

The Auditor-General  
Audit Report No.1 2000–2001  
Performance Audit

# **Commonwealth Assistance to the Agrifood Industry**

Australian National Audit Office

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Canberra ACT  
24 July 2000

Dear Madam President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Commonwealth Assistance to the Agrifood Industry*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—  
<http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett  
Auditor-General

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

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# Abbreviations/Glossary

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AFFA	Department of Agriculture, Fisheries and Forestry—Australia
Agrifood industry	food-related agricultural production, processing, transport and marketing activities. These activities comprise the supply chain and are variously referred to as ‘paddock to plate’, ‘field to fork’, and ‘whole of chain’.
AID	Agricultural Industries Division, AFFA
ANAO	Australian National Audit Office
AQIS	Australian Quarantine and Inspection Service
Austrade	Australian Trade Commission
Commonwealth assistance to the agrifood industry	<p>covers all measures, or specific components of measures, which:</p> <ul style="list-style-type: none"><li>• are targeted at the agrifood supply chain; and/or</li><li>• directly benefit the agrifood industry. It excludes on-farm welfare, viability and production measures not linked to other elements of the supply chain.</li></ul>
CRC	cooperative research centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFAT	Department of Foreign Affairs and Trade
DISR	Department of Industry, Science and Resources
DoTRS	Department of Transport and Regional Services
FAID	Food and Agribusiness Industries Division, AFFA
ILN	Integrated Logistics Network
Intermediate outcomes	the result of the delivery of outputs, third party outputs or the use of administered items that contribute to higher level or longer term planned outcomes.
KPI	key performance indicator
MDTF	Market Development Task Force
MHW	(Japanese) Ministry of Health and Welfare

NIDP	New Industries Development Program
PBS	Portfolio Budget Statement
Planned outcome	outcomes and ‘intermediate’ outcomes which have been planned in the sense of the Outcomes and Outputs Framework, and objectives, their approximate equivalent in the budgetary system in place prior to the introduction of the Framework. Agencies still use ‘objectives’ in many of their planning documents supporting the planned outcomes and outputs identified in their Portfolio Budget Statements. In this report ‘outcome’ refers also to these ‘objectives’.
program/ activity	individual programs/activities and/or those programs/activities which contribute to the delivery of broader strategic initiatives.
R&D	research and development
RDC	research and development corporation
SMA	statutory marketing authority
STA	Supermarket to Asia
Supply chain	incorporates the following elements: <ul style="list-style-type: none"> <li>• Production—includes generation of an unprocessed agricultural commodity or food item (including aquatic food items);</li> <li>• Processing—refers to conversion of an agricultural commodity into a marketable form (includes packaging);</li> <li>• Transport—covers the logistical linkages involved at all stages of the supply chain; and</li> <li>• Marketing—includes market access, domestic marketing and export marketing.</li> </ul>
TLWG	Transport and Logistics Working Group



# **Summary and Recommendations**



# Summary

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## Introduction

1. The agrifood industry is critical to the Australian economy; in 1998–99 it added value of over \$30 billion or more than five per cent of Gross Domestic Product. Over 75 per cent of overall farm production and around 25 per cent of processed food production is exported. Many agencies and organisations are involved in assisting the agrifood industry, including Commonwealth, State and Territory Governments and industry organisations.

## Audit objective and approach

2. The audit objectives were to:

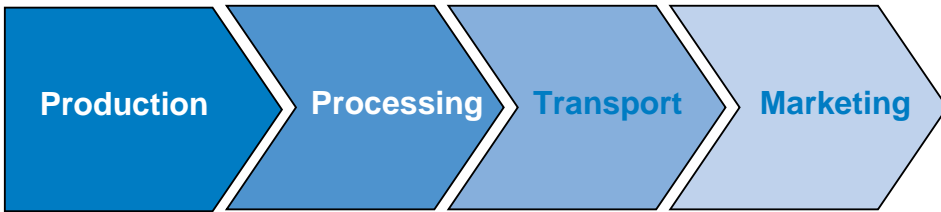
- identify the nature and extent of Commonwealth assistance to the agrifood industry; and
- for the key Commonwealth agencies involved in providing assistance to the agrifood industry, to assess:
  - whether their statements of planned outcome<sup>1</sup> are:
    - clear, realistic, achievable and outcome-oriented; and
    - linked to other levels of the planning framework and to Government policy;
  - the adequacy of performance information by which agencies assess and report the achievement of planned outcomes; and
  - on the basis of the above, the extent to which the agencies are able to demonstrate their success in achieving the Government’s objectives for the agrifood industry.

3. The audit focused on activities related to the processing, transport and marketing elements of the agrifood supply chain (see Figure 1), together with production activities linked directly to these three elements. This focus reflected Government policy priorities as well as being the area of greatest challenge to program coordination and delivery.

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<sup>1</sup> The term ‘planned outcome’ is used throughout this report to refer to outcomes and ‘intermediate’ outcomes (‘intermediate’ outcomes, the result of the delivery of outputs, third party outputs or the use of administered items, contribute to higher level or longer term planned outcomes) which have been planned in the sense of the Outcomes and Outputs Framework, and to objectives, their approximate equivalent in the budgetary system in place prior to the introduction of the Framework. Agencies still use ‘objectives’ in many of their planning documents supporting the planned outcomes and outputs identified in their Portfolio Budget Statements. In this report outcomes refers also to these objectives.

**Figure 1**  
**The agrifood supply chain**



4. The audit concentrated on programs and activities directed specifically at the agrifood industry. Broad industry assistance programs such as the Export Market Development Grants Scheme, the Export Finance and Insurance Corporation and the R&D START Program, were excluded.

5. The audit criteria addressed the roles of Commonwealth agencies assisting the agrifood industry, and the administrative effectiveness of the planning, performance information and reporting frameworks used by the four key Commonwealth agencies concerned.

6. The audit methodology involved:

- a survey of relevant Commonwealth agencies to collect information on Commonwealth assistance to the agrifood industry;
- fieldwork in key agencies with overall responsibility for elements of the supply chain (Department of Agriculture, Fisheries & Forestry—Australia (AFFA), Department of Foreign Affairs & Trade (DFAT), Australian Trade Commission (Austrade) and Department of Transport & Regional Services (DOTRS)); and
- correspondence with relevant State and Territory Government agencies.

## Conclusion

### Commonwealth assistance to the agrifood industry

7. The ANAO found that Commonwealth assistance to the agrifood industry supply chain elements of processing, transport and marketing, together with production activities linked directly to these three elements, involved some 27 agencies and amounted to some \$100 million in 1998–99. The major forms of assistance were for research and development, market access and market development.

### Planned outcomes

8. For 1999–2000 and 2000–2001, the four key agencies had clear, realistic, and achievable planned outcomes in their higher-level planning

documents that were directly linked to Government policy. However, in both 1999–2000 and 2000–2001, DoTRS's high-level planned outcome covered functions which were shared with other, including non-Commonwealth, agencies. Where agencies have shared planned outcomes, the contribution of the agency to the outcome should be identified for accountability purposes.

9. While it was not clearly evident to the ANAO from the terminology and structure of the Portfolio Budget Statements (PBS), DoTRS advises that it regards the six priority areas identified in each of the 1999–2000 and 2000–2001 PBSs as being 'intermediate' outcomes.<sup>2</sup> The ANAO considers that a clearly articulated PBS structure demonstrating the agency's outcome hierarchy would improve the transparency of DoTRS's accountability for outcomes to key stakeholders, particularly the Parliament.

10. At the operational level, many of the statements of planned outcomes by those agencies were not suitable for the purpose in that they were, in substance, statements of strategy or output.

11. The ANAO also concluded that there was scope for improvement in the internal links between plans at different levels of the planning hierarchy in Austrade.

12. The ANAO further concluded that, overall, the stated planned outcomes, strategies and outputs for agrifood-related programs and activities at the operational level adequately reflect Government policy.

### **Performance information**

13. With respect to performance information concerning the agrifood industry, the ANAO concluded that the key agencies are still coming to terms with the requirements of the Outcomes and Outputs Framework. Notwithstanding evidence of some examples of better practice, AFFA, DFAT and DoTRS do not have performance indicators which focus adequately on achievement of outcomes, or at least 'intermediate' outcomes, and which are sufficiently precise or in a form which enables targets to be set and performance to be adequately assessed.

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<sup>2</sup> These priority areas are referred to as Government priorities in DoTRS's PBS. The Government priorities are: economic prosperity and employment; accessibility; environmental sustainability; safety; national culture; and effective governance.

