the relevant management units. • An additional management unit was included in the scope of the limited tender, as two of the nine key subcontractors merged with the subcontractor for the tenth management unit to provide services to three management units.[a] • This resulted in eight service providers being procured for 10 management units in Queensland.
Southern Queensland Tender		
Three management units in Queensland: • Maranoa Balonne and Border Rivers • Condamine • South West Queensland	Thirteen NRM organisations in Queensland submitted a single tender as a consortium for 13 management units in Queensland. The consortium bid was found unsuitable and no suitable tenderer or key subcontractor was identified for these management units.	• Three NRM organisations in Southern Queensland merged and formed a new entity in August 2018. • The new organisation tendered for and was procured to provide services for three management units in Southern Queensland.
North West Tasmania Tender and South Tasmania Tender		
Two management units in Tasmania: • North West NRM • South NRM	Two NRM organisations submitted tenders for their respective management units. No suitable tenderer or key subcontractor was identified.	• The two NRM organisations in Tasmania underwent significant reforms in late 2018 to early 2019 to improve governance structures and capacity to deliver projects. • The reforms were facilitated by the Tasmanian Government and supported by $600,000 from the Australian Government.[b] • The two reformed NRM organisations tendered for and

| Management units	Result from Initial Tender	Subsequent tender process
		were contracted to deliver services in their respective management units in Tasmania.

Note a: DAWE determined that this arrangement could address concerns with the previously unsuitable tenderer's performance and improve effectiveness and efficiency of services to the three regions.

Note b: This was provided from the Natural Heritage Trust of Australia Account as financial assistance to a state in accordance with section 96 of the Constitution.

Source: ANAO summary of tender processes.

2.5   Figure 2.1 outlines the timeline of the procurements.

Figure 2.1:   Timeline of the procurements
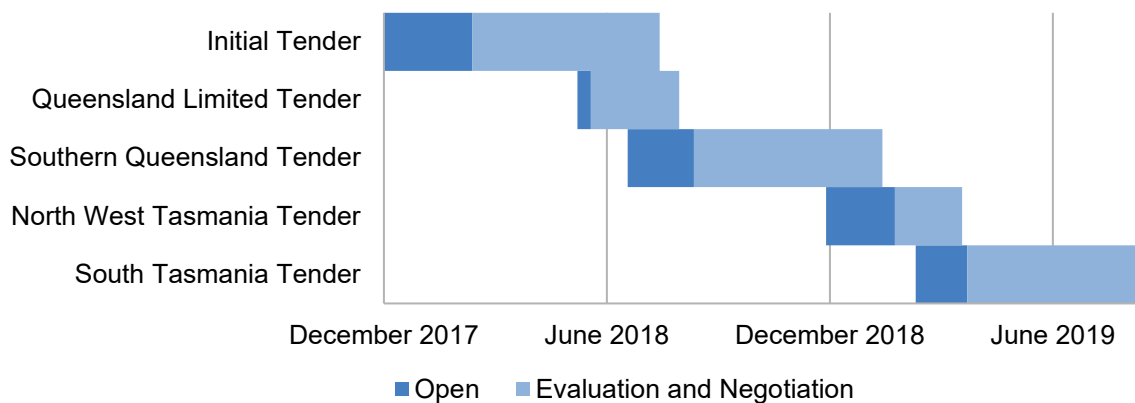
Source: ANAO analysis of DAWE records.

2.6   At the conclusion of the five procurements, DAWE had contracted a service provider for 54 of the 56 management units. DAWE did not contract service providers for the Torres Strait and Marine management units. The National Landcare Program website notes that 'separate arrangements are in place for the Torres Strait and Marine management units to support natural resource and environment projects, recognising the unique circumstances characterised by these areas.'[19]

2.7   DAWE used similar assessment and selection processes for the five procurements. This process is illustrated at Figure 2.2. The key participants in the tender evaluation process included:

- NHT delegate — responsible for the approval of the procurement plan, screening report, and draft and final tender evaluation reports;

- RLP Tender Steering Committee — provided general oversight and quality assurance of the tender evaluation process and the project allocation process; and

- tender evaluation panels — responsible for evaluation and scoring of tenders against the evaluation criteria.

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19   Department of Agriculture, Water and the Environment, *Regional Land Partnerships* [Internet], http://www.nrm.gov.au/regional-land-partnerships [accessed 15 November 2021].

The tenderers for the two management units received grants instead: OceanWatch for the Marine management unit through an open grant process; and the Torres Strait Regional Authority for the Torres Strait management unit through a discretionary grant.

2.8   The tender evaluation process was conducted concurrently with the project allocation process, which identified the initial list of projects to commence under the RLP program (see paragraphs 2.12–2.20).

Figure 2.2:   Tender evaluation and project allocation process
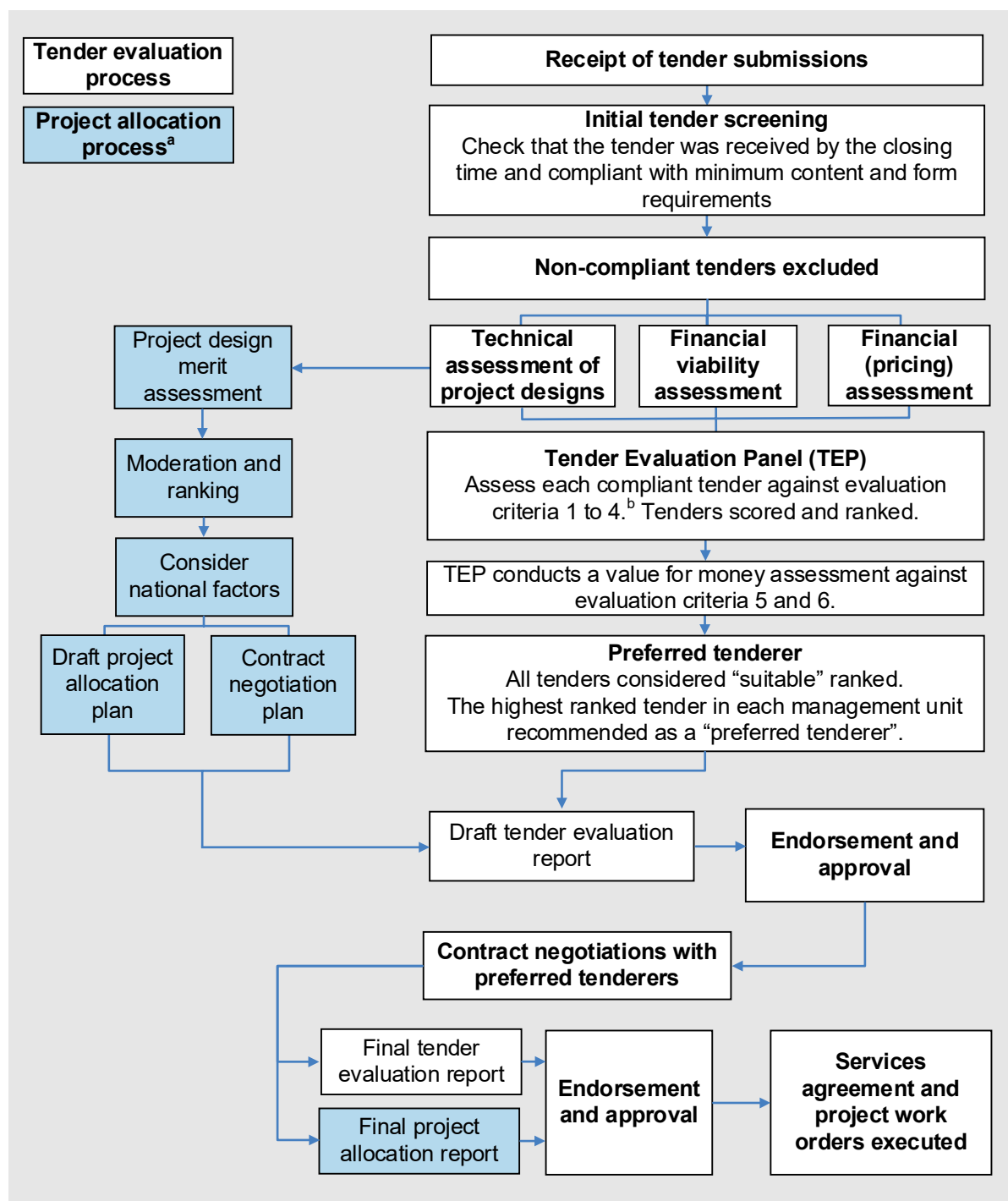
Note a: The figure illustrates stage one of the project allocation process. There were two subsequent stages that resulted in more projects being procured. See paragraph 2.15.

Note b: The tender evaluation criteria were: knowledge of natural resource management; capability and capacity to deliver core services; capability and capacity to deliver project services; experience; price; and risk.

Source: ANAO summary of DAWE processes.

Program logic

2.9   In June 2018, DAWE developed a high-level program logic for each of the six program outcomes as part of the RLP Evaluation Plan.[20] The RLP Evaluation Plan states that the program logics were developed to support consistent alignment of all projects and services with the program outcomes, from the tender process to the reporting and evaluation activities.

2.10   The program logics provide guidance on:

- core services and project services that are expected to contribute to the achievement of each program outcome; and

- monitoring data required to demonstrate progress towards achievement of program outcomes (Figure 2.3).[21]

Figure 2.3:   Program logic structure
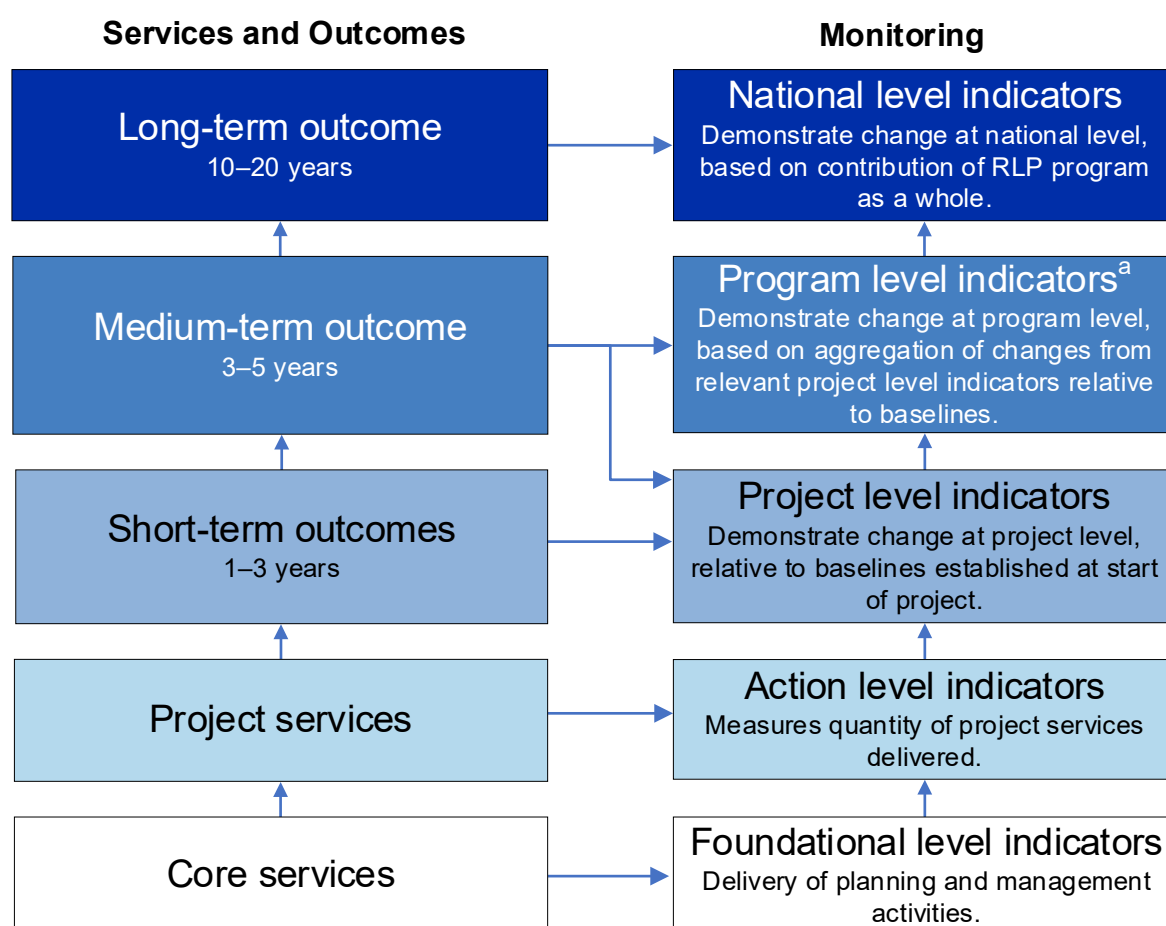
Note a: Outcome 5 refers to 'Condition indicators' and Outcome 6 refers to 'Adaptation indicators'.
Source: ANAO analysis of RLP program logic.

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20   The RLP Evaluation Plan was developed by RM Consulting Group.
21   Monitoring activities are examined in more detail in Chapter 4.

2.11   The ANAO assessed the program logics to determine whether there was a logical progression from project services to the achievement of program outcomes. All program logics were assessed as supporting the achievement of each outcome. The program logics for Outcomes 1 to 4 incorporate information relating to threats and treatments outlined in relevant plans and strategies such as recovery plans. The linkages and assumptions in the program logics for Outcomes 5 and 6 support the adoption of improved land management practices and adaptation.