## **Performance reporting and ability to demonstrate success in achieving Government objectives for agrifood**

14. Some external reports and internal management reports of the key agencies examined demonstrated better practice principles by reporting against planned outcomes based on reasonable performance indicators. However, most reports reviewed by the ANAO focused substantially on activity and progress reporting.

15. Greater emphasis by AFFA, DoTRS and Austrade on reporting outcomes, or 'intermediate' outcomes where appropriate, and useful related performance information would enhance management decision-making and the ability of stakeholders to assess agencies' effectiveness in providing assistance to the agrifood industry.

16. Notwithstanding examples of better practice, limitations in one or more elements of the key agencies' planning, performance information and reporting frameworks restrict their ability to assess, as well as demonstrate adequately, the extent to which those agencies have been successful in achieving each of the Government's objectives for the agrifood industry. Experience across public sectors in Australia and overseas demonstrates that progress in these areas is often iterative and requires a substantial change in management culture at all levels of an organisation.

## **Agency responses**

17. The ANAO made four recommendations directed at improving the planning, monitoring and reporting of Commonwealth assistance to the agrifood industry. The four key agencies have agreed with the recommendations related to them.

## **Department of Agriculture, Fisheries and Forestry—Australia**

18. AFFA considers the report provides a comprehensive approach to achieving continued improvements to the planning and reporting frameworks for the key agencies with responsibility for delivering Commonwealth assistance to the agrifood industry. This will assist these agencies, including AFFA, to more clearly assess and demonstrate the effectiveness of their activities in achieving the Government's objectives for improving the sustainability and competitiveness of the agrifood industry.

19. AFFA notes the report acknowledges that there has been considerable improvement in the AFFA planning and reporting framework, particularly with the progressive adoption of the Outcomes and Outputs Framework.

20. AFFA agrees that further improvements to its Outcome/Output based planning, performance information and reporting processes are required and is actively working to improve the effectiveness of these processes. In particular, AFFA has reformulated its Outcome and Outputs (in the 2000–2001 PBS); established output action teams to better integrate and focus effort on achieving Outputs; and is reviewing its structure to improve delivery of Outputs. Performance measures at the Output level have also been improved and, through a move towards managing work on a project basis, greater emphasis is being given to performance measurement and reporting throughout AFFA. Food Processing and Through Chain Development has been included as an AFFA output and an output plan is currently being developed.

21. These initiatives will enable AFFA to fully implement the ANAO's recommendations.

### **Department of Transport and Regional Services**

22. The Department notes ANAO's report into Commonwealth Assistance to the Agrifood Industry. The report is welcome given Minister Anderson's recent decision to extend Commonwealth seed-funding for the air and sea freight export councils.

23. The Department is pleased to note that the Integrated Logistics Network has been recognised by ANAO as an example of better practice coordination of Commonwealth and state/territory government activities.

24. The Department's 2000–2001 corporate and business planning process will strengthen its planning framework and enhance performance measurement and reporting, and we note ANAO's suggestions in this regard.

### **Department of Foreign Affairs and Trade**

25. DFAT welcomes many of the comments and suggestions in the audit report for further improving the Department's performance-reporting framework. In addition, DFAT notes the ANAO's endorsement of the performance monitoring and reporting framework for the Market Development Task Force. While defining outcomes and performance indicators for the responsive market access work of DFAT is problematic, the ANAO has provided useful suggestions on how to implement the recommendations in this environment.

## **Australian Trade Commission**

26. While the report is a useful and timely contribution to agency efforts to improve planning, monitoring and reporting of Commonwealth assistance to the agrifood industry, Austrade would like to emphasise that Austrade primarily uses markets rather than industries in its strategic approach to export marketing and investment facilitation, as compared to the sectoral approach taken by most other agencies. This strategic approach is clearly set out in Austrade's Corporate Plan and differentiates Austrade from other agencies. This approach is borne out by recent research, which indicates that the key driver for Australian businesses entering export markets is opportunities available in those markets.

27. Austrade is, however, conscious to ensure that its market derived strategies resonate well with industry sector concerns. This is why, since 1996, annual consultations take place through industry focussed Export Advisory Panels, of which agri-business is one. Austrade's proposed strategic objectives and the key activities to be implemented within that sector are presented to panels of leading members of the export community for their views.



# Key Findings

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## Commonwealth assistance to the agrifood industry (Chapter 2)

28. The ANAO found that responsibility for delivering Commonwealth policy objectives for the agrifood industry is shared between many agencies. The Department of Agriculture, Fisheries and Forestry has overall responsibility for Government contact with the industry, but has not been charged with exercising a coordination role. The Prime Minister’s Supermarket to Asia Council has specific overall aims with respect to agrifood exports to Asia.

29. The ANAO also found that the following agencies have direct responsibility for Commonwealth assistance to the agrifood industry in respect of key elements of the supply chain:

- Department of Agriculture, Fisheries and Forestry—Australia (AFFA)—production and processing;
- Department of Transport and Regional Services (DoTRS)—transport and logistics;
- Department of Foreign Affairs and Trade (DFAT)—market access; and
- Australian Trade Commission (Austrade)—market development.

30. The elements of the agrifood supply chain to which Commonwealth assistance is primarily directed are production, processing and marketing.

31. Of \$100 million in direct Commonwealth assistance, some \$80 million is provided to the agrifood industry via research undertaken by the Commonwealth Scientific and Industrial Research Organisation, cooperative research centres and agrifood industry-specific research and development corporations. Marketing assistance is provided by agrifood industry-specific statutory marketing authorities.

32. Within the agricultural and transport sectors, there are longstanding arrangements for formal consultation between the Commonwealth and the States and Territories. These arrangements are oversights by Ministerial Councils supported by working groups of officials. In addition, there is widespread consultation and liaison between relevant Ministers and agencies at both Commonwealth and State and Territory levels aimed at coordinating specific programs and activities to prevent duplication and to make use of expertise available in other organisations.

## Planned outcomes (Chapter 3)

### Clear, realistic, achievable and outcome-oriented

33. For 1999–2000, and for 2000–2001 the four key agencies had clear, realistic, and achievable planned outcomes in their higher-level planning documents which were directly linked to Government policy. However, DoTRS's overall planned outcome, while being clear and directly linked to Government policy, covers a broad range of functions, many of which are not Commonwealth responsibilities. Where agencies have such 'shared' planned outcomes the particular contribution of the agency to the outcome should be identified, as far as is practicable, for accountability purposes. To this end, DoTRS advises the ANAO that the six priority areas identified in each of the 1999–2000 and 2000–2001 PBSs are regarded by DoTRS as being 'intermediate' outcomes. However, it was not clear to the ANAO, from the terminology and structure of the PBS, that the priority areas form part of the agency's outcome hierarchy and therefore constitute key statements of 'intermediate' planned outcome for the purposes of assessing and demonstrating success in achieving outcomes. The ANAO considers that a clearly articulated PBS structure demonstrating the agency's outcome hierarchy would improve the transparency of DoTRS's accountability for outcomes to key stakeholders, particularly the Parliament.

34. The degree to which lower-level planned outcomes<sup>3</sup> conformed to better practice varied across and within agencies. Each agency had planned outcome statements in relation to agrifood which were not outcome-oriented. This was particularly evident in parts of DFAT and to a lesser extent in Austrade and DoTRS.

35. Austrade, in its overseas post and regional agrifood-related strategies, often states planned outcomes in terms of targets for its key performance indicators (KPIs). The use of KPI targets without clear statements of planned outcome may make implementation and assessment more difficult. For example, it is not clear that numerical KPI targets, expressed without comparison to previous KPI data, portray an intended outcome based on a Government policy of maintaining or increasing exports. Austrade's planning documentation would be clearer if, in addition to KPI targets, clearly articulated statements of planned outcomes giving effect to specific Government policy were included at the operational level.

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<sup>3</sup> 'Lower-level planned outcomes' encompasses planning by various levels of work unit within the agency, reaching down to planning at the level of the individual program or activity.

## **Linkages to Government policy and between levels of agencies' planning frameworks**

36. PBSs are tabled in Parliament as part of the Budget process. The higher-level planned outcomes identified within them reflect government policy. The question of linkage to government policy arises only for operational, lower-level planned outcomes. The ANAO found that all four key agencies had operational planned outcomes reflecting, and aimed at giving full effect to, Government policy. Internal planning linkages relevant to agrifood within Austrade did not provide adequate assurance as to the ability of Austrade to appropriately guide performance at lower levels, as well as to monitor and report this performance effectively.

## **Performance information (Chapter 4)**

### **Performance information frameworks**

37. Three of the four key agencies (AFFA, DFAT and Austrade) had clearly identified performance indicators for their higher-level planned outcomes in their 2000–2001 and 1999–2000 PBSs. Although DoTRS advised that its 1999–2000 and 2000–2001 PBSs included a range of effectiveness indicators for assessing the achievement of its planned outcome for the community, it was not clear to the ANAO from the terminology and structure of the PBS that they were adequate as the agency's outcome performance indicators. As stated above, the ANAO considers that a clearly articulated PBS structure demonstrating the agency's outcome hierarchy and related performance indicators would improve the transparency of DoTRS's accountability for outcomes to key stakeholders, particularly the Parliament. All of the four key agencies included performance indicators for outputs in both their 1999–2000 and 2000–2001 PBSs.

38. At lower levels of their performance information framework, agencies identified suitable performance indicators for programs or activities. The Agricultural Industries Division within AFFA was an exception. Three of the four programs and activities examined did not have performance information.

### **Quality of performance indicators**

39. The ANAO identified examples of better practice performance indicators such as:

- those in AFFA's current contract with the company providing support to the Prime Minister's Supermarket to Asia Council;
- Austrade's whole-of-agency use of KPIs; and
- the use of performance information for each market-specific outcome identified by DFAT's Market Development Task Force.

40. However, performance indicators for many agrifood programs or activities were of limited value in assisting managers to assess the effectiveness of those programs or activities in assisting the agrifood industry. The ANAO found that this was because these indicators:

- did not adequately assess or measure outcomes;
- did not specify what is to be assessed; or
- were not directly linked to targets.

## **Performance reporting and ability to demonstrate achievement of Government objectives for the agrifood industry (Chapter 5)**

### **External reporting**

41. The audit identified better practice examples of external reporting in three of the four agencies included in the audit, that is Austrade, AFFA and DFAT, as follows:

- Austrade's 1998–99 Annual Report contains performance information on the effectiveness of its support for a range of industries, including the food and beverages sector;
- AFFA's 1998–99 Annual Report, in the chapter on the Australian Quarantine Inspection Service, extensively reports agrifood related performance indicators;
- the outcomes of the Market Development Task Force are reported in DFAT's annual reports; and
- DFAT and Austrade also report to external stakeholders through the Minister for Trade's annual *Trade Outcomes and Objectives Statement*, providing detailed reporting on previously established objectives.

42. However, the outcomes of most agrifood programs and activities are not being reported. Instead, reporting is often focused on outputs and key activities undertaken, with limited use of performance indicators. Such reporting does not accord with better practice and makes it difficult to establish the program's or activity's effectiveness and value for money, and to make suitable comparisons over time.

### **Internal management information and reporting**

43. The ANAO found better practice examples of reporting in: higher-level reports of export impact by industry sector to the Austrade board; DFAT's management of the Market Development Task Force (MDTF); and with respect to AQIS's technical market access work. In each case outcomes and performance indicators are reported consistently and used to review resource allocations and priorities as part of good management.

44. Notwithstanding these examples of better practice, management information and reporting, particularly for AFFA and DoTRS, focused mainly on program and activity highlights. Limited use was made of performance indicators, together with limited reporting of either final or 'intermediate' outcomes.

45. At post and regional levels, Austrade is creating agrifood-related plans containing quantitative KPI targets against which the ANAO found no evidence of regular and systematic reporting. The value of having agrifood plans at post and regional level is largely foregone if their effectiveness is not determined, reported and used to inform management decision-making. Austrade has advised that improvements in its management information system, which will come into effect in July 2000, will improve access to sectoral data at post and regional levels.

### **Ability to demonstrate achievement of Government objectives for the agrifood industry**

46. Overall, for the most recent reporting year, the four key agrifood-related agencies did not align a sound planned outcomes hierarchy with a performance information framework capable of identifying, measuring and assessing outcomes relevant to the agrifood industry, and with a methodology for reporting the results to managers and other stakeholders. As a consequence, agencies, generally, were not able to demonstrate adequately the effectiveness of their programs or activities in assisting the Australian agrifood industry.

47. There is clear evidence of improvement in planning and reporting frameworks across the key agencies, both as a result of continuous improvement initiatives across the public service and specifically as a result of the adoption of the Outcomes and Outputs Framework. While these improvements have yet to flow through to better reporting of the effectiveness of agency support for the agrifood industry, such improvement should be seen in 1999–2000 reporting and subsequently.

# Recommendations

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Set out below are the ANAO's recommendations with Report paragraph references and agencies' abbreviated responses. More detailed responses are shown in the body of the report. The ANAO considers that agencies should give all recommendations equal priority.

**Recommendation No.1**  
**Para. 3.27** The ANAO recommends that agencies strengthen their planning frameworks with respect to their provision of assistance to the agrifood industry to ensure that statements of planned outcome are:

- outcome-oriented and able to be assessed (DFAT, Austrade and DoTRS);
- linked to other levels of the planning framework (Austrade);
- unambiguous in terms of approval and content (Austrade); and
- distinguished from, but directly linked to, KPIs (Austrade).

*Austrade response:* Agreed

*DFAT response:* Agreed

*DoTRS response:* Agreed

**Recommendation No.2**  
**Para. 4.20** The ANAO recommends that AFFA, DoTRS, and DFAT, in order to support appropriate program planning and evaluation, and to more fully demonstrate the effectiveness of their support for Australia's agrifood industry, ensure that their performance information:

- measures and/or assesses outcomes as well as outputs;
- specifies what is to be assessed or measured; and
- makes appropriate use of targets, standards and/or benchmarks of performance.

*AFFA response:* Agreed

*DFAT response:* Agreed

*DoTRS response:* Agreed

**Recommendation No.3**  
**Para. 5.17**

The ANAO recommends that AFFA and DoTRS enhance their management decision-making and the ability of stakeholders to assess agencies' effectiveness in providing assistance to the agrifood industry by making greater use of reporting against agrifood-related planned outcomes and performance indicators.

*AFFA response:* Agreed

*DoTRS response:* Agreed

**Recommendation No.4**  
**Para. 5.20**

The ANAO recommends that Austrade, to enhance its management decision-making, strengthen its management information and reporting framework by reporting against planned outcomes and targets for its agrifood-related post and regional strategies.

*Austrade response:* Agreed





# **Audit Findings and Conclusions**



# 1. Introduction

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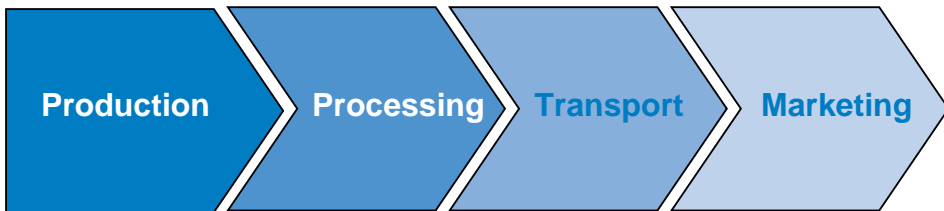
*This chapter provides an overview of the agrifood industry and of the objectives of Commonwealth assistance to it. The objectives, criteria, focus, scope and methodology of the audit are also discussed.*

## Background

**1.1** 'Agrifood' refers to activities encompassing agricultural production to food consumption. The term is frequently associated with the idea of a 'supply chain' covering production, processing, transport and marketing (see Figure 1.1). The concept involves a change in emphasis from production orientation (agriculture) to a 'through-chain' or 'paddock to plate' approach to producing and delivering food for specific markets.

**Figure 1.1**

**The agrifood supply chain**



## Importance of the agrifood industry

**1.2** The agrifood industry is critical to the Australian economy; in 1998–99 it added value of over \$30 billion or more than five per cent of Gross Domestic Product.<sup>4</sup> The principal components of the value-added total were agricultural (unprocessed) food (\$19 billion) and processed food and beverages (\$13 billion). Over 75 per cent of overall farm production and around 25 per cent of processed food production is exported.<sup>5</sup> Growth in international markets is therefore essential to enable the sector to generate domestic employment and contribute to economic growth.

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<sup>4</sup> AFFA estimates.

<sup>5</sup> *Trade Outcomes and Objectives Statement, 1999*, Department of Foreign Affairs and Trade, Canberra, 1999, p. 225.