Alignment of projects with program outcomes

2.12   During the procurement, tenderers were required to submit, for at least one environment outcome and one agriculture outcome:

- detailed project designs for projects proposed to commence in year one of the program; and

- high-level project proposals for projects proposed to commence in years two to five of the program.

2.13   A project allocation process based on these project designs was conducted parallel to the tender evaluation process (see Figure 2.2). The key participants in the project allocation process included:

- RLP Tender Steering Committee — which provided general oversight and quality assurance of the tender evaluation process and the project allocation process;

- technical advisers — responsible for assessing project designs and project proposals to ensure that they are technically and scientifically sound;

- project assessors — assessed and scored project designs submitted by tenderers against the project evaluation criteria;

- National Allocation Review Team (NART) — reviewed the projects as assessed by the project assessors, with a view to recommending projects that represent value for money at a whole of program level; and

- project allocation coordinators — assisted project assessors and the NART to complete their work within the timeframe.

2.14   The aim of the project allocation process was to identify preferred projects to be contracted, taking into account:

- the suitability of projects with reference to the relevant Commonwealth plans and strategies, such as recovery plans or heritage strategies;

- the merit of individual project designs; and

- the broader objectives of the RLP program.

2.15   The project allocation process involved three stages (see Table 2.2).

Table 2.2:   Three stages in project allocation

Stage	Description
Stage 1	Evaluation of the detailed project designs submitted by tenderers, with a view to determining projects that would be contracted to commence in year one of the program.
Stage 2	Evaluation of the high-level project proposals submitted by tenderers and any project designs from Stage 1 that were not contracted, to identify projects that could be developed into detailed project designs.
Stage 3	Evaluation of additional project designs developed in Stage 2 with a view to determining projects that would be contracted to commence in years two to five of the program.

Source: ANAO summary of DAWE process.

2.16   All three stages involved merit assessment against the following project evaluation criteria:

- technical merit and methodology (including consideration of how the project will contribute to primary outcome[22] and investment priority[23]);

- contribution to secondary outcomes and investment priorities;

- community engagement and partnerships; and

- Indigenous participation.

2.17   Project assessors scored the projects against each criterion and rated each project based on project risk and value for money.

2.18   The final scores and ratings, along with a list of 114 recommended top-scoring projects in each management unit, were provided to the NART. NART reviewed the project designs to determine which combination of projects was best suited to achieving the intended outcomes and provide value for money at a national scale. National factors considered by the NART include whether the proposed combination of projects:

- were within the yearly and overall budget for RLP;

- broadly aligned with the indicative split of funding between core services and the six outcomes; and

- allowed for distribution of funds between management units to support viability of service providers.

2.19   In Stage 1 of the project allocation process, the NART review resulted in changes to the list of recommended projects for 67 projects. NART's recommendations were reviewed by the Steering Committee, who suggested further changes to eight projects to reduce transition issues likely to result from significant change in funding levels from previous NRM programs.

2.20   NART provided its final recommendation to the delegate in a draft project allocation report. The draft project allocation reports were approved by the delegate prior to the contract negotiation stage, and then finalised for approval prior to the execution of project work orders.

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22   Service providers nominate one of the six RLP program outcomes towards which their project will principally contribute. These are the primary outcomes. The project may optionally nominate additional outcomes that could be supported through the project. These are called secondary outcomes.

23   Service providers nominate an investment priority for each outcome — for example, a project with Outcome 2 (threatened species) as a primary or secondary outcome may identify a particular priority species that the project will focus on.

Project logic alignment with program outcomes

2.21   Service providers were required to develop project plans for projects selected during the project allocation process. These project plans included a project logic, which outlined how the services to be delivered under the project would contribute to program outcomes. The plans were attached to the project work orders and became part of the services agreements after approval.

2.22   The ANAO assessed a sample of 39 project logics out of 225 projects for alignment with the program outcomes.[24] While the presentation of outputs, outcomes and monitoring indicators varied considerably, all project logics tested aligned with the program outcomes. Alignment was further supported by additional material included in project plans.[25]

Did the procurements comply with the Commonwealth Procurement Rules?

DAWE largely complied with the CPRs. Each of the five procurement processes were guided by approved procurement plans. Approaches to market met the relevant content and timing requirements. DAWE documented reasons for undertaking the one limited tender process. While DAWE established clear probity frameworks, it did not implement the frameworks effectively.

2.23   The CPRs identify mandatory requirements with which Commonwealth officials must comply when undertaking procurement activities. DAWE has an internal procurement policy that outlines requirements for staff when applying the CPRs. The ANAO examined whether DAWE complied with all mandatory requirements under the CPRs.

Compliance with the Commonwealth Procurement Rules

2.24   DAWE developed a procurement plan for each of the five procurement processes. The procurement plans outlined the procurement scope, estimated value, and procurement methodology. A probity plan (see paragraph 2.29) and a risk assessment (see paragraphs 2.44–2.51) were included in each procurement plan. The procurement plans were approved by the delegate prior to the release of the tender documents.

2.25   Approaches to market met the relevant content and timing requirements under the CPRs.[26] The tender evaluation processes were conducted in accordance with the tender evaluation plans developed for each procurement. This is examined in more detail at paragraphs 2.35–2.39.

2.26   The CPRs outline specific circumstances in which an entity can conduct a limited, rather than open, tender process.[27] DAWE received advice from legal and probity advisers prior to conducting

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24   For each program outcome, one project was randomly selected in each state and territory. Where there were no projects in that jurisdiction with that outcome as the primary outcome, none were selected.

25   For example, project plans contain more detailed project description, methodology, monitoring approach, and project service targets that elaborate on how the delivery of certain project services will support the achievement of program outcomes.

26   Content requirements are outlined in paragraph 10.6 of the CPRs. Timing requirements are outlined in paragraphs 10.20–10.27.

27   Department of Finance, *Commonwealth Procurement Rules*, paragraph 10.3.

the Queensland Limited Tender. The procurement plan documented the rationale for conducting a limited tender, which complies with the CPRs.

2.27   The ANAO identified five instances of non-compliance with the mandatory requirements under the CPRs (see Table 2.3).

Table 2.3:   Non-compliance with Commonwealth Procurement Rules

CPR paragraph no.[a]	CPR requirement	Reason for non-compliance
6.6a	Recognising and dealing with actual, potential and perceived conflicts of interest	Not all staff involved in the tender evaluations completed a conflict of interest declaration. There is limited evidence that declared interested were considered or managed. See paragraphs 2.28–2.34.
7.16	Report contracts and amendments on AusTender within 42 days of entering into, or amending, a contract	Of the 381 contracts and amendments listed against the five tenders, 53 (14 per cent) were not reported on AusTender within 42 days.
7.21	Treat submissions as confidential before and after the award of a contract	Not all tender submissions were treated as confidential after contracts were awarded as required by the confidentiality requirements in the tender evaluation plans. DAWE appropriately restricted access to tender submissions during the tender process. However, after the contracts were awarded the documents were moved to the departmental records management system, which allows open access to departmental staff.
10.6e	Any other terms or conditions relevant to the evaluation of submissions	The list of investment priorities circulated to tenderers did not include two species on the internal investment priorities list used in the tender evaluation: • the Australian Bittern was not included in the ACT management unit; and • the Eastern Curlew was not included in the Mallee management unit.[b]
10.33	Provide equitable opportunity to correct unintentional errors of form in tender submissions	Two responses to the Initial Tender, tendering for different management units, included hyperlinks to external material, in breach of tender requirements. One tenderer was allowed to resubmit the hyperlinked material in an acceptable form and one tenderer was not.[c]

Note a: Paragraph numbers refer to the version of the CPRs that commenced on 1 January 2018, which was in force when the Initial Tender was released. The CPRs have been updated three times since: on 1 January 2019, 20 April 2019, and 1 December 2020 (current).

Note b: The omissions did not affect the outcome of the evaluation and tenders for both management units were successful.

Note c: Both tenderers were unsuccessful. It is unknown whether the outcome would have been affected by the allowance of the hyperlinked material for the second tenderer.

Source: ANAO analysis of tender evaluation documentation.

Management of conflicts of interest

2.28   The CPRs require that procuring entities act ethically throughout the procurement, including by recognising and dealing with actual, potential and perceived conflicts of interest.[28]

2.29   DAWE established an appropriate probity framework for the procurements. A departmental probity contact officer and an external probity adviser were appointed for each procurement process. A probity plan was prepared for each procurement that required:

• any personnel involved in the procurement to declare conflicts; and

• any conflicts declared to be referred to the departmental probity contact officer for advice.[29]

2.30   A probity register was established for each procurement to track participants' compliance with probity obligations.

2.31   DAWE developed a combined probity register for the Initial Tender and the Queensland Limited Tender that included 278 personnel. The register did not clearly identify the role of each person and in which tender they participated. Therefore, the ANAO compiled a list of key personnel derived from tender evaluation documents and communications with DAWE for the purpose of analysis outlined in Table 2.4.

2.32   Separate registers were maintained to manage probity forms for the Southern Queensland, North West Tasmania and South Tasmania tenders. The ANAO assessed whether the listed participants' conflict of interest declarations were appropriately documented for all five procurements (see Table 2.4).

Table 2.4:   Conflict of interest declarations

Procurement	Number of participants	Declarations documented (%)	Number of participants who have declared interest	Management responses to declared interests
Initial Tender	97[a]	95 (98%)	22	0
Queensland Limited Tender				
Southern Queensland Tender	69	69 (100%)	5	5
North West Tasmania Tender	21	17 (81%)	1	0
South Tasmania Tender	29	26 (90%)	2	0

Note a: The ANAO compiled a list of key personnel comprising the delegate, project sponsors, RLP Steering Committee members, RLP Steering Committee secretariat, tender evaluation panellists, and technical advisers.

Source: ANAO analysis of DAWE records.

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28   Department of Finance, *Commonwealth Procurement Rules*, paragraph 6.

29   In the event that the probity contact officer has a conflict of interest, the procurement plans require that the matter be referred to the external probity adviser for advice.

2.33   In four of the five procurement processes, DAWE did not document conflict of interest declarations for all participants, and there is no documented management review of or response to declared conflicts. ANAO's analysis indicates that declared interests largely related to general contact with the NRM organisations or the landcare sector in the course of business-as-usual work in the department.

2.34   For future procurements, DAWE should ensure that declared conflicts of interest are managed in accordance with the CPRs and the probity plans.

Was the process conducted in accordance with the tender evaluation plan?

The procurement processes were conducted in accordance with the tender evaluation plans. Screening reports were approved for each tender. Each compliant tender's project designs, financial viability, and pricing were assessed and rated against relevant criteria.

2.35   DAWE developed a tender evaluation plan for each of the five procurements. The tender evaluation process is illustrated in Figure 2.2.

Tender screening

2.36   The tender evaluation plans required that the tenders be screened to ensure that they were received by the closing time and met the minimum content and format requirements.

2.37   For each of the five procurements, screening reports were prepared and approved by the delegate. These reports outlined the receipting process undertaken, which complied with the tender evaluation plans.

Tender evaluation

2.38   Tender evaluation reports were prepared and approved for each of the five procurements. The evaluations were conducted in accordance with the stated evaluation criteria, which comprised:

- knowledge of natural resource management;
- capability and capacity to deliver core services;
- capability and capacity to deliver project services;
- experience;
- price (value for money); and
- risk.

2.39   The tender evaluation plans required that tender evaluation panels consider clause 19.7 of the conditions of tender. Clause 19.7 relates to minimum standards for Indigenous employment and subcontracting. Of the five procurement processes, only the Southern Queensland Tender evaluation panel documented its consideration of this requirement.

Value for money assessment

2.40   The RLP tender requirements specified that the service provider must be able to deliver both environment and agriculture project services during the term of the services agreement. Throughout the procurement process, only one compliant tender response was received for each management unit, all from the existing NRM organisations.[30]

2.41   To evaluate value for money in the absence of competing tenders, tender evaluation panels compared pricing for each tender with jurisdictional and national average pricing collated by Synergy Group Australia. This assessment informed the draft tender evaluation report.

2.42   Value for money was further supported through the contract negotiation stage. Contract negotiation plans were prepared for each of the 50 preferred tenderers, based on DAWE's calculation of reasonable labour costs for the relevant full-time equivalent positions expected to deliver the services. Negotiations were conducted with all preferred tenderers and succeeded in reducing the total cost of core services by $97 million (45 per cent) compared to original tender offers, allowing additional funds for project services.

Have procurement risks been managed appropriately?

Management of procurement risks was largely appropriate. A risk assessment was undertaken for each of the five procurements. Risk treatments identified to reduce risk ratings were largely implemented but risk assessments were not updated accordingly. Two risk assessments were not appropriately updated and adapted to their respective procurements.

2.43   Paragraph 8.2 of the CPRs requires entities to 'establish processes for the identification, analysis, allocation and treatment of risk when conducting a procurement'.[31]

Procurement risk assessments

2.44   The RLP risk assessment was first approved in August 2017 and focused on risks relating to program design and the procurement process. The risk assessment was addressed by the Joint Executive Committee (JEC)[32] in eight of 22 meetings held between July 2017 to January 2019. In January 2019, the JEC directed that:

- the risk assessment be revised to address program implementation risks such as financial viability of service providers; and

- monitoring of risks be made a standing agenda item in JEC meetings.