**1.3** The agrifood sector is undergoing major change, reflecting pressures on it to remain competitive, respond to market developments and improve market access. The Government has expressed the view that the growth and competitiveness of the sector is likely to be influenced over the next three to five years by a number of key issues and developments, including:

- the full implementation of Uruguay Round agriculture commitments;
- the operation of the World Trade Organisation (WTO) Sanitary and Phytosanitary Agreement;<sup>6</sup>
- the increasing dominance of global retailers and supply networks;
- shifts in global trade as a result of the Asian financial crisis; and
- the increasing use of biotechnology in agricultural production.<sup>7</sup>

**1.4** The Department of Agriculture, Fisheries and Forestry—Australia (AFFA) has advised that world agrifood markets are increasingly being characterised by demand-driven supply chains, and that the need to build competitive supply chains has provided the imperative for a through-chain approach to the development of government policies and programs.

## Government policy objectives for the agrifood industry

**1.5** The Government's policy objectives for the agrifood industry are expressed in a range of documents encompassing: broader policy areas such as agriculture and exports, policies directed specifically at agrifood, and policies directed at specific agrifood sectors or markets.

**1.6** The Government set out its objective for agriculture in its 1998 *Action Plan for Australian Agriculture*. The vision behind this Plan is stated in the following terms:

*within 10 years, Australian agriculture will be based on profitable, competitive and sustainable family farm businesses that are recognised as world leaders in their production efficiency, product quality, innovation and ability to supply and respond to market needs.*<sup>8</sup>

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<sup>6</sup> This Agreement requires governments not to apply measures directed at protecting human health in relation to food for other purposes, for example, industry protection.

<sup>7</sup> DFAT, *Trade Outcomes and Objectives Statement*, 1999, p. 226.

<sup>8</sup> Action Plan for Australian Agriculture, July, 1998. The relevance of this statement for agrifood is shown by the fact that many of the actions identified in the plan refer specifically to food production.

**1.7** The Action Plan identifies the following strengths of the agrifood industry as providing major opportunities for export growth and regional employment in Australia:

- counter-seasonality with the world's major food producers in the northern hemisphere;
- proximity to Asian food markets;
- increasing consumption of processed and western foods by the rapidly growing middle classes in Asia;
- Australia's sea border, which provides a measure of protection against many plant and animal diseases which affect food in other countries, providing a clean, green image for Australian food;
- a strong agricultural research and development base which supports the competitiveness of the industry; and
- an innovation culture which adopts new technology, such as biotechnology and the Internet, to support competitiveness.<sup>9</sup>

**1.8** With regard to agrifood, the Government's objectives are focused on reducing government intervention in order to provide ownership to producers, processors and live exporters, enabling them to determine the future of their industries.<sup>10</sup>

**1.9** To assist industries to become internationally competitive and develop an export focus, the Government is encouraging an improvement in risk management skills and the adoption of best practice in production and marketing, as well as encouraging an agrifood presence in export markets.<sup>11</sup>

**1.10** Government policy objectives on agrifood are also found in documents directed at other areas. For example, the Government's annual Trade Outcomes and Objectives Statement sets out policy objectives for export trade in specific agrifood sectors and markets. Similarly, there are Government policies for specific agrifood sectors, such as the Pork Industry Adjustment Package developed in 1998.

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<sup>9</sup> The Government issued a new, revised Action Plan for Australian Agriculture, Food and Fibre 2000–2001 on 28 February 2000, after the field work for this audit had been completed. The vision for the new Plan is very similar to that of the 1998 Plan, except that the time frame is not specified. The new Plan specifies six objectives, six strategies and 20 priority actions.

<sup>10</sup> Coalition Election Speech, *Primed For Growth*, 1998.

<sup>11</sup> *ibid.*

**1.11** Responsibility for delivering Commonwealth Government policy objectives for the agrifood industry is shared between agencies:

- Department of Agriculture, Fisheries and Forestry—Australia (AFFA)—overall responsibility for Commonwealth contact with the agrifood industry, with particular responsibility for food production, processing and market access;<sup>12</sup>
- Department of Transport and Regional Services (DoTRS)—transport and logistics, including in relation to food;
- Department of Foreign Affairs and Trade (DFAT)—access to export markets, including export food markets; and
- Australian Trade Commission (Austrade)—development of export markets, including export food markets.

**1.12** In addition, substantial Commonwealth assistance to the agrifood industry is provided via research funding (CSIRO, cooperative research centres and research and development corporations<sup>13</sup>) and marketing (statutory marketing authorities).

**1.13** The Supermarket to Asia Council has a particular role in relation to Commonwealth involvement in the agrifood industry. The Council is chaired by the Prime Minister and includes Commonwealth Ministers with portfolio responsibility for primary production, food processing, transport and trade, as well as industry leaders covering the agrifood supply chain. The Supermarket to Asia Council aims to promote an export culture among Australian agrifood firms, promote Australian agrifood products in Asia, and address impediments to export. The Council's objectives are to increase Australia's agrifood exports to Asia from \$10 billion at its inception in 1996 to \$16 billion by the year 2002 and to encourage 2000 new exporters.<sup>14 15</sup>

## Other reviews

**1.14** In undertaking the audit, the ANAO had regard to recent reviews relevant to aspects of Commonwealth assistance to the agrifood industry, including:

- ANAO Audit Report No.23 of 1998–99 *Accountability and Oversight Arrangements for Statutory Bodies in the Former Primary Industries and Energy Portfolio*;

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<sup>12</sup> AFFA works closely with DFAT on market access for agrifood, particularly on technical market access issues where the Australian Quarantine and Inspection Service (AQIS) has a key role.

<sup>13</sup> There are 12 rural Research and Development Corporations, most but not all of which relate to agrifood. The Commonwealth matches industry levies on a dollar-for-dollar basis up to 0.5 per cent of the industry's gross value of production.

<sup>14</sup> STA Ltd contract with AFFA, 1999.

<sup>15</sup> Progress towards achieving this goal is set out in Chapter 5, paragraph 5.23.

- ANAO Audit Report No.45 of 1998–99 *Food Safety Regulation in Australia—ANZFA*;
- ANAO Audit Report No.39 of 1999–2000 *Coordination of Export Development and Promotion Activities Across Commonwealth Agencies*;
- Food Regulation Review Committee *Food: a growth industry*, August 1998, Commonwealth of Australia;
- Productivity Commission *Trade and Assistance Review 1998–99*, Commonwealth of Australia;
- Howard Partners, *Review of the Supermarket to Asia Strategy*, AFFA internal report, April 1999 (unpublished); and
- Standen, Bruce and Baker, John, *Evaluation of the Supermarket to Asia—Australian Quarantine and Inspection Service Technical Market Access Program*, AFFA internal report, 1999 (unpublished).

## Audit objectives and scope

**1.15** The audit objectives were to:

- identify the nature and extent of Commonwealth assistance to the agrifood industry; and
- for the key Commonwealth agencies involved in providing assistance to the agrifood industry, to assess:
  - whether their statements of planned outcome<sup>16</sup> are:
    - clear, realistic, achievable and outcome-oriented; and
    - linked to other levels of the planning framework and to Government policy;
  - the performance information by which agencies assess and report the achievement of planned outcomes; and
  - on the basis of the above, the extent to which the agencies are able to demonstrate their success in achieving the Government’s objectives for the agrifood industry.

**1.16** The audit criteria were derived from better practice guidance relating to outcome planning and performance information issued by the Department of Finance and Administration and the ANAO. The criteria are set out in Appendix 1.

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<sup>16</sup> The term ‘planned outcome’ is used throughout this report to refer to outcomes and intermediate outcomes which have been planned in the sense of the Outcomes and Outputs Framework, and to objectives, their approximate equivalent in the budgetary system in place prior to the introduction of the Framework. Agencies still use ‘objectives’ in many of their planning documents supporting the planned outcomes and outputs identified in their Portfolio Budget Statements. In this report outcomes refers also to these objectives.

**1.17** The audit was structured to provide an overview of the administration of Commonwealth assistance to the agrifood industry. In particular, the ANAO sought to form a view on the extent to which agencies are able to demonstrate their success in achieving the Government's objectives for the Australian agrifood industry by assessing agencies' agrifood-related:

- planned outcomes;
- performance information; and
- reporting.

**1.18** The audit focused on the most recently available material—1999–2000 for planned outcomes (Chapter 3) and performance information (Chapter 4) and 1998–99 for reporting (Chapter 5).<sup>17</sup> In addition, to assess the 1998–99 reporting it was necessary to consider the integration of the planning, performance information and reporting frameworks supporting the complete planning and reporting cycle for 1998–99 (Chapter 5).<sup>18</sup>

**1.19** The audit focused on those agencies with direct responsibility for key elements of the supply chain:

- AFFA (production, processing, market access);
- DoTRS (transport);
- DFAT (market access); and
- Austrade (market development).

**1.20** A total of 38 Commonwealth agencies were surveyed to identify the full nature and extent of Commonwealth assistance to the agrifood industry. These agencies are listed in Appendix 2.

**1.21** The audit included a review of the contractual arrangements between the Commonwealth (represented by AFFA) and Supermarket to Asia (STA) Ltd.<sup>19</sup>

**1.22** The audit concentrated on programs and activities directed specifically at the agrifood industry.<sup>20</sup>

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<sup>17</sup> In addition, the higher-level planned outcomes and performance indicators included in the recently released 2000–2001 Portfolio Budget Statements for the four key agencies have been analysed and included in the audit report.

<sup>18</sup> The conversion of the Australian Public Service to the new Outcomes and Outputs Framework was in progress in 1998–99. Hence some agencies specified 'objectives' and others 'outcomes'. All agencies had converted to the new Framework by 1999–2000.

<sup>19</sup> STA Ltd is a public company, limited by guarantee, which was established by its private sector members to support the work of the STA Council.

<sup>20</sup> Broad industry assistance programs such as the R&D START program, the Export Market Development Grants Scheme and the Export Finance and Insurance Corporation, were excluded.



**1.23** The ANAO liaised with AFFA to develop definitions of 'Commonwealth assistance', 'agrifood industry' and 'supply chain' to ensure that all agencies had the same understanding of the scope and focus of the audit (see Glossary).

**1.24** The audit focused on the processing, transport and marketing elements of the supply chain, together with aspects of production linked directly to these elements.<sup>21</sup> Focussing the audit in this way enabled it to concentrate on areas of administration reflecting relatively recent government policy.

## Audit methodology

**1.25** The audit methodology involved:

- a survey of relevant Commonwealth agencies to collect information on Commonwealth assistance to the agrifood industry in order to describe the roles of each agency in the provision of assistance;
- fieldwork in four key agencies with overall responsibility for elements of the supply chain (AFFA, DFAT, Austrade and DoTRS) comprising:
  - an examination of files;
  - a review and analysis of agency data and other internal documents; and
  - interviews with staff members of the four key agencies; and
- correspondence with State and Territory Government agencies which also assist the agrifood industry (eg. departments of primary industries).

**1.26** The audit was conducted in accordance with ANAO Auditing Standards at a cost of \$407 000.

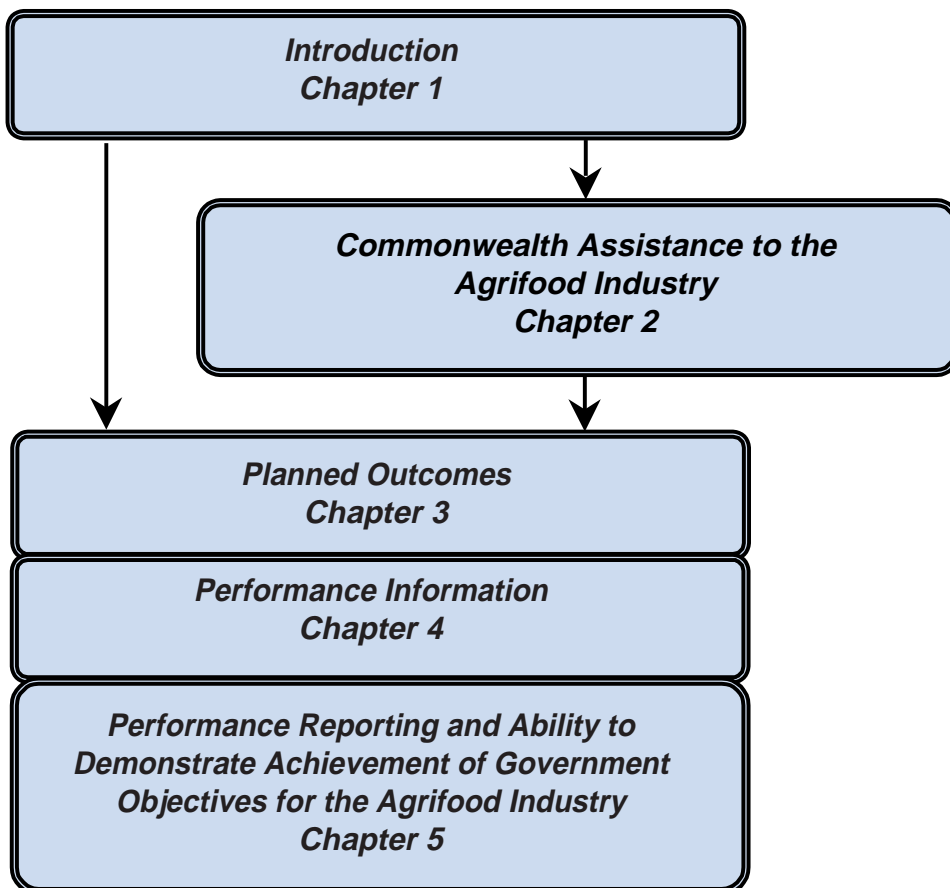
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<sup>21</sup> For example, the development of a strain of cereal which produces noodles of a preferred taste and texture in specific markets is an example of a production measure linked to other elements of the supply chain.

## Report structure

1.27 The structure of the report is shown in Figure 1.2.

**Figure 1.2**  
Report structure



## 2. Commonwealth Assistance to the Agrifood Industry

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*This chapter describes the nature and extent of Commonwealth assistance to the agrifood industry, including measures to ensure coordination and avoid duplication with other Commonwealth agencies and State and Territory Governments.*

### Introduction

**2.1** Information on the nature and extent of Commonwealth assistance to the agrifood industry is not readily available, as no agency is charged with collecting such information. The ANAO adopted a three-pronged approach to collecting such information as follows:

- The ANAO obtained overviews from key Commonwealth agencies on the assistance they provide to the agrifood industry, together with specific examples.
- The ANAO conducted a survey of selected Commonwealth agencies to obtain qualitative information on the nature and extent of their assistance to the agrifood industry. The survey collected information on the:
  - role of agencies supporting agrifood;
  - extent of Commonwealth assistance in terms of both direct and indirect Commonwealth budget appropriation and indirect funding; and
  - mechanisms adopted by agencies to avoid duplication and make use of other agencies' expertise.
- The ANAO wrote to selected State and Territory Government agencies to obtain their perceptions of the effectiveness of measures adopted by Commonwealth agencies to ensure coordination and avoid duplication in the provision of Commonwealth assistance to the agrifood industry.

### Overview of Commonwealth assistance to the agrifood industry

#### **Department of Agriculture, Fisheries and Forestry—Australia (AFFA)**

**2.2** AFFA assistance to the agrifood industry is provided through elements of its Industries Development Group and the Australian Quarantine and Inspection Service (AQIS).

2.3 The Industries Development Group has many programs supporting specific agrifood industries. One example of this support is the Delicatessen Program.

**Assistance to the agrifood industry—AFFA—Supermarket to Asia: Delicatessen Program**

The Delicatessen Program seeks to identify how producers can better access business opportunities and overcome barriers to success in Asian niche markets. In 1997–98, Commonwealth funding of \$1 million was provided for the program, which AFFA manages in consultation with a subcommittee of the Prime Minister's Supermarket to Asia Council.

The Program commenced with an examination of the information resources and development needs for successful niche agribusiness export development. Eight pilot projects were then funded to assist food producers develop new high value products meeting Asian demands. The projects are in their final stages and six have progressed to full commercialisation.

The benefits of the Delicatessen Program are highlighted by the outcomes of two of the pilot projects.

In the first project, Murrindindi Shire, in Victoria, and a Japanese company partnered to develop a green tea grower network and processing capability in Australia. Construction of the initial processing plant and tea house tourism facility will commence in 2000, representing a \$6–8 million investment. The first commercial-scale harvesting and processing trials commenced in October 1999. When in full production (planned for 2005), the first 100 hectares of green tea is estimated to generate around \$1.1 million in annual exports. The Japanese company envisages that Australia will eventually supply 10 000 tonnes per annum of green tea or around 10 per cent of Japanese demand. If realised, this level of production would be worth over \$40 million annually to Australia.