2.45   A separate risk assessment was also undertaken for each of the five procurements. These were included in the procurement plans, which were approved by the delegate prior to the release of the tenders.

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30   Two submissions to the audit from the public noted that the tender requirements made it unlikely for organisations other than the existing NRM bodies to apply and be successful tenderers for the program. The submissions raised that a more flexible procurement model may have increased direct competition in the process and supported better value for money.

31   Department of Finance, *Commonwealth Procurement Rules*, paragraph 8.2.

32   The Joint Executive Committee, with representatives from DoEE and DAWR, oversaw the implementation of the RLP program until the Machinery of Government changes in February 2020. See paragraph 1.3.

Initial Tender and the Queensland tenders

2.46   The Initial Tender, the Queensland Limited Tender, and the Southern Queensland Tender each identified four procurement risks comprising:

- the tender not resulting in a service provider for the relevant management units;

- an unsuitable provider or providers being contracted for the management units;

- the inability to obtain services to deliver against priority outcomes or areas within management units; and

- the failure to maintain appropriate probity controls.

2.47   The ANAO assessed whether the risk treatments identified to reduce risk ratings across the three procurement risk assessments were appropriately implemented. Of the 48 risk treatments examined:

- 44 (92 per cent) were appropriately implemented;

- two (four per cent) were assessed as partly implemented — relating to creating more deliverables for core services, including plans to measure performance (see paragraph 3.32); and

- two (four per cent) were not implemented — relating to restricting access to tender documentation (see Table 2.3).

2.48   The risks were not reviewed and updated as the treatments were implemented and procurements progressed, as required under the relevant risk management guidelines.

Tasmania tenders

2.49   The two Tasmania tenders each identified 14 risks, with additional risks drawn from the broader program-level risk assessment.

2.50   The risk assessments for the Tasmania tenders contained risk treatment due dates of September 2018 — three months before the first Tasmania tender (for North West NRM region) was released. One of the risks for the Tasmania tenders also contained a reference to a deadline of October 2018, two months before the first Tasmania tender was released. This indicates that not all fields sourced from other risk assessments were updated before being incorporated into the procurement risk assessment template.

2.51   DAWE should ensure that each risk assessment is appropriately adapted to manage the risks relating to relevant procurements.

3. Service provider performance

Areas examined

This chapter examines whether the Department of Agriculture, Water and the Environment (DAWE) effectively manages service provider performance under the Regional Land Partnerships (RLP) program.

Conclusion

DAWE's management of service provider performance is partly effective.

Program requirements are adequately specified in services agreements and project work orders. Management of service provider performance occurs through engagement activities that are not well-documented, and assurance activities that have identified a high rate of non-compliance. Management of service provider performance is not informed by risk.

Areas for improvement

The ANAO made two recommendations aimed at improving the effectiveness of relationship management arrangements for future programs, and developing a process to ensure effective management of project risks.

The ANAO also suggested that DAWE implement a process to ensure that assessment and approval of core services plans are completed in a timely manner, consider developing specific performance measures for service providers to report on delivery of core services, and improve documentation of follow-up actions for assurance activities.

3.1   Effective management of service provider performance helps to ensure services are delivered in accordance with contracted requirements, which supports achievement of program outcomes.

3.2   To assess whether DAWE[33] effectively manages service provider performance, the ANAO examined whether:

- program requirements are adequately specified in the services agreements;
- effective processes are in place to assess service providers deliverables;
- service provider reporting is reviewed for accuracy; and
- project risks are effectively managed.

Are program requirements adequately specified in the services agreements?

DAWE has a services agreement with each of the 50 service providers selected to deliver services under the RLP program. Program requirements are adequately specified in the services agreements and project work orders that are executed under the services agreements.

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33   Initially, the RLP program was jointly administered by the Department of Environment and Energy (DoEE) and the Department of Agriculture and Water Resources (DAWR). Machinery of Government changes in February 2020 combined the two departments into the Department of Agriculture, Water and the Environment (DAWE). This report refers to DAWE, except where it is necessary to identify DoEE or DAWR specifically.

3.3   Clearly identifying program requirements in services agreements allows DAWE to communicate relevant obligations to the service providers and supports effective performance management.

Execution of services agreements

3.4   DAWE has a services agreement with each of the 50 service providers selected to deliver services under the RLP program through the tender process described in Chapter 2 (see Appendix 3).

3.5   The services agreements provide for project work orders to be prepared by service providers if requested by DAWE. Once executed, the project work orders form part of the services agreement. Project work orders specify project-specific requirements, including project service deliverables.[34]

3.6   The ANAO identified seven key elements that support effective performance management.[35] All RLP program services agreements incorporate the seven elements (see Table 3.1).

Table 3.1:   Key elements of the services agreements

Element	How the element was addressed in services agreements
Clear objectives, including desired outcomes and timeframes	• Clearly specifies the objective of the RLP program. • Outlines the six outcomes to be achieved under the program. • Specifies the duration of agreement and provides for a possible extension of the agreement period.
Defined roles and responsibilities of parties	• Clearly defines the roles, responsibilities, obligations and rights of both parties throughout the agreement.
Appropriate performance measurement arrangements	• Provides for a mechanism for review, monitoring and evaluation of service provider performance. • Contains a detailed schedule outlining the nature and timing of DAWE's assurance and evaluation activities.
Details of the services to be delivered	• Details the core services to be delivered over the life of the agreement.
Sound payment design	• Outlines in detail the core service charges payable per month or quarter and per year, a method for calculating core service charges, and any project design charges payable under the agreement.
Defined reporting arrangements	• Specifies the reports required to be submitted by the service provider to outline their delivery of relevant services, including submission dates and expected frequency of reporting.
Dispute resolution	• Outlines the dispute resolution and escalation arrangements.

Source: ANAO analysis.

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34   These are examined in more detail in paragraphs 3.22–3.28.

35   The seven elements are based on model inter-departmental agreements outlined in Department of Finance, *Resource Management Guide 206 — Model Accountable Authority Instructions for Non-Corporate Commonwealth Entities*, p. 33. See also Auditor-General Report No. 45 2019–20 *Management of Agreements for Disability Employment Services*, Table 2.4.

3.7   All 50 services agreements have been signed, witnessed, and dated by the service providers and the appropriate Australian Government delegate as specified under the Natural Heritage Trust delegation instruments.

Variations to the services agreements

3.8   In late 2019 to early 2020, the services agreements were amended via deeds of variation.[36] This was principally to provide an option for project work orders and additional services work orders entered into by DAWE and service providers to form separate contracts, rather than part of the services agreement.[37] This arrangement allows DAWE to procure additional projects and services from these service providers for programs other than the RLP program.[38]

3.9   The variations process was appropriately documented, with:

•   an explanatory table outlining the proposed changes and reasons for those changes provided to the service providers; and

•   a sign-off of the process by external legal advisers.

3.10   Thirteen out of 18 submissions to the audit commented positively on this variation, stating that it provided more stability by funding additional projects and offset some of the increased costs of tendering (see Appendix 4).

3.11   Two submissions to the audit from non-RLP service provider organisations commented that this approach lacked transparency and competition.

Are effective processes in place to assess service provider deliverables?

DAWE has established largely effective processes for assessment of service provider deliverables. A process is in place to assess and approve core service plans that are submitted by service providers, however not all submitted plans have been approved. The process to assess project deliverables was amended from July 2021, however guidance materials do not clearly reflect this change.

3.12   Effective processes to assess service provider deliverables enable DAWE to monitor service providers' contractual obligations and support achievement of program outcomes.

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36   One services agreement, signed in August 2019, was not varied as it incorporated the amended provisions.

37   A number of administrative changes were also made at this time to correct minor discrepancies and align reporting dates.

38   For example, part of the Wildlife and Habitat Bushfire Recovery investment announced by the Australian Government in the wake of the 2019–20 bushfires was contracted to the RLP service providers through project work orders executed under the services agreements. These projects form separate contracts between DAWE and service providers and are not part of the RLP program.

3.13   Service providers are required to deliver core service deliverables under the services agreement, and project service deliverables under the relevant project work orders. Service providers invoice DAWE for core and project services delivered. All invoices for core services and project services are required to be accompanied by:

- a report submitted in Monitoring, Evaluation, Reporting and Improvement Tool (MERIT) stating that invoiced services have been delivered[39]; and

- a statutory declaration stating that the service provider has performed all of the services included in the invoice.

3.14   The ANAO examined whether DAWE has effective processes to assess the completion of these deliverables prior to processing payments.

Core service deliverables

3.15   Under the services agreements, service providers are required to deliver the following core services:

- maintain the currency of natural resource management (NRM) planning and the prioritisation of management actions;

- support the community, including landcare, Indigenous communities, and industry to participate in the delivery of projects;

- undertake communications;

- coordinate delivery of projects and monitoring, evaluation, reporting, and improvement activities;

- undertake Regional Agriculture Landcare Facilitator (RALF) services;

- develop project designs and project proposals; and

- maintain a productive, cooperative, and ongoing relationship with DAWE.

3.16   To guide the delivery of these core service requirements, service providers are required to submit core service plans within specified timeframes (see Table 3.2).

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39   See paragraphs 3.31–3.41 for analysis of service provider reporting requirements.

Table 3.2: **Core service plans required under the services agreements**

Core service plan	Submission date[a]
Review of existing NRM Plan	Within 12 months of commencement date[b]
Revised or new NRM Plan[c]	Within 36 months of commencement date
Draft Communication Plan	Within 6 months of commencement date
Final Communication Plan	Within 12 months of commencement date
Indigenous Participation Plan	Within 12 months of commencement date
Community Participation Plan	Within 12 months of commencement date
Relationship Management Plan	Within 1 month of commencement date
Work Health and Safety (WHS) Plan	Within 1 month of commencement date
RALF Work Plan	Within 2 months of either commencement date or the engagement of a RALF whichever is later, and then annually.

Note a: Unless agreed otherwise with DAWE.

Note b: Commencement date refers to the date the services agreement commences. Of the 50 agreements in place, 47 commenced in July or August 2018. Three commenced in January, April, and August 2019 respectively.

Note c: These plans were excluded from further assessment in the audit as they were not due to be received until the end of the audit fieldwork.

Source: ANAO analysis of requirements under the services agreement.

3.17   ANAO analysis of submitted core service plans indicate that a majority of service providers have submitted the required documents, with an average of 64 per cent submitted by the submission deadline. Plans that were submitted late were on average 42 days late, with two plans submitted over a year after the submission deadline. One plan is outstanding as at September 2021.

Process for assessing core service plans

3.18   DAWE's Project Manager's Handbook (the handbook) outlines the review and approval process for submitted core service plans. The handbook specifies that core service plans must be assessed using a linked template and approved by the director of the relevant project team.

3.19   As at September 2021, of the 487 plans submitted by service providers, DAWE has assessed and approved 408 plans (84 per cent). Table 3.3 outlines the number of days taken to approve the plans from their date of submission.

Table 3.3:   Time taken to approve core service plans as at September 2021

Core service plans	Shortest time taken for approval (days)[a]	Longest time taken for approval (days)[a]	Average time taken for approval (days)[a]
Review of existing NRM Plan	56	576	411
Draft Communication Plan	5	435	161
Final Communication Plan	21	651	267
Indigenous Participation Plan	54	600	395
Community Participation Plan	13	600	388
Relationship Management Plan	0	386	68
WHS Plan	31	352	267
RALF Work Plan (2020–21)[b]	1	89	47

Note a: This is calculated from date of submission. DAWE informed the ANAO that delays in approving these plans have been due to competing priorities, such as the 2019–20 bushfires, that required urgent reallocation of resources.

Note b: RALF work plans are required to be submitted annually. The timeframe in the table relates to 2020–21 RALF work plans. Some dates were unavailable as the relevant documents were not dated.

Source: ANAO analysis.

3.20   Service providers are expected to follow and implement the submitted plans pending feedback or approval from DAWE. Risks relating to the implementation of unapproved plans have not been documented, although it was raised by the Department of Agriculture and Water Resources' (DAWR) audit committee in November 2018 in the context of RALF work plans. As this issue was not raised as a formal recommendation, there was no subsequent follow-up from the audit committee.

3.21   DAWE should implement a process to ensure that assessment and approval of core service plans is completed in a timely manner. Setting an internal target timeframe for assessment and approval can assist in monitoring and managing the process. If delays are expected in this process, risks of such delays should be documented to ensure that any impacts to the delivery of projects and program outcomes can be managed.

Project service deliverables

3.22   Project service deliverables for each project are specified in the project work orders executed under the services agreements. Examples of project service deliverables include number of hectares treated for weeds, number of community engagement workshops, and kilometres of fencing installed.

Process for assessing project service deliverables

3.23   Service providers submit an invoice to DAWE outlining the number of deliverables they have completed in the relevant invoicing period. Clause 27.5 of the services agreement requires that service providers ensure that they have sufficient evidence of service delivery at the time they make a claim for payment.