In the second project, the unique character of Australia's Channel Country (Central Australia) has been used to market Australian beef to Japanese consumers seeking healthy food.

Because of its isolation, cattle in the Channel Country can be grown to be free of pesticides and other chemical residues. Some cattle producers have used this characteristic to supply 'organic' beef to Japan. In order to maintain the integrity of their product, these cattle producers have established and manage their own brand name and supply chain.

For the 'organic' claim to be credible in Japan, international certification of the product was required. This required, in addition to animals free of pesticides and chemicals, special arrangements to be developed with transport operators and a beef processor.

The producers became fully involved in the marketing of their niche product in Japan through involvement with the beef processor, a trading house, and then to retail, restaurant and fast food chain operators.

As shown in the following photograph, the marketing of the organic beef uses images of the Channel Country. These images support Australia's clean, green image as a supplier of healthy food.

Export sales in the first nine months have exceeded \$1 million, with expected sales in the first full year of operation being \$6 million. The company envisages that sales in the tenth year could reach \$20 million.

*con't next page*

**Delicatessen Program—Australian organic beef on sale in Japan**

Initial results from the Delicatessen Program have been made available to industry through the AFFA report, *Developing Successful Niche Agribusiness Exports*, and the case study publication, *Made in Australia*. The research phase and the pilot projects have led to the establishment of the New Industries Development Program (NIDP). This program will assist in the pilot commercialisation of new agribusiness products, services and technology. As for the Delicatessen Program, the NIDP is being managed by AFFA, under the guidance of a working group established under the Supermarket to Asia Council.

***Department of Foreign Affairs and Trade (DFAT)***

2.4 Relevant Commonwealth support for the agrifood industry in DFAT occurs through the chairing and operation of the Market Development Task Force (MDTF), and through the Agriculture Branch. The MDTF coordinates and prioritises Australia's market access, market development and trade promotion activities. It seeks to achieve outcomes in a six to twelve month time frame. The MDTF comprises DFAT, Austrade, DISR and AFFA. DFAT provides the secretariat to the MDTF, together with a Processed Food Market Access Facilitator, who works to the MDTF. The MDTF is assisted by a Processed Foods Market Access Committee, which is chaired by the Facilitator, and brings together relevant government agencies and peak industry bodies. DFAT's Agriculture Branch provides advice to government on agricultural trade policy issues, many of which relate to agrifood. The Branch also includes a Market Access Facilitator for Agriculture, who deals with a wide range of specific trade problems, many of which are also related to agrifood. An example of the assistance provided by DFAT is orange juice exports to Japan.

#### Assistance to the agrifood industry—DFAT—orange juice exports to Japan

DFAT supported three Australian companies exporting orange juice to Japan in an operation that commenced in mid-1998. The companies had developed a growing, multi-million dollar export trade selling orange juice in consumer-ready packs.

This trade was disrupted when the Japanese Ministry of Health and Welfare (MHW) rejected a number of shipments because the product contained black spots. The spots were deemed to be foreign matter, which is prohibited under the Japanese Food Sanitation Law. The rejections caused major commercial difficulties for one company and significantly impeded trade for the other two.

Upon investigation, the black spots were found to be particles of a non-harmful mould (*Alternaria citri*) which occurs in all citrus. Also, as the product had been pasteurised, there were no safety concerns.

DFAT, through the Processed Food Market Access Facilitator, led and coordinated the lobbying of MHW. The lobbying effort involved close cooperation with Australia's Embassy in Tokyo, AQIS, the Austrade Consul in Fukuoka and AFFA. There was extensive consultation with the companies involved.

The Japanese MHW accepted DFAT's representations and agreed to amend the Food Sanitation Law. By August 1999, all the necessary steps, including domestic and international consultation, were complete.

The outcome of DFAT's coordination of this joint government and industry action was to allow the uninterrupted expansion of exports, estimated by industry to be worth up to \$5 million a year, with significant further growth possibilities beyond 2000. DFAT advises that this example illustrates the unpredictable, reactive and defensive way in which its resources may be used when other governments' actions affect Australian companies' exports.

#### *Australian Trade Commission (Austrade)*

2.5 Austrade is the Commonwealth's major export marketing organisation. It provides services to enterprises to help them win business overseas. Relevant Austrade activities include helping exporters through information and advice about overseas markets and investment opportunities, and providing practical assistance in Australia and in target markets. Austrade operates in about 100 offices in almost 60 countries through a network of regions and posts. As Austrade bases its strategic planning, objectives and performance measures on individual markets rather than industries there is no overall strategy or goal for agrifood. Instead, Austrade has a number of market-driven plans developed by its posts and regions in response to opportunities in agrifood. Apples to Bangladesh is an example of the assistance provided by Austrade.

### Assistance to the agrifood industry—Austrade—apple exports to Bangladesh

A Western Australia-based apple grower, with Austrade help, recently exported 12 containers—280 tonnes—of Golden Delicious apples to Bangladesh. The apple grower is confident that this level of exports could more than double next year.

The company attributed much of its success in breaking into the Bangladesh market to support received from Austrade—both in Western Australia and in Bangladesh.

Support from Austrade occurred in a number of ways:

- the grower identified the opportunity after attending an Austrade seminar in Perth;
- Austrade organised a visit to Bangladesh for the apple grower to meet distributors and inspect coolstores. Austrade also assisted with local knowledge and language; and
- in the later stages of the delivery, overcoming a technical quarantine difficulty through Austrade's knowledge and contacts.

The apple grower is now investigating further opportunities in Malaysia and Taiwan via Austrade's Export Advisory Marketing Unit in Sydney.

### *Department of Transport and Regional Services (DoTRS)*

**2.6** DoTRS is responsible for land transport, civil aviation, maritime transport, regional services, territories and transport safety. These are areas in which there are significant State and Territory Government responsibilities. Much of the work of DoTRS in support of the agrifood industry relates to the logistics associated with transporting fresh food and perishable goods, particularly where changes of transport mode are involved, for example, road to rail, rail to ship. This work includes activities directed at encouraging the development and maintenance of cool transport and logistics chains for fresh and perishable agrifood products. An example of the assistance provided by DoTRS relates to cool supply chains.

### Assistance to the agrifood industry—DoTRS—cool supply chains

Recent Commonwealth Government studies have highlighted the importance of establishing and maintaining cool transport and logistics chains from harvest to retail display as a means of improving the quality of fresh food exports, and providing higher returns to producers.

The Transport and Logistics Working Group (TLWG) of the Supermarket to Asia Council and DoTRS have been supporting the development of cool chains for both air and sea freight.

For air freight, following a TLWG recommendation, DoTRS produced a training package—*AirExport: Keeping the Chain Cool*—highlighting the importance of an unbroken cool chain, and providing practical advice on how to achieve it. The package, which is available from DoTRS for \$35.50, comprises a 30-minute video, an information booklet and a poster.

Demand for the training package has exceeded expectations, and the package is now in its third print run. Some 540 packages are now being used across Australia, including in many training programs, and in export markets.

## *Commonwealth Scientific and Industrial Research Organisation (CSIRO)*

2.7 CSIRO plans and reports its research and development (R&D) on a sectoral basis. Four of CSIRO's 22 sectors were relevant to the audit:

- field crops;
- food processing;
- horticulture; and
- meat, dairy and aquaculture.

CSIRO provides substantially more assistance to the agrifood industry than any other Commonwealth agency. Two examples of the assistance provided by CSIRO to the agrifood industry are shown below.

<b>Assistance to the agrifood industry—CSIRO—low-haze beer; reduced product spoilage</b>
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Using traditional breeding techniques, CSIRO developed barley varieties specifically for use in the production of low-haze beer. Several varieties of barley have been produced and are being tested for their agronomic and malting characteristics.
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CSIRO has also been working to reduce product spoilage in bulk containers. Export industries are implementing and evaluating new strategies to prevent container sweat and product spoilage through moulds in un-refrigerated bulk containers.
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## *Research and Development Corporations (RDC)*

2.8 RDCs fund research, development and extension projects for specific agricultural industries. They investigate and evaluate the research and development requirements of their industry, and commission and fund projects by departments of agriculture, universities and CSIRO. RDCs also disseminate, and facilitate the adoption and commercialisation of the results of R&D relevant to their industry.

2.9 RDCs are comprised mainly of industry representatives. Funding for the operation of RDCs comes from industry levies and the Commonwealth. In most cases the Commonwealth matches industry levies on a dollar-for-dollar basis up to 0.5 per cent of the Gross Value of Production of the industry.

2.10 There are RDCs, or similar bodies exercising RDC-like functions, for each of the following agrifood industries: dairy, dried fruits, fisheries, grains, grape and wine, horticulture, pig and sugar. In addition, the Rural Industries Research and Development Corporation provides coverage of a range of smaller industries, many of which relate to food, eg. chicken meat, eggs, honey, and rice.



### *Statutory Marketing Authorities (SMA)*

**2.11** SMAs are located within the AFFA portfolio and aim to increase the consumption and sale of the products of specific agricultural industries, both locally and internationally, and in so doing improve the returns to the industry. The activities of SMAs are funded primarily by industry levies. There are SMAs in the following agrifood industries: dairy, dried fruits, horticulture, pork, and wine and brandy.<sup>22</sup>

### *Cooperative Research Centres (CRC)*

**2.12** CRCs aim to maximise the benefits of research through enhanced cooperation between researchers and research users in the public and private sectors. Typical CRCs involve universities, the CSIRO, State or Territory Government agencies, companies, together with the relevant industry association or RDC.

**2.13** As at 30 June 1999, there were 67 CRCs in operation, of which eight related to the agrifood industry.

## Survey

### **Methodology**

**2.14** As indicated in paragraph 1.20, the audit approach included a survey of 38 Commonwealth agencies (listed at Appendix 2) to identify the full nature and extent of Commonwealth assistance to the agrifood industry. The survey focused on activities and programs directed specifically at the processing, transport and marketing elements of the agrifood supply chain, together with production measures linked directly to these three elements. Further details on the design and scoping of the survey are at Appendix 2.

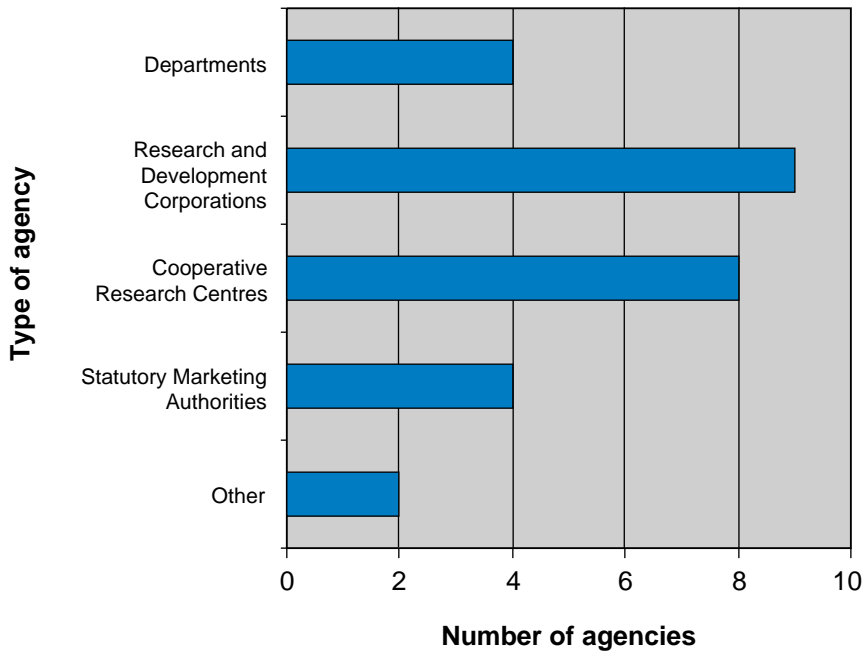
**2.15** Of the 38 agencies surveyed, 27 reported activities within the scope of the survey. The distribution of these 27 agencies by type is shown in Figure 2.1.

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<sup>22</sup> The functions of two former SMAs, in the meat and livestock industry and the wheat industry, are now carried out by producer-owned organisations.

**Figure 2.1**

**Type of agency reporting assistance to the agrifood industry**

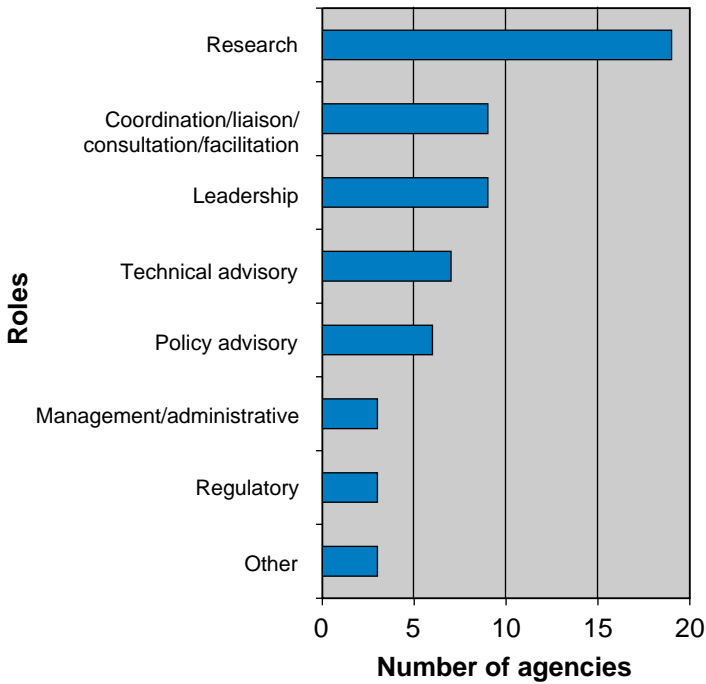


Source: ANAO survey

## Survey results

### *Nature of Commonwealth assistance*

2.16 The survey collected information on the nature of Commonwealth assistance to the agrifood industry in terms of the roles Commonwealth agencies saw themselves fulfilling (see Figure 2.2).

**Figure 2.2****Roles by which Commonwealth agencies assist the agrifood industry**

Source: ANAO survey

**2.17** The role most commonly reported was research. The agencies principally involved in research were CSIRO, the RDCs and the CRCs. Most Commonwealth-funded research for the agrifood industry focuses on production, but significant research activity is also directed to food processing, transport and logistics, and marketing.

**2.18** A range of activities centred on coordination, liaison, consultation and facilitation, and leadership, were also commonly reported roles. Activities involving coordination and liaison frequently involve not only other Commonwealth departments, but also State and Territory Governments and industry (see paragraph 2.31).

### *Extent of Commonwealth assistance*

**2.19** The extent of Commonwealth assistance to the agrifood industry was measured in the survey in terms of the level of funding provided by the Commonwealth. Commonwealth assistance to the agrifood industry takes the form of:

- direct budget appropriation funding to the agency providing the assistance; and
- indirect budget funding where one agency transfers appropriation funding to another.

**2.20** The survey identified expenditure of \$99 million on programs and activities specifically for the agrifood industry that had been sourced directly from Commonwealth budget appropriations. After allowing for indirect transfers of Commonwealth funds between Commonwealth agencies, this figure increased to \$100 million.<sup>23</sup>

**2.21** Expenditure of Commonwealth funds in 1998–99 on programs and activities specifically for the agrifood industry, by agency and by type of Commonwealth funding, is shown in Table 2.1.

**2.22** The largest single component of the \$100 million expenditure of Commonwealth funds is CSIRO, which expended \$33 million programs and activities specifically for the agrifood industry.<sup>24</sup>

**2.23** The distribution of Commonwealth funding by supply chain element is shown in Figure 2.3. Some 37 per cent of Government assistance for the agrifood industry disclosed in the survey relates to the production of agrifood. This emphasis on production reflects the importance attached to this element by governments over many decades.

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<sup>23</sup> Steps were taken in processing the survey to exclude, as far as practicable, double-counting of funding arising from surveying both funding and spending agencies.

<sup>24</sup> CSIRO spends substantial additional amounts to support the agrifood industry, but which have been received from industry or were outside the scope of the audit (see Chapter 1).