3.24 DAWE has established different processes for service providers when submitting invoices for completed project service deliverables.[40] For environment projects, service providers must identify available evidence that demonstrates delivery of services but are not required to submit it unless requested by DAWE — for example, as part of formal assurance activities. For agriculture projects, service providers must upload specific evidence items as detailed in their project work orders in MERIT every time they submit an invoice (see Table 3.4).[41]

Table 3.4: Summary of processes for assessment of project service deliverables

| Timeframe | Environment projects[a] | | Agriculture projects[b] | |
	Evidence requirements	DAWE process prior to payment	Evidence requirements	DAWE process prior to payment
Before September 2020	Service providers identify available evidence for each deliverable in MERIT.[c] Can voluntarily upload evidence.[d]	Check whether the number and value of units reported in MERIT matches the amount invoiced. Not required to check evidence.[d]	Service providers upload evidence in MERIT as specified in project work order.	Check for submission of evidence.
From September 2020				25 per cent of evidence checked for submission per quarter.
From July 2021				Same process as the environment projects.

Note a: These are projects that address RLP program Outcomes 1 to 4.

Note b: These are projects that address RLP program Outcomes 5 to 6.

Note c: The requirement to identify the evidence held for each deliverable in MERIT commenced from 1 January 2020.

Note d: One exception is for communication materials (for example, social media posts, newsletters, and flyers), which are required to be uploaded to MERIT by service providers and confirmed by DAWE. In practice, whether this requirement has been met is not documented by DAWE.

Source: ANAO analysis of DAWE procedures.

3.25 Prior to September 2020, DAWE checked whether all specified evidence for invoiced agriculture project deliverables was submitted and aligned with the project work orders, before approving payment. This requirement was incrementally reduced from September 2020 to July 2021, when the delegate approved the removal of the requirement to check for submission of evidence.

3.26 Agriculture and environment projects now follow the same invoice review process, where invoice details are checked against the costs specified in project work orders and number of deliverables reported as delivered in MERIT reports. The Project Manager's Handbook advises project managers to 'use their judgement' when approving invoices for payment and check whether

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40 Evidence can comprise, for example, photographs of worksites or a planning document developed for the project. An evidence guide is available at Department of Agriculture, Water and the Environment, *Regional Land Partnerships (RLP) MERIT Guidance* [Internet], available from http://www.nrm.gov.au/publications/rlp-merit-user-guide [accessed 15 November 2021].

41 DAWE explained that the rationale for different approaches was because agriculture projects involve a high degree of community and stakeholder engagement, for which the outcomes of services are harder to demonstrate. The evidence specified in the project work orders for agriculture projects is not intended to be comprehensive and does not lessen the broader record-keeping requirements in the services agreements.

the MERIT report 'makes sense', but there is 'no requirement to interrogate the evidence provided'.[42]

3.27   DAWE informed the ANAO that this reduction was to align its processes with the new assurance framework that commenced in June 2021. In its brief to the delegate, DAWE explained that:

> the proposed approach aims to be more preventative, aiming to manage the sources of the risk to decrease the likelihood of the risk occurring. This would include educating Service Providers prior to an invoicing period, rather than during or after the invoicing period. Assurance during the invoicing period would be managed through [Quarterly Assurance Checks] and Audits, as a detective assurance activity.

3.28   The RLP Assurance Manual commenced in June 2021 and operationalises the assurance framework. The manual states that the project managers' role goes beyond educational activities and includes reviewing and verifying evidence prior to processing project payments. There is a need to clarify internal processes, including in relevant guidance documents, to ensure that there is a clear alignment between the intended approach and the implemented practice.

3.29   Since July 2021, there is no requirement outside of the assurance process for DAWE to verify any evidence prior to invoice payment. DAWE has accepted the risk that inaccurate, incomplete or poorly implemented deliverables are invoiced and paid for, at the rate identified in their assurance processes. Assurance activities are examined at paragraphs 3.46–3.61.

Is service provider reporting reviewed for accuracy?

Review of service provider reporting for accuracy occurs through assurance activities for a selection of projects, which show high levels of inaccuracies and issues with providing evidence of service delivery as reported. Engagement with service providers to manage these risks and address compliance issues is not well-documented.

3.30   Accurate reporting of progress against project milestones enables DAWE to monitor service provider performance, and measure and report on the achievement of program outcomes. Service providers are required to report regularly on their progress towards delivering core and project services via MERIT. The ANAO examined whether DAWE has effective processes in place to review service provider reporting for accuracy.

Core services reporting requirements

3.31   Under the services agreements, service providers are required to submit the following progress reports for core services in MERIT (see Table 3.5).

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42   Department of Agriculture, Water and the Environment, RLP Project Manager's Handbook, p. 47.

Table 3.5: **Core services reporting requirements**

Report	Description of content	Submission requirements
Core services report	States whether the service provider has met, for the relevant period: • core services requirements; and • WHS requirements.	Each time an invoice is issued (monthly or quarterly).
Annual core services report	• Core services progress, highlighting key achievements and/or issues. • Whether any notifiable WHS incidents have occurred. • Any proposed adaptive management actions for the core services. • Community and Indigenous participation and investment levels. • Communication activities undertaken.	Each year for the duration of the agreement period.

Source: ANAO analysis of requirements under the services agreement.

Reviewing core services reports

3.32   Core services do not have units of delivery that must be achieved, or specific performance measures to report against. Activities specified in the core service plans, if any[43], are not assessed or monitored for completion by DAWE. Core services payments are processed based on statements from the service provider that they have met the core services requirements under the services agreements during the relevant invoicing period.[44]

3.33   There is limited departmental oversight over what core services were delivered, how the core services funding was spent, and whether core services requirements were met prior to processing the core service payments. Elements of core service delivery are checked as part of the contract assurance process (see paragraphs 3.49–3.54), which occurs after the payments have been made and for a selection of service providers.

Reviewing annual core services reports

3.34   At the end of each financial year, service providers are required to submit the annual core services report to outline their delivery of core services for the past 12 months. These reports largely rely on service providers to self-disclose any issues or risks to core service delivery.[45] No evidence is required to be submitted by the service providers to demonstrate their delivery of core services, and DAWE does not have assurance over the accuracy of information provided.[46]

3.35   Review of the annual core services reports for 'key achievements' in the delivery of core services as reported by service providers show a range of responses. Some responses included general organisational activities, such as appointing a board member during an annual general

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43   For example, a communication plan might list a number of communication activities the service provider will undertake, such as four media releases per month and three social media posts per week. Service providers are not required to report against these activities in their core services reports.

44   Service providers are only required to elaborate on their activities if they indicate that they have not met the requirements.

45   The project teams are also expected to draw from their ongoing engagement with the service providers in this assessment. See paragraphs 3.62–3.63 for analysis of relationship management meetings.

46   For example, the reporting field asks service providers to provide quantifiable figures (i.e. dollar amounts) of the level of community and Indigenous investment. However, this is not provided by all service providers, and no evidence is required to support any figures provided, unless the service providers are selected for additional checks as part of the contract assurance process.

meeting, 'supporting schools', and 'exercising skill, care and diligence'. It is unclear how some of these achievements relate to the delivery of core services or contribute to RLP program outcomes.

3.36   There would be benefit in DAWE developing specific performance measures for service providers to report against to evidence their delivery of core services. This would allow for improved contract management and ensure that value for money is being delivered with core services funding.

Project services reporting requirements

3.37   The services agreement requires service providers to submit the following project service reports in MERIT (see Table 3.6).

Table 3.6:   Project services reporting requirements

Report	Description of content	Submission requirements
Project services report	• Whether WHS requirements have been met. • The outputs delivered for the projects. • Spatial reporting and photographs of a sample of intervention locations for each project.	Each time an invoice is issued (quarterly or half-yearly).
Annual project services report	• Key achievements and progress towards outcomes in the past 12 months. • Any key issues in the delivery of the project in the past 12 months and how they were managed or rectified. • Which minimum annual target services have not been met and why. • Whether any changes to the project plan or WHS plan are required. • Whether any notifiable WHS incidents have occurred during the delivery of the project.	Each year for the duration of the project work order.
Outcomes report 1[a]	For each short-term outcome set out in the project plan, a summary of the state of change detected between the baselines established by the service provider at the start of the project and subsequent follow up monitoring undertaken by the service provider.	For projects of less than 3 years' duration — at the end of the project. For projects of more than 3 years' duration — by 29 July 2021.
Outcomes report 2[a]	For each medium-term outcome set out in the project plan, a summary of the state of change detected between the baselines established by the service provider at the start of the project and subsequent follow-up monitoring undertaken by the service provider.	For projects of more than 3 years' duration only — by 28 July 2023 or the end of the project, whichever is earlier.

Note a: DAWE's outcomes monitoring and reporting is examined in Chapter 4.

Source: ANAO analysis of requirements under the services agreement.

Reviewing project services reports

3.38   Project services reports are submitted with each invoice and outline the project service deliverables completed during the reporting period. On receipt of an invoice, DAWE checks whether

the value of units reported in the MERIT project services report matches the amount invoiced prior to approving payment.

3.39   As outlined in paragraphs 3.23–3.29, any evidence submitted by service providers are not verified by project managers prior to processing payments. The process relies on the accuracy of service providers' reporting and the execution of statutory declarations, as well as any additional checks performed during the quarterly assurance check process by the RLP Contracts Assurance Section (see paragraphs 3.55–3.61).

Reviewing annual project services reports

3.40   At the end of the financial year, service providers submit an annual project services report, outlining their project delivery activities for the past 12 months. DAWE assesses these reports to determine how the service provider is performing under the project work order to achieve RLP program outcomes.

3.41   There is a reliance on the accuracy of service providers' reporting in this assessment, including for service providers to self-disclose any emerging risks or issues to the delivery of project services and the achievement of project outcomes.

COVID-19 arrangements

3.42   In April 2020, the Minister for the Environment approved a revised payment arrangement to support the ongoing viability of regional service providers during the COVID-19 pandemic. The arrangement enabled service providers to invoice for the remaining balance of contracted funds for 2019–20 in quarter 4, even if they had not provided the full scope of services required under contract. Service providers were instead able to deliver a replacement service of 'Maintaining organisational capacity' by:

- retaining service provider personnel, key project partners and subcontractors that are essential to delivery of the services; and

- ensuring that these persons and entities are ready and able to resume delivery of services once the impact of the COVID-19 pandemic has eased.

3.43   Service providers who wished to take up this arrangement were required to give an undertaking that they will deliver on the full scope of services at a future time 'to the extent reasonably possible, without seeking any further payment for doing so.'[47] Service providers have until the end of the program (June 2023) to deliver the services impacted by COVID-19.

3.44   If any services that had been delayed are unable to be delivered, the service providers are required to identify the necessary changes to the project plan, project logic, and the service charges specified in the project work order. The handbook states that DAWE project teams should progress a change order to reflect these changes if the proposed changes do not adversely affect the project achieving its intended outcomes. The handbook does not provide guidance on steps to take if the proposed changes are assessed to have an adverse impact on the achievement of

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47   In May 2020, DAWE also produced a list of alternative activities to enable service providers to deliver community or stakeholder engagement services without formal contract variations while COVID-19 social distancing restrictions are in place. Examples of alternative activities include webinars, virtual field days, podcasts or videos.

project outcomes. DAWE informed the ANAO that the delegate is briefed on each individual case for a change order and makes decisions based on the evidence presented.

3.45   According to DAWE reports, as at the end of December 2020, 44 service providers requested access to the COVID-19 replacement service for 118 RLP projects (out of 50 service providers and 225 projects), totalling $7.9 million.[48] DAWE advised the ANAO that more than 50 per cent of projects have since delivered the services that had been delayed by COVID-19.

Contract assurance activities

3.46   The RLP assurance framework was first developed in May 2018[49] and details the assurance approach and planned assurance activities. A summary of the assurance activities and ANAO's assessment of their implementation are outlined in Appendix 5.

3.47   The RLP Contracts Assurance Section was established by the Department of the Environment and Energy (DoEE) in March 2019 to implement the RLP assurance framework. The RLP Contracts Assurance Section's primary assurance functions are to undertake audits of service providers and perform quarterly assurance checks over a selection of invoices. Agriculture projects were included in quarterly assurance checks from October 2020.

3.48   All service providers have been examined at least once through an audit or a quarterly assurance check.

Audits

3.49   DAWE implemented an audit program of RLP service providers and projects in late 2019, with the first audit reports delivered in December 2019. As at September 2021, audits of 11 service providers have been undertaken.

3.50   The scope of the audits is informed by the service providers' obligations under the services agreements and include:

- core service requirements — including evidence that 20 per cent of total funding is directed to small on-ground community activities, and four per cent is directed to Indigenous employment or procurement;
- common requirements — such as appropriate governance and financial procedures; and
- a selection of project services — examining evidence supporting delivery of invoiced project services.

3.51   Audits involve a desktop review of service providers' documents, as well as a site visit to inspect project sites.[50] The findings raised in the audit reports are summarised in Table 3.7.

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48   The figure excludes non-RLP programs being delivered through the RLP service providers such as the Environment Restoration Fund that had also invoiced under the COVID-19 replacement service.

49   The framework was updated in March 2021. The updated framework came into operation in June 2021.

50   On-site inspections were suspended in mid- to late 2020 due to COVID-19 travel restrictions.

Table 3.7:   Summary of audit findings

Findings	Number of audits raising findings	%
Inadequate evidence was provided for services delivered.	8	73%
No acknowledgement of RLP funding on promotional or communication materials.	7	64%
Service provider's management of probity and conflicts of interest is inadequate.	7	64%
Service provider's subcontracting arrangement is inconsistent with clause 16.9 of services agreement.[a]	6	55%
Service provider is invoicing for services before the services have been delivered.	4	36%
Service provider has invoiced twice for the same service.[b]	2	18%
Service provider has no strategy to maintain the outcomes of services delivered beyond the project period.	2	18%
Service provider is delivering a grants program with core services funding without notifying the department.	2	18%
Service provider has invoiced the department for services delivered through an alternative funding source.	1	9%
Service provider has invoiced for services not delivered.	1	9%
WHS procedures do not reflect clause 44.3 of services agreements.[c]	1	9%

Note a: Clause 16.9 outlines the terms and conditions that subcontracts must contain.

Note b: As at September 2021, DAWE has not established a process to recover the overpayments.

Note c: Clause 44.3 relates to service provider obligations to notify the department regarding WHS matters, including suspected and actual breaches, incidents and other events.

Source: ANAO analysis of DAWE audit findings.

3.52   For each finding, audit reports may make a direction, a recommendation, or both. Service providers must comply with the directions. Recommendations are suggestions for improvements. Within 15 business days of receiving the final audit report, service providers must provide DAWE with an outline of key actions and a schedule to implement the directions identified in the report.

3.53   DAWE monitors the service providers' implementation of directions via an audit directions register. The register shows that, across the 11 audits undertaken as at September 2021:

- 23 directions were made, with five of these completed; and

- 31 recommendations were made, with seven completed.

3.54   DAWE's monitoring of these actions have not been well documented, making it difficult to trace what actions were taken in response to the directions and when these actions were completed. Not all directions or recommendations marked 'completed' on the register explain what actions were taken by the service provider to address the relevant finding. Further, although the register tracks the number of days taken to complete the audit process, it does not outline the expected timeframes for service providers to address the relevant directions. It is also unclear when

the status of the actions were last updated as any notes made by the departmental officers are not dated.

Quarterly assurance checks

3.55   The purpose of a quarterly assurance check is to provide assurance that selected project services have been delivered as invoiced. It is a desktop exercise where the project managers and officers from the RLP Contracts Assurance Section review documentary evidence of service delivery submitted by service providers.[51]

3.56   As at the end of March 2021, quarterly assurance checks have been conducted over 60 projects out of 207 multi-year projects[52] (see paragraph 4.34), examining 293 invoiced services out of 2999 services contracted under the program.[53] Of the 60 quarterly assurance checks, 48 (80 per cent) did not provide sufficient evidence that invoiced services were delivered on initial request. Eight (13 per cent) required three or more follow-ups (Figure 3.1).

Figure 3.1:   Quarterly assurance checks – number of follow-up requests
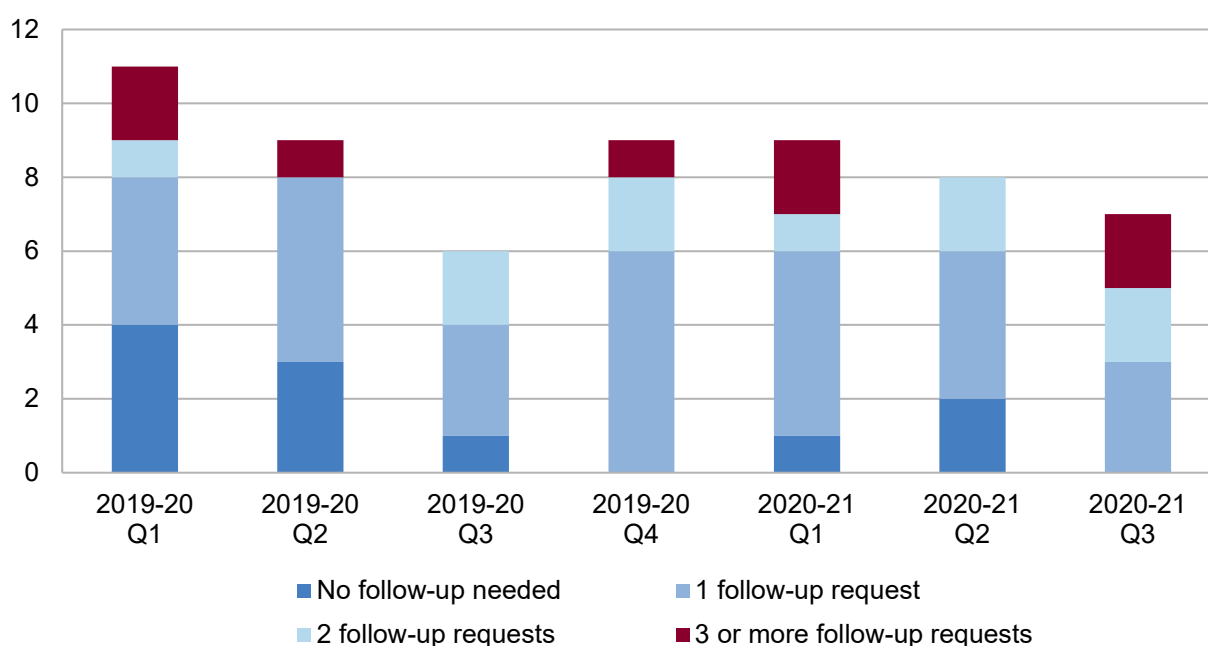
Note: The figure excludes one project for which relevant information was not available.
Source: ANAO analysis.

3.57   As a result of the quarterly assurance checks, 16 of the 60 projects (27 per cent) required revision to their invoice or MERIT report to align with available evidence. Nine (15 per cent) had outstanding evidence issues at the end of the quarterly assurance check.[54]

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51   Service providers are notified that their projects have been chosen for review prior to the end of the quarter and given instructions on submitting evidence of service delivery.

52   Separate assurance processes were in place for the 11 environment projects that were completed in 2019, comprising evidence checks for a selection of key project services. Agriculture projects were not included in these assurance checks.

53   The total number of services under the RLP program excludes services for two projects that are listed in MERIT under the RLP program but were funded under different programs.

54   This includes those projects with partial evidence that were accepted by DAWE for the purpose of the quarterly assurance check.

3.58   Quarterly assurance checks are undertaken once invoices for the quarter are received but before they are processed for payment. A satisfactory completion of the quarterly assurance check is required before invoices are processed for payment. DAWE aims to complete the quarterly assurance checks within 14 days to enable a timely processing of the payment for the quarter.

3.59   Of the 60 quarterly assurance checks undertaken, five were completed within 14 days after receiving the initial invoice. Forty quarterly assurance checks took 31 days or longer, with three taking more than 91 days to finalise (Figure 3.2). On average, a quarterly assurance check took 42.7 days to finalise. The delays were primarily due to the service provider not providing, or being unable to provide, adequate evidence on initial request.

Figure 3.2:   Number of days taken to finalise quarterly assurance checks after receipt of invoice
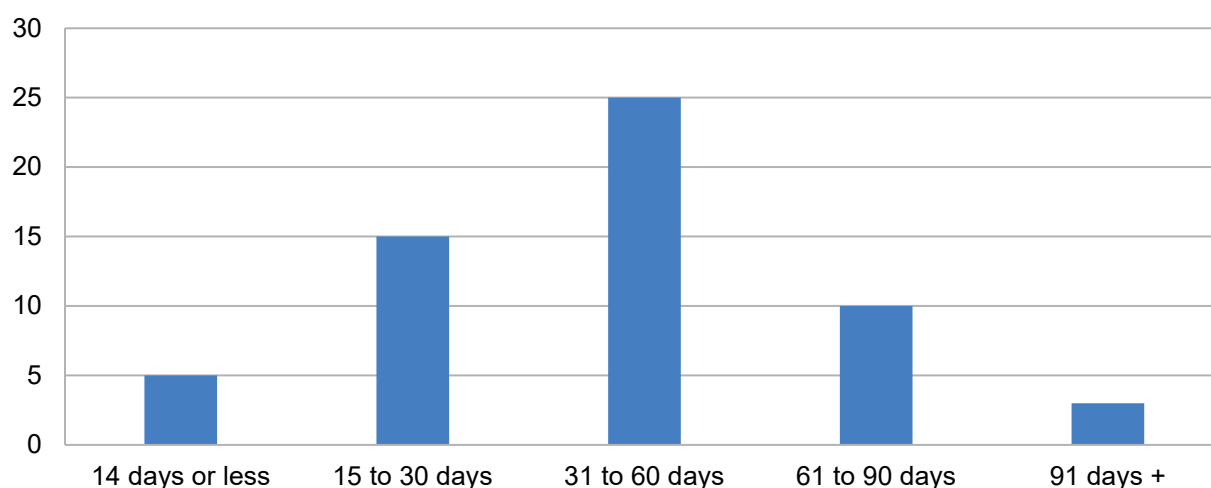
Note: The figure excludes two projects for which relevant information was not available.

Source: ANAO analysis.

3.60   Project teams are responsible for any identified follow-up actions after the quarterly assurance check is completed. It is not always clear whether these follow-up actions are implemented — for instance, records of relationship management meetings do not reflect ongoing discussions of compliance (see paragraphs 3.62–3.63). DAWE should improve documentation on what follow-up actions were taken and when, and ensure these records are captured consistently.

3.61   As outlined in paragraphs 3.23–3.29, DAWE relies on contract assurance activities to verify that there is evidence to support the delivery of services as invoiced. However, DAWE has not addressed the high incidence of incorrect invoicing and insufficient evidence to support completion of project services, with repeated follow-ups required throughout the assurance process. Although most of the identified non-compliance issues stemmed from inadequate record-keeping by the service providers, there have been instances of service providers invoicing twice for the same service, invoicing for services not delivered, and being unable to evidence delivery as invoiced. Reliance on inaccurate reporting of outputs may also affect the measurement of program outcomes.

Relationship management meetings

3.62   Service providers are required to submit a relationship management plan that specifies a schedule of regular contact between the service provider and DAWE on matters of significance. The frequency of formal meetings ranges from monthly to once every six months.

3.63   The Project Manager's Handbook indicates that relationship management meetings are one of the key mechanisms through which project managers facilitate management of project risks, compliance and contractual requirements. The handbook requires records of formal relationship management meetings to be maintained by the project managers. However, the ANAO found these records to be inconsistent, with notes recorded in varying levels of detail and in different formats for each management unit. Records of meetings were not kept for one service provider, and only partial records are available for 10 service providers.

> ## Recommendation no. 1
>
> 3.64   For future programs, Department of Agriculture, Water and the Environment establish processes to improve the effectiveness of relationship management arrangements — for example, by:
>
> • engaging in regular discussions of project risks;
>
> • adapting the frequency of engagement to service providers' risk profiles; and
>
> • ensuring that records of engagement are captured in a consistent manner.
>
> **Department of Agriculture, Water and the Environment response:** *Agreed.*
>
> 3.65   *Relationship management arrangements for Regional Land Partnerships are set out in relationship management plans with Service Providers and internally in the Project Managers Handbook. DAWE will improve the effectiveness of relationship management arrangements by updating the Project Managers handbook to formalise regular discussions of project risks; adapt the frequency of engagement based on risk profiles; and ensuring that records are captured in a consistent manner including development of standard templates.*

Are project risks effectively managed?

> Management of project risks is partly effective. Service providers are required to assess risks relating to the delivery of their projects. DAWE project managers do not use this information to inform contract management activities, and have not assessed the risks of the projects they manage. The RLP Contracts Assurance Section has recently assessed the financial risks of projects and service providers to guide its assurance activities.

3.66   Managing project risks supports timely and on-budget delivery of project milestones and achievement of program outcomes.

Service providers' risk assessments

3.67   Service providers are required to develop risk assessments and WHS plans for each project. These provide an overview of project delivery risks, such as unavailability of subcontractors, working outdoors in a remote area, or extreme weather events. These are reviewed and approved by DAWE.

3.68   Service providers are required to update these as needed. These risk assessments are not used to inform DAWE's contract management activities.

Risk assessments by the Contracts Assurance Section

3.69   The RLP Contracts Assurance Section undertook a risk assessment of each service provider and each environment project to inform their assurance activities in June 2019.[55] Key risk criteria considered include: project duration and location; whether the entity is statutory or non-statutory; quality of project design; and any known issues or key dependencies. The assessment was updated in September 2020 and covers 48 service providers and 137 of 159 environment projects.[56]

3.70   In early 2021, the RLP Contracts Assurance Section developed an assessment based on financial risk, with a focus on four services that have a higher risk of non-compliance due to lack of clearly defined deliverables.[57] This assessment ranks service providers based on the relative cost of an individual project service compared to:

•   all other services;

•   other services of the same type; and

•   unit costs of services that use the same target measure.

3.71   DAWE informed the ANAO that the financial risk assessment was developed to better target their assurance activities, as it now considered that the weighting placed on some of the criteria in the June 2019 risk assessment was too high.

3.72   The financial risk assessment is limited in scope and does not reflect other relevant risk criteria, such as the quality of the service provider's reporting and engagement with DAWE. The lack of a comprehensive and up-to-date risk assessment limits DAWE's ability to demonstrate that it is using its resources to target those with the highest risks of non-compliance.

Risks for project management

3.73   DAWE project managers have not undertaken assessment of project risks to inform their project management processes.

3.74   There is limited evidence that — outside of consultation during the assurance process — project managers are considering risks and adapting their project management approaches based on their day-to-day interactions with the service providers.[58] Internal risk discussions are not consistently documented. As a result, current project management activities, such as level of project oversight, reporting to executives, and engagement with service providers, are not informed by risk.

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55   The risk assessments were first conducted in June 2019, prior to the merger of the departments. As a result, agriculture projects (which were managed by DAWR) were not included in the Contracts Assurance Section's risk assessments.

56   The assessment was not updated to include the two final service providers and projects procured in the later tender processes (for North West NRM and South NRM, Tasmania).

57   These are: communication materials; community/stakeholder engagement; establishing and maintaining agreements; and project planning and delivery of documents.

58   For example, by increasing frequency of relationship management meetings with service providers deemed higher risk.

3.75   In July 2021, a risk management guide for agriculture projects was developed and approved. The guide instructs agriculture project managers to score each project based on the quality of the service provider's invoicing and reporting practices, as well as their communications with DAWE. These quarterly scores would be added up to calculate an annual risk assessment score to establish if the project poses a high, medium, or low risk.

3.76   The guide does not apply to environment projects. As at September 2021, a risk assessment process for environment projects has not been developed. DAWE has acknowledged this as an area for improvement in the risk management processes.

3.77   A consistent approach to project risk management is important to ensure that program resources, including for assurance activities, are appropriately allocated and project-level risks can be aggregated to inform risks to program delivery.

Recommendation no. 2

3.78   Department of Agriculture, Water and the Environment implement a process to manage project risks that:

- incorporates risks relating to project delivery and compliance;
- is regularly reviewed and updated to reflect changing risk profiles; and
- is used to inform project management activities and reporting to the executive.

Department of Agriculture, Water and the Environment response: *Agreed.*

3.79   *DAWE has undertaken an assessment of project risks and will strengthen procedures in the Project Managers Handbook to ensure regular and systematic review and updating of risk profiles for projects to inform project management activities and reporting.*

4.   Monitoring and reporting program outcomes

Areas examined

This chapter examines the Department of Agriculture, Water and the Environment's (DAWE) monitoring and reporting of progress towards achieving program outcomes.

Conclusion

DAWE's monitoring and reporting of program outcomes is partly effective.

DAWE has developed a framework for monitoring and reporting progress towards achievement of program outcomes. However, it is not clear how many projects have established baseline data, DAWE has not reported progress as required by the framework, and the risks associated with demonstrating achievement of program outcomes have not been managed effectively.

Areas for improvement

The ANAO made two recommendations relating to baseline data and program risk management.

4.1   At the outset of the program, DAWE[59] developed an evaluation plan for each of the six program outcomes. The evaluation plans consist of three key elements (see Table 4.1).

Table 4.1:   Key elements of the Regional Land Partnerships program evaluation plans

Elements	Description
Program logic	• Documents core services and project services. • Identifies short-term, medium-term and long-term outcomes. • Describes the cause and effect relationships between core services, project services, and program outcomes. • Documents assumptions and measurement indicators.
Key evaluation questions	• Specific set of questions developed for each outcome, based on four evaluation criteria to guide evaluation (see Table 4.4).
Monitoring plan	• Identifies what data should be collected for each measurement indicator, by whom and how often. • Provides guidance for monitoring at project and program levels.

Source: RLP Evaluation Plan, 2018.

4.2   To assess whether DAWE effectively monitors achievement of program outcomes, the ANAO examined whether:

- baseline data for all projects has been established;
- program risks are effectively managed; and
- progress towards achievement of program outcomes is being measured and reported.

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59   Initially, the RLP program was jointly administered by the Department of Environment and Energy (DoEE) and the Department of Agriculture and Water Resources (DAWR). Machinery of Government changes in February 2020 combined the two departments into the Department of Agriculture, Water and the Environment (DAWE). This report refers to DAWE, except where it is necessary to identify DoEE or DAWR specifically.

Has baseline data for all projects been established?

It is not clear whether baseline data has been established for all projects. Baseline data services are not clearly identified, making accurate reporting difficult. Service providers have reported that they can quantify the level of achievement against a baseline for all short-term outcome statements in 128 projects (64 per cent), out of 200 reports submitted to 9 September 2021.

4.3   Baseline data provides a reference point from which improvement can be measured for individual projects. The RLP program evaluation plan indicates that a baseline measure should be established at project commencement and measured after two or three years to detect changes. All RLP projects have commenced, and all baselines should have now been established.[60]

Identifying baseline data

4.4   The ANAO reviewed 224 RLP project work orders[61] to determine whether all projects had identified a baseline methodology. All projects include a narrative description of how the baseline will be established in the monitoring methodology section. Of the 224 projects:

- 168 (75 per cent) include 'collecting or synthesising baseline data' as a project service;

- 45 (20 per cent) include other project services that may be used to establish a baseline but are not identified as baseline collection services (for example, fauna survey or soil testing); and

- 11 (five per cent) do not include project services that relate to establishing a baseline.

4.5   Project services are invoiced and reported in the Monitoring, Evaluation, Reporting, and Improvement Tool (MERIT) when completed. Only projects that invoice the service 'collecting or synthesising baseline data' can be readily identified as having a baseline.

4.6   Of the 168 projects that include 'collecting or synthesising baseline data' as a project service, 105 indicate the service will be delivered multiple times throughout the life of the project. Given that baseline data is to be established at project commencement, there is a risk that services scheduled in later years of the project are incorrectly identified. On 6 September 2021, DAWE confirmed that details relating to the baseline data contained in MERIT are unclear and that some of the services identified as 'collecting or synthesising baseline data' scheduled and invoiced in later years may represent monitoring against the baseline.

4.7   The inconsistent recording of baseline data services in project work orders and subsequent invoicing and reporting means that DAWE cannot accurately identify which projects have established a baseline, or how many baseline data sets have been reported as delivered.

Reporting against baseline data

4.8   Service providers were asked to report on any changes detected against their baseline data in the recently completed Outcomes Report 1. There were 200 reports submitted to 9 September

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60   Of the 224 RLP projects (see footnote 61), 140 commenced in 2018, 66 in 2019, 16 in 2020, and two in 2021 (January and March respectively).

61   A total of 225 projects were approved under RLP. One project was terminated shortly after it commenced and has not been included in this analysis as it is not listed on MERIT.

2021, reporting against 990 short-term outcome statements (see paragraphs 4.32–4.33). Service providers reported that they were able to quantify the level of achievement against a baseline for:

- all short-term outcomes for 128 projects (64 per cent);
- at least one short-term outcome for 192 projects (96 per cent); and
- no short-term outcomes for eight projects (four per cent).

4.9   DAWE has not assessed the risks arising from 72 projects with one or more outcome statements reported as being unable to be measured against a baseline.

4.10   DAWE engaged Hadron Group to assess the effectiveness of the RLP program and contribute to the mid-term review. As part of this engagement, raw datasets for 35 outcomes statements across 11 projects were assessed for consistency with service provider reports. The Hadron Group's October 2021 report indicates that 86 per cent of self-reported short-term outcomes statement achievements were based on evidence. Inconsistencies found in 14 per cent were often the result of insufficient data or subjective reporting.

Recommendation no. 3

4.11   The Department of Agriculture, Water and the Environment:

- determine whether an appropriate baseline has been established for each project; and
- assess the risks associated with outcome statements that cannot be measured against a baseline.

Department of Agriculture, Water and the Environment response: *Agreed.*

4.12   *DAWE is undertaking an analysis of outcome reporting data to identify projects that are not able to report against outcome statements. DAWE will review and seek to improve the Monitoring Evaluation Reporting and Improvement (MERI) plans for projects that include outcome statements that cannot be measured against a baseline. In addition, DAWE is committed to a program of work to improve the framework for monitoring of outcomes for future programs, including developing consistent ecological monitoring protocols and data exchange standards.*

Are program risks effectively managed?

DAWE's management of program risks is partly effective. There is no formal mechanism for recording consultation and decisions made on program risks. A risk assessment document is maintained and provided quarterly to the responsible Senior Executive Service officer. It is not clear how this risk assessment is reviewed and updated, and the reasons for changes are not well-documented.

4.13   Effective management of program risks requires collaboration between areas with responsibility for project management, program management and assurance. It enables early identification, prioritisation and treatment of risks and supports delivery of program outcomes.

Oversight of program risks

4.14   The Joint Executive Committee (JEC), with representatives from the Department of the Environment and Energy (DoEE) and the Department of Agriculture and Water Resources (DAWR), initially oversaw the implementation of the RLP program, including managing program risks. Risk became a standing JEC meeting agenda item in May 2019.

4.15   Following the Machinery of Government (MoG) changes in February 2020, the JEC was superseded by the RLP Management Committee. The RLP Management Committee met in March, April, and June 2020. The minutes for each meeting reflect discussion on the risk assessment and document any changes made.

4.16   In July 2020, the RLP Management Committee was disbanded. Ongoing management of the program, including management of risks, was consolidated within the Program Delivery branch in the Biodiversity Conservation Division of DAWE.

4.17   The RLP Implementation Working Group, comprising representatives from the relevant areas of the Program Delivery branch, was established in July 2020 to manage operational matters relating to program implementation, including risk.

4.18   Risks are reported to the First Assistant Secretary of the Biodiversity Conservation Division on a quarterly basis as part of the RLP Quarterly Executive Report.

Risk management process

4.19   There is no documented RLP risk management framework or procedure to guide the program's risk management process.

4.20   The first RLP program risk assessment was developed by DoEE in consultation with DAWR in August 2017, using guidelines and procedures detailed in DoEE's risk management framework. It initially focussed on risks relating to program design and procurement. In January 2019, following the release of the final tender, it was revised to focus on program implementation risks.

4.21   The RLP Implementation Working Group is responsible for managing the RLP program risk assessment. DAWE informed the ANAO that the RLP Implementation Working Group does not maintain formal minutes and actions are recorded in the RLP issues and decisions register. The RLP issues and decisions register does not record any decisions relating to the program risk assessment.

4.22   The RLP program risk assessment is a spreadsheet which includes a date of risk analysis field that has not been consistently updated. For example, the risk assessment attached to the RLP Management Committee Meeting of 17 June 2020 shows the date of risk analysis as October 2019.

4.23   This makes it difficult to determine when risks were last reviewed or updated. It is also difficult for DAWE to demonstrate that risks are being actively managed in accordance with organisational risk appetite and risk management policies and guidelines.

Changes to risk ratings

4.24   Risk ratings for the identified RLP program risks remained unchanged between January 2019 and January 2021, when three risks ratings were updated (see Table 4.2).

Table 4.2:   Changes to risk ratings in January 2021

Risk no.	Risk	Rating change
1	Regional Land Partnerships does not deliver on program outcomes.	Low to Medium
7	One or more management units remain uncontracted.	Medium to Low
13	Delivery of projects to achieve program outcomes is compromised during the period of COVID-19 restrictions.	Medium to High

Source: ANAO analysis of RLP risk assessments.

4.25   The Quarterly Executive Report for October to December 2020 provides a summary of changes made to the risk assessment, including completed risk treatments, updated risk controls, and new sources of risks. However, the summary does not mention that changes were made to overall risk ratings for risk numbers 1, 7 and 13 in the risk assessment attached to the report.[62] There is no documented rationale for making the changes to these three risks.

4.26   Changes to overall risk ratings should be supported by a record of consultations undertaken and a documented rationale. This should include the reasons for the change and decisions on whether any action should be taken.

4.27   Paragraphs 3.73 to 3.77 also raise the issue of a lack of consultation and documentation of decisions on project risk management. A consistent, well-documented approach to risk management that is informed by consultation with relevant personnel would improve DAWE's management of risks to RLP program delivery.

Recommendation no. 4

4.28   The Department of Agriculture, Water and the Environment implement a process to manage program risks that:

- is informed by project risk assessments and compliance data; and
- documents the monitoring and review process, including the rationale for and authorisation of changes.

Department of Agriculture, Water and the Environment response: *Agreed.*

4.29   *DAWE has undertaken a review of project risks and will use this to inform the next quarterly update of the program risk assessment for Regional Land Partnerships. DAWE will strengthen procedures so that risk monitoring and review is appropriately documented and will also include the rationale for any changes to risk assessments in the RLP quarterly report. Changes to the program risk assessment are authorised through executive acceptance of the RLP quarterly report.*

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62   The risk assessment attached to the Quarterly Executive Report for October to December 2020 is dated January 2021.

Is progress towards achievement of program outcomes being measured and reported?

> DAWE has not met the requirement to report annually on project deliverables. DAWE received project outcomes reports from service providers in July 2021, and is collating the results to report against program outcomes in November 2021.

Monitoring program outcomes

4.30   There are three levels of outcomes that contribute to the RLP program (refer to Figure 2.3).

- Short-term outcomes are delivered over one to three years. All projects have short-term outcomes.

- Medium-term outcomes are delivered over three to five years. Projects of three to five years duration have medium-term outcomes.

- Long-term outcomes are expected to be achieved in 10 to 20 years, after completion of the RLP program.

4.31   DAWE relies on a range of reporting by service providers to monitor progress towards achievement of project-level outcomes (see Tables 3.5 and 3.6). These reports are intended to inform DAWE's reporting on progress towards achieving program outcomes.

Short-term outcome reporting

4.32   Service providers specify in their project plans one or more short-term outcome statement(s) that indicate what outcomes the project is expecting to achieve by delivering on project services — for example, by June 2021, the habitat of a threatened species will be improved through the removal of weeds across 500 hectares.

4.33   Service providers report against the achievement of short-term outcome statements in the Outcomes Report 1 (see Table 3.6).

4.34   As outlined in paragraph 2.15, through the project allocation process, DAWE selected short-term projects to commence in year one of the program (one-year projects), and long-term projects for years two to five of the program (multi-year projects). Different outcomes reporting arrangements were put in place for one-year and multi-year projects.

Short-term outcomes reporting for one-year projects

4.35   There are 17 one-year projects that were completed in 2019. All have submitted the Outcomes Report 1. These projects reported against 64 short-term outcome statements in the project work orders as being fully achieved, partially achieved or not achieved (see Table 4.3).

Table 4.3:   Outcomes Report 1 results for one-year projects

Completed project results	Number of outcome statements	%
Fully achieved	56	87%
Partially achieved	5	8%
Not achieved	2	3%
Unknown[a]	1	2%
Total	**64**	**100%**

Note a: Outcome could not be measured in the project timeframe.

Source: ANAO analysis of Outcomes Report 1.

Short-term outcomes reporting for multi-year projects

4.36   In 2020, a new reporting arrangement was established for the remaining 207 multi-year projects with a completion date of 2020 or later. These were due to be submitted by service providers by 29 July 2021. The report asks service providers whether the level of achievement for each short-term outcome statement in the project work order can be quantified against four evaluation criteria (see Table 4.4).

Table 4.4:   Regional Land Partnership program evaluation criteria

Evaluation criteria	Program-level definition
Effectiveness	A measure of the extent to which a program, project or initiative has attained, or is expected to attain, its relevant objectives efficiently and in a sustainable way.
Appropriateness	A determination made through comparing the program with the needs of the intended beneficiaries using any of the techniques of needs analysis. Alternatively, the program could be evaluated in terms of its compliance with process.
Efficiency	The notion of getting the highest value out of program or project resources.
Legacy	The enduring consequences of past investments, policies or actions that can be captured and/or bequeathed.

Source: RLP Evaluation Plan, 2018.

4.37   As at 9 September 2021, 200 projects, out of 207 multi-year projects, have submitted their Outcomes Report 1. The 200 projects reported against 990 short-term outcome statements. Of these, service providers indicated that they could quantify their level of achievement against 848 (86 per cent) outcomes statements (Figure 4.1).

Figure 4.1: Outcomes Report 1 results for multi-year projects — as at 9 September 2021
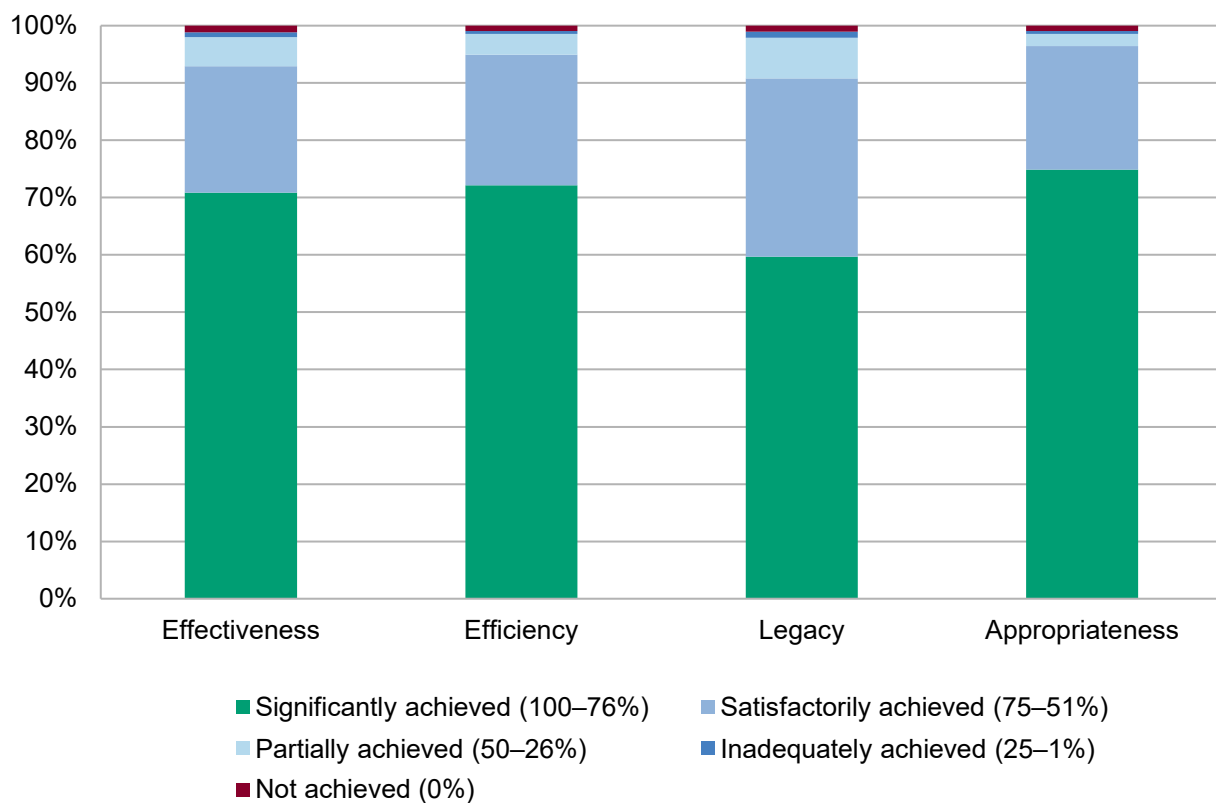
Source: ANAO analysis of Outcomes Reports 1.

Medium-term outcome monitoring

4.38   Medium-term outcome results will be submitted by service providers for each project at the end of the program in 2023 through the Outcomes Report 2 (see Table 3.6). This data will form the basis of DAWE's end-of-program evaluation.

4.39   Outcomes Report 1 for multi-year projects asked service providers to determine the extent to which they have progressed towards the medium-term project outcome. Of the 200 submitted reports:

- 99 (50 per cent) indicated that they have had significant progression;

- 83 (42 per cent) had satisfactory progression;

- 17 (nine per cent) had partial progression; and

- one (one per cent) stated that they have had no progression towards the medium-term project outcome.

Long-term outcome monitoring

4.40   In March 2019, DAWE engaged Griffith University to help develop a framework for long-term monitoring for the RLP program. In July 2019, DAWE established a Long-term Monitoring Program (LTMP) Steering Group, made up of executive level members from across the department, to guide and provide advice on the development of the framework and other aspects of the LTMP.

4.41   The long-term monitoring framework was delivered in February 2020 and endorsed by the LTMP Steering Group.[63] The proposed framework 'aims to enhance ecological monitoring and evaluation at a RLP project level as well as promoting a culture of robust long-term ecological monitoring and evaluation for Natural Resource Management in Australia more broadly'.

4.42   DAWE informed the ANAO that the framework has been used to underpin a series of projects to help evaluate the current RLP program, including the outcomes reporting process, and to build tools and data collection protocols to support future Australian Government Natural Resource Management programs. These include:

• working with the Terrestrial Ecosystem Research Network to develop monitoring standards and ensure collection of consistent biodiversity data[64];

• developing techniques and tools to track the trajectory of feral animals;

• establishing best practice monitoring methods for species included in the Threatened Species Strategy;

• supporting collaboration between RLP service providers and other relevant conservation management groups to develop consistent data collection and reporting; and

• supporting RLP service providers to engage with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to ensure consistent monitoring of bushfire recovery.

Evaluation and reporting

4.43   DAWE's reporting obligations are specified in the RLP Evaluation Plan.

Table 4.5:   DAWE reporting requirements

Report	Description	Frequency
Annual progress report	Aggregate of service provider reporting on project service deliverables to provide a basic evaluation of progress towards outcomes.	Annually
Mid-term evaluation	Comprehensive program evaluation of overall program progress, including progress towards outcomes. Used to implement program improvements and inform future program design.	2021
End-of-program evaluation	Closing evaluation of overall program performance, assessing processes, outcome achievement and economics. Used to inform future program delivery.	2023

Source: RLP Evaluation Plan, 2018.

Annual progress report

4.44   DAWE has not produced an annual progress report. A draft RLP Achievements Snapshot report has been developed focussing on outputs delivered in the first two years of the program.

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63   The framework is publicly available on the National Landcare Program website: Department of Agriculture, Water and the Environment, *Regional Land Partnerships Long-term Monitoring Program* [Internet], available from http://www.nrm.gov.au/my-project/monitoring-and-reporting/rlp-long-term-monitoring-program [accessed 15 November 2021].

64   The Terrestrial Ecosystem Research Network is a multi-institutional collaborative body that provides open data, research and management tools, data infrastructure, and site-based research equipment.

4.45   DAWE informed the ANAO that the snapshot report will be updated to cover years one to three of the program and released publicly following completion of the RLP mid-term evaluation report.

Mid-term evaluation

4.46   The mid-term evaluation will draw on the service providers' Outcomes Report 1, which were due to be submitted for all multi-year projects by 29 July 2021. An internal report is expected to be finalised in November 2021. A summary of the report will be included in the public snapshot report and high-level recommendations will be included in the National Landcare Program Phase Two Review.

4.47   Two submissions to the audit from the public noted the lack of public reporting provided by DAWE and advocated for more transparent and accessible reporting of program performance.

Grant Hehir   Canberra ACT
Auditor-General   24 November 2021

Appendices

Appendix 1 Department of Agriculture, Water and the Environment response

Australian Government

Department of Agriculture, Water and the Environment

ANDREW METCALFE AO
SECRETARY

4 November 2021

Mr Grant Hehir
Auditor-General
Australian National Audit Office
PO BOX 707
CANBERRA ACT 2601
Via email: OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Mr Hehir

Thank you for your email of 12 October 2021 regarding the Australian National Audit Office proposed audit report 'Regional Land Partnerships'.

Pursuant to section 19 of the Auditor-General Act 1997, the Department of Agriculture, Water and the Environment welcomes the opportunity to provide comments on the report.

Previous Auditor-General reports and Parliamentary Reviews examining the delivery of Natural Resource Management activities raised issues related to lack of effective performance information, difficulties in demonstrating value for money, and poorly defined and coordinated targets and priorities.

The Regional Land Partnerships program, including the move from grants to a procurement model, represents a significant reform to the delivery of Natural Resource Management programs in response to these concerns. The Department was therefore pleased to note the ANAO's acknowledgement of improvements made in relation to supporting achievement of value for money, greater clarity of service delivery requirements, and monitoring the achievement of program outcomes.

The findings, suggestions and recommendations of this report identify areas for further refinements. The Department welcomes this advice and has committed to a program of work including further development of the framework for monitoring of outcomes.

The Department is currently undertaking a mid-term evaluation of the National Landcare Program, including Regional Land Partnerships. The report recommendations are a practical and timely contribution to future program design.

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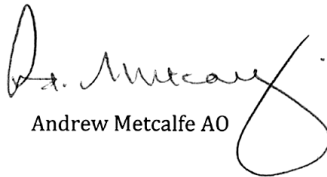
I accept the recommendations in the report. I am confident that the Department is well placed to implement its recommendations.

Please find enclosed with this letter the Department's Summary Response; Response to the Proposed Recommendations (Appendix A); and editorial matters for your consideration (Appendix B).

Finally, I would like to take this opportunity to thank your staff for the professionalism and constructive way in which this audit was conducted.

Best wishes

Andrew Metcalfe AO

Appendix 2   Improvements observed by the Australian National Audit Office

1.   The existence of independent external audit, and the accompanying potential for scrutiny can promote improved performance. Improvements in administrative and management practices can occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2.   The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3.   Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions, and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4.   In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

- The ANAO identified a project involving the translocation of an endangered species that did not consider a section of a Commonwealth recovery plan cautioning against undertaking translocations of that species. DAWE undertook a review into the project to satisfy itself that the project will not breach the recovery plan.

- Tender submissions are required to be treated as confidential before and after a contract is awarded. During the course of the audit, DAWE was made aware that the tender submissions stored on their records management system allowed open access to departmental staff. DAWE has since restricted the relevant folders to specified personnel.

- DAWE is developing a report that compares the number of planned services against the number of services delivered according to data in MERIT. When reviewing the figures provided by DAWE, the ANAO noted that there are some outliers in the project services data — for example, where number of units delivered far exceeded the total number to be delivered. DAWE undertook further investigations into those project services to determine reasons for the discrepancies. As a result of the investigation, DAWE informed the ANAO that it had implemented processes to correct the overestimates and ensure data integrity going forward.

Appendix 3   List of Regional Land Partnerships service providers

State	Management unit	Service provider	No. of projects
Initial Tender			
ACT	ACT	RLP Environment Planning and Sustainable Development Directorate	5
NT	Northern Territory	RLP Territory Natural Resource Management Incorporated	11
NSW	Central Tablelands	RLP Local Land Services[a]	5
	Central West	RLP Local Land Services	6
	Greater Sydney	RLP Local Land Services	6
	Hunter	RLP Local Land Services	6
	Murray	RLP Local Land Services	4
	Northern Tablelands	RLP Local Land Services	6
	North West NSW	RLP Local Land Services	4
	North Coast	RLP Local Land Services	4
	Riverina	RLP Local Land Services	4
	South East NSW	RLP Local Land Services	10
	Western	RLP Local Land Services	3
SA	Alinytjara Wilurara	Alinytjara Wilurara Landscape Board	5
	Eyre Peninsula	Eyre Peninsula Landscape Board	4
	Kangaroo Island	Kangaroo Island Landscape Board	4
	Adelaide and Mount Lofty Ranges	Hills and Fleurieu Landscape Board	3
	South Australian Murray Darling Basin	Murraylands and Riverland Landscape Board	4
	Northern and Yorke	Northern and Yorke Landscape Board	2
	South Australian Arid Lands	South Australian Arid Lands Landscape Board	5
	South East	Limestone Coast Landscape Board	3
VIC	Corangamite	RLP Corangamite Catchment Management Authority	3
	East Gippsland	RLP East Gippsland Catchment Management Authority	3

State	Management unit	Service provider	No. of projects
	Glenelg Hopkins	RLP Glenelg-Hopkins Catchment Management Authority	5
	Goulburn Broken	RLP Goulburn Broken Catchment Management Authority	5
	Mallee	RLP Mallee Catchment Management Authority	4
	North Central	RLP North Central Catchment Management Authority	3
	North East	RLP North East Catchment Management Authority	5
	Port Phillip and Western Port	RLP Port Phillip and Westernport Catchment Management Authority	4
	West Gippsland	RLP West Gippsland Catchment Management Authority	3
	Wimmera	RLP Wimmera Catchment Authority	3
WA	Avon River Basin	RLP Wheatbelt Natural Resource Management Incorporated	4
	Northern Agricultural Region	RLP Northern Agricultural Catchments Council Incorporated	6
	Peel-Harvey Region	RLP Peel-Harvey Catchment Council Inc	4
	Rangelands Region	RLP Rangelands NRM Coordinating Group (Inc.)	7
	South Coast Region	RLP South Coast Natural Resource Management Inc	4
	South West Region	RLP South West Catchments Council	3
	Swan Region	RLP Perth Region NRM Inc	4
TAS	North NRM Region	RLP Northern Tasmanian Natural Resource Management Association Inc.	6
North West Tasmania Tender			
TAS	North West NRM Region	RLP Cradle Coast Authority	5
South Tasmania Tender			
TAS	South NRM Region	RLP South NRM Region	5
Queensland Limited Tender			
QLD	Burdekin	RLP NQ Dry Tropics Ltd	3
	Burnett Mary	RLP Burnett Mary Regional Group for Natural Resource Management Ltd	3
	Desert Channels	RLP Desert Channels Queensland Incorporated	2
	Fitzroy	RLP Fitzroy Basin Association Inc	4

State	Management unit	Service provider	No. of projects
	Mackay Whitsunday	RLP Reef Catchments (Mackay Whitsunday Isaac) Ltd	3
	South East Queensland	RLP Healthy Land and Water Ltd	3
	Southern Gulf	RLP Southern Gulf NRM Ltd	2
	Cape York	RLP NQ NRM Alliance Ltd	3
	Northern Gulf	RLP NQ NRM Alliance Ltd	2
	Wet Tropics	RLP NQ NRM Alliance Ltd	4
Southern Queensland Tender			
	Condamine	Southern Queensland Landscapes	2
QLD	Maranoa Balonne and Border Rivers	Southern Queensland Landscapes	2
	South West Queensland	Southern Queensland Landscapes	2
Total			**225**

Note a: The NSW Local Land Services is one legal entity with multiple regional offices.

Source: DAWE.

Appendix 4   Summary of public submissions

Overall
A total of 18 submissions were received by the ANAO through the citizen contribution facility on the ANAO website. Fifteen submissions were largely positive about the RLP program. Three submissions were largely negative towards the direction of the program due to perceived issues with the procurement approach, including: • reduction in opportunities for collaboration; • split of funding between remote and more urban areas; and • lack of meaningful competition in the tender process.
Criterion 1 — Did the procurement processes support the achievement of value for money?

Responses against the criterion were mixed.
 	
• Thirteen out of 18 submissions commented on the resource intensiveness of the procurement process, with some estimating that they required an estimated upfront investment of around two full-time-equivalent staff (approximately $200,000) to prepare the tender documents.
   – Twelve submissions also noted that this was mitigated by good return on investment once they were successful, by receiving additional work beyond the RLP program.
   – One submission noted that organisations that were unsuccessful or had not tendered for the RLP program were not considered for a number of significant subsequent investments from the Australian Government, which potentially undermined value for money for those programs.
• Nine submissions noted that the tender process limited collaboration opportunities, both across the sector (due to limitations on price collusion) and with the department (due to probity/independence considerations).
• Five submissions commented that partnership approaches and greater coordination amongst service providers when delivering services (both within and across management units) was not sufficiently supported by the department.
• Three submissions indicated that the higher costs of delivering services in remote areas were insufficiently recognised.
   – One of the submissions noted that the average program funding in remote areas appears to be much lower than other areas, despite greater complexity in delivering services.
• Two submissions noted that the change from grants to a procurement model was difficult for some of their community partners, who became 'subcontractors' under the new arrangement with payments in arrears and obligations to adhere to relevant requirements under the services agreements.
• Two submissions noted that the procurement process shifted all financial risks of project delivery to service providers, forcing them to operate conservatively and with 'self-preservation'.
• Two submissions noted that a more open and flexible tender process could increase competition and lead to better value for money.
   – One submission noted that the specific nature of the criteria included in the tender documents made it unlikely that organisations who were not one of the recognised 54 NRM bodies would apply, curtailing competition and potential for better value for money.
   – One submission expressed that there were circumstances in which certain non-NRM bodies were better qualified to take the lead on certain projects due to their statutory responsibilities or specialisation and expertise.

Criterion 2 — Does the department effectively manage service provider performance?

All responses were generally positive about the quality of DAWE's engagement.

- They were especially favourable towards:
  - simplified online reporting process via MERIT;
  - departmental liaison officers, including dedicated state-based teams;
  - regular relationship management meetings and the quality of informal communication and engagement; and
  - assurance processes, including quarterly assurance checks and audits.
- All submissions were positive about the department's flexibility in dealing with the impact of the COVID-19 pandemic on service delivery.
- Four submissions noted that some greater flexibility is desirable in the structure of project work orders, with the fixed nature of project deliverables and reporting timeframes at times incompatible with 'real world' delivery of project outcomes.
  - One submission stated that this has resulted in a significant administrative burden as service providers were required to seek movement of funds between financial years, and renegotiate and execute change orders to vary contractual requirements.
  - One of the submissions noted that the allocation of unit costs to some services was 'arbitrary' and made it difficult to subsequently demonstrate value for money.
  - One submission noted that some administrative processes, such as the requirement to submit statutory declarations with every quarterly invoice, were overly onerous.
- Two submissions noted that greater trust could be exercised in light of the long history of partnership between DAWE and some service providers.
- Two submissions remarked on the inconsistent requirements in place for environment and agriculture projects, noting that some have experienced 'vastly different' levels of scrutiny and standards between environment and agriculture project managers.

Criterion 3 — Does the department effectively monitor achievement of program outcomes?

- Nine submissions commented positively on the program logic approach, which is already well-embedded in the NRM sector to measure and monitor long-term outcomes. The submissions were also positive about specifying monitoring and evaluation requirements for each project.

- Seven submissions noted the complexity in establishing a consistent national framework for monitoring environmental and agricultural outcomes, including in collecting qualitative data in a standardised way. This has been broadly noted as an area for further improvement.

  - Four submissions were positive about the five-year funding cycle, noting that achievement of meaningful outcomes requires consistent funding and action over long periods of time.

- Three submissions noted that there had been delays in establishing a long-term monitoring framework for the RLP program, which will affect the measurement of program outcomes.

- Two submissions noted that there were limited reports on service provider performance, program impacts and outcomes, and suggested that these should be regularly made available to the public for increased transparency.

Source: ANAO summary of public submissions.

Appendix 5　Regional Land Partnerships assurance activities

Assurance activity	ANAO assessment	Comment
Utilise existing processes to report on and facilitate assurance oversight by DAWE executives	🟢	There is regular reporting on the implementation of the RLP assurance framework to: • the Joint Executive Committee (pre-MoG, May 2019 to February 2020); • the RLP Management Committee (post-MoG, March 2020 to June 2020); and • First Assistant Secretary, Biodiversity Conservation Division (quarterly, from July 2020 to current).
Develop documents and processes required to support assurance activities and implementation of the framework, including: • Audit work plans/program of audit as required • Standard operating procedures • Training programs • Issues register	🟢	**Audit work plans/program of audits** An audit work plan was developed, but not finalised beyond it being a working draft. DAWE advised that 'there was no specific need' as the approach was continuously reviewed and adapted. An audit tracker outlines the planned audit activities for the next three to six months.
	🔺	**Standard operating procedures** DAWE has developed standard operating procedures (SOPs) for conducting audits and quarterly assurance checks. An examination of a sample of audit SOPs show that they have varying levels of detail. Some key sections have not been completed.
	🟢	**Training programs** Training courses, including on how to conduct an audit, were delivered in mid- to late 2019. The training sessions were generally well-attended. In June 2021, a new assurance capability plan was approved to guide the development of key assurance skills for RLP staff.
	🟢	**Issues register** The RLP Contracts Assurance Section has developed and maintains an issues and decisions register.
Evaluation and improvement of the framework — reviewed at least annually, with updates as needed	🔺	A comprehensive review and update of the assurance framework was completed in March 2021. This included the development of a new assurance manual to help operationalise the updated framework. This was the first update of the framework. DAWE noted that there were delays due to competing priorities (such as the 2019–20 bushfires) and the MoG leading to restructuring of the division.
Project plan to be developed by service providers for each RLP project in MERIT	🟢	All approved projects have a project plan that is published on MERIT and attached to the executed project work order.

Assurance activity	ANAO assessment	Comment
Performance monitoring and reporting on project and core service delivery	▲	Service providers are required to submit a core service report and project service report via MERIT on a regular basis. However, these reports are not appropriately reviewed for accuracy. See paragraphs 3.31–3.41 for further analysis of service provider reporting.
Project management by DAWE project managers, including: • initial development of a risk assessment for each service provider and each of their projects; • regular review of risks in line with MERIT progress reports; • assessment of services delivery; • invoice payments; and • on-going engagement with service providers	▲	**Development of a risk assessment** An initial risk assessment was conducted by the RLP Contracts Assurance Section for each project and service provider. However, the risk assessment does not cover all projects and has not been updated consistently. Project managers have not conducted risk assessments of projects they manage. See paragraphs 3.73–3.77 for further analysis of project risk management.
	▲	**Review of risks** There are prompts for both service providers and project teams to update the project plan (which includes the service providers' assessment of their own project delivery risks) where required during the regular reporting process. However, these are not explicitly risk-focused. As noted above, project managers have not conducted risk assessments of projects they manage.
	▲	**Assessment of service delivery** DAWE's approach to assessing services delivery is unlikely to provide assurance of their quality and completeness prior to payment of invoices. See analysis in paragraphs 3.23–3.29.
	◆	**Invoice payments** Invoice payments are processed in a timely manner. Documentation is generally sound.
	▲	**Engagement with service providers** DAWE's Project Manager's Handbook states that records of formal relationship management meetings are required to be maintained. However, the ANAO found these records to be inconsistent, with notes recorded in varying levels of detail and in different formats. See paragraphs 3.62–3.63 for further analysis of relationship management meetings. Project managers also engage informally with service providers.
Ad hoc or regular compliance checks	N/A	DAWE informed the ANAO that compliance checks have not been conducted as there has been no need for compliance checks in addition to the audit and quarterly assurance check activities.

Assurance activity	ANAO assessment	Comment
Quarterly assurance checks across a selection of service providers and projects	◆	Sixty quarterly assurance checks have been completed as at the end of Quarter 3 of 2020–21. Projects are chosen based on assurance coverage and risk assessments conducted by the RLP Contracts Assurance Section. Analysis of findings from quarterly assurance checks is at paragraphs 3.55–3.61.
Audits, including: • initial desktop audits in Year One, examining compliance; and • structured and documented audits conducted on a regular basis.	◆	**Initial desktop audits in Year One** In July 2019, the RLP Contracts Assurance Section undertook an initial high-level desktop audit of all service providers to review their compliance with the relevant core service plan submission requirements (see Table 3.2). It noted that the majority of service providers have not submitted their Communications Plan, Indigenous and Community Participation Plans and reviews of existing NRM Plans on time. Results of this review were used to inform the rollout of the full audit program.
	◆	**Regular audits** Eleven audits have been conducted as at September 2021. These audits examine a selection of core services, project services and common requirements. Analysis of findings from these audits is at paragraphs 3.49–3.54.
Investigations	N/A	DAWE informed the ANAO that there have not been any issues that would warrant a referral for investigations.
Program reviews	In progress	The mid-program review is underway, with the report due to be delivered in November 2021. See paragraph 4.46 for more information.
Internal audits	◆	There have been two DoEE internal audits and three DAWR internal audits into the RLP program. DoEE internal audit recommendations were addressed through the review and update of the RLP assurance framework in March 2021. The internal audit recommendations were closed in June 2021. The third DAWR internal audit (May 2019) noted that all recommendations from the first report and one of the four recommendations from the second report were assessed as complete as at May 2019, with DAWR expecting to have the remaining three recommendations implemented by 31 August 2019. There is no record of the audit committee being advised of the completion of the remaining three recommendations, but they have since been superseded by the MoG.

Key: ◆ Appropriately implemented

▲ Partly implemented

■ Not implemented

Source: ANAO analysis of activities outlined in the RLP assurance framework.