**Table 2.1****Commonwealth assistance to agrifood—1998–99—by agency and by type of funding**

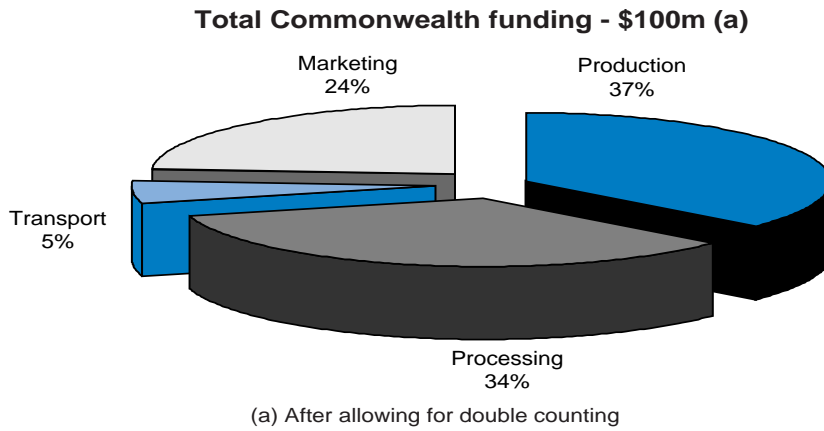
<i>Agency</i>	<i>Commonwealth Appropriation (Direct) Funding (\$ '000)</i>	<i>Total Commonwealth (Direct and Indirect) funding (\$ '000)</i>
<b>Commonwealth Departments</b>		
AFFA	12 174	12 329
DoTRS	521	521
DFAT	224 (a)	224 (a)
DISR	308	308
<b>Sub-total</b>	<b>13 227</b>	<b>13 382</b>
<b>Research and Development Corporations</b>		
Dairy Research and Development Corporation	4866	4866
Dried Fruits Research and Development Council	240	240
Grains Research and Development Corporation	22 590	22 590
Grape and Wine Research and Development Corporation	1219	1219
Horticultural Research and Development Corporation	4100	4256
Rural Industries Research and Development Corporation	3885	4291
Fisheries Research and Development Corporation	4960	4960
Sugar Research and Development Corporation	2100	2100
Pig Research and Development Corporation	896	1039
<b>Sub-total</b>	<b>44 855</b>	<b>45 561</b>
<b>Statutory Marketing Authorities</b>		
Australian Dairy Corporation	0	141
Australian Pork Corporation	0	3320
Australian Wine and Brandy Corporation	0	0
Australian Dried Fruits Board	0	88
<b>Sub-total</b>	<b>0</b>	<b>3549</b>
<b>Cooperative Research Centres</b>		
Sustainable Sugar Production	266	357
Sustainable Rice Production	724	802
Legumes in Mediterranean Agriculture	50	50
International Food Manufacture and Packaging Science	1218	3332
Aquaculture	1653	2060
Quality Wheat Products and Processing	604	604
Molecular Plant Breeding	777	1822
Food Industry Innovation	2150	2150
<b>Sub-total</b>	<b>7443</b>	<b>11 178</b>
<b>Other</b>		
Austrade	4986	5202
CSIRO	28 659	32 744
<b>Sub-total</b>	<b>33 645</b>	<b>37 946</b>
<b>Total</b>	<b>99 170</b>	<b>111 615</b>
Total excluding estimated double counting		<b>100 344</b>

Source: ANAO survey

Note (a): These figures exclude assistance to the agrifood industry provided by DFAT's Market Development Task Force and the Market Access Facilitator for Agriculture. These contributions could not be quantified because they drew on generic resources.

**Figure 2.3**

**Commonwealth funding assistance to the agrifood industry—1998–99  
—by supply chain element**



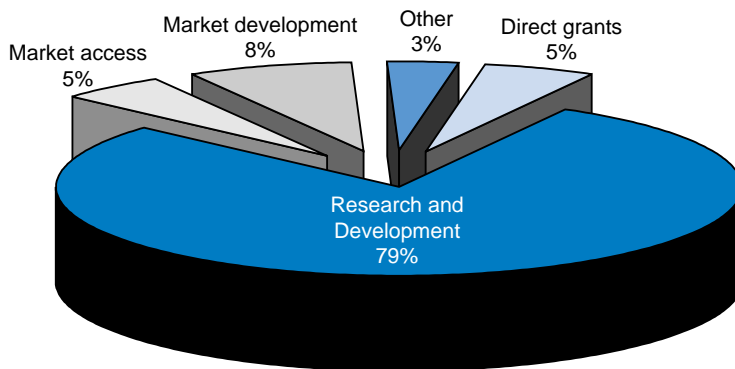
Source: ANAO survey

*Means of assistance*

2.24 The means by which agencies provide assistance to the agrifood industry is shown in Figure 2.4. The dominant means of providing assistance was through research and development.

**Figure 2.4**

**Means of providing Commonwealth assistance to the agrifood industry—  
1998–99**



Source: ANAO survey

**2.25** Assistance from the Commonwealth for the agrifood industry is often supplemented by funding from industry. Total expenditure by the Commonwealth in 1998–99 on programs and activities specifically for the agrifood industry, including non-Commonwealth sources, was \$243 million.

## **Coordination and measures to avoid duplication**

**2.26** This section presents information gathered during the survey on arrangements between agencies to coordinate effort and prevent duplication of other Commonwealth and State Government programs, and to utilise the expertise available in other organisations. Also presented is information obtained from selected State and Territory Government agencies on their perceptions of these issues.

### **Coordination between Commonwealth agencies**

**2.27** No single agency has overall responsibility for coordinating Commonwealth assistance to the agrifood industry, although the STA Council exercises elements of such a role in respect of food exports to Asia. Consultation and liaison between Commonwealth Ministers and agencies was the most common method of coordination.

**2.28** A particular group of Commonwealth agencies assisting the agrifood industry, the rural RDCs, employ a common approach to coordination. This approach includes:

- annual meetings of RDC chairs;
- wide-spread distribution of research and development plans;
- appointment of a Government member to the Board; and
- acting collaboratively with other research and development agencies such as the CSIRO.

### **Coordination with State and Territory Government agencies**

**2.29** There are longstanding arrangements for formal consultation and coordination between the Commonwealth and the States and Territories. In the agricultural sector these arrangements are oversighted by the Agriculture and Resource Management Council of Australia and New Zealand and the Ministerial Council on Forestry, Fisheries and Aquaculture. These Councils are supported by the Standing Committee on Agriculture and Resource Management and the Standing Committee on Fisheries and Aquaculture.<sup>25</sup> Both committees comprise senior officials

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<sup>25</sup> The Ministerial Council on Forestry, Fisheries and Aquaculture is supported also by a Standing Committee on Forestry, the activities of which are outside the scope of the audit.

from the Commonwealth, all States and Territories and New Zealand. Similarly, in the transport sector, coordination is oversighted by the Australian Transport Council supported by the Standing Committee on Transport.

**2.30** Methods used by Commonwealth agencies to coordinate with State and Territory Government agencies, as reported in the survey, included:

- consultation and liaison;
- collaboration on projects;
- widespread distribution of work programs or activity plans; and
- research to establish the extent of State and Territory activity in a field.

### **State and Territory Government perspectives on Commonwealth assistance to the agrifood industry**

**2.31** Six State and Territory Government agencies provided the ANAO with their views on aspects of the provision of Commonwealth assistance to the agrifood industry, including coordination with State and Territory agencies and those aspects of Commonwealth involvement which they most valued. The State and Territory agencies advised that the roles and responsibilities of Commonwealth agencies providing assistance to the agrifood industry are generally clear and that duplication with State and/or Territory agencies was mostly avoided (see below for an example of coordination activities by DoTRS).

#### **Commonwealth–State/Territory Government Cooperation—The Integrated Logistics Network**

The Integrated Logistics Network (ILN) brings together senior Federal and State/Territory transport logistics<sup>26</sup> officials to develop a national approach to the efficient movement of goods both within Australia and for export.

The ILN prioritises and coordinates transport logistics activities undertaken by Commonwealth and State/Territory Government agencies, emphasising a partnership approach to improving Australia's transport and logistics systems.

The ILN has developed a joint National Strategy for Transport Logistics. Priorities for the strategy include:

- increasing the importance of the transport logistics chain;
- encouraging the development, coordination and application of technology throughout the transport and logistics chain;
- improving Australian export processes through greater uptake of electronic commerce; and
- improving the level of user access to reliable, accurate and up-to-date information.

<sup>26</sup> The ILN defines transport logistics as all processes concerned with the movement and handling of goods from point of origin to point of consumption. Transport logistics are particularly important for perishable products, such as many agrifood products.



**2.32** The State and Territory Government agencies most valued the assistance provided by the Commonwealth in the areas of market access, export promotion and development, food safety and the Supermarket to Asia Strategy.

**2.33** Areas for improvement suggested by the State and Territory Government agencies included:

- facilitating coordination between State and Territory Governments of trade promotion efforts; and
- consulting State development agencies as well as primary industry agencies before entering into binding national agreements.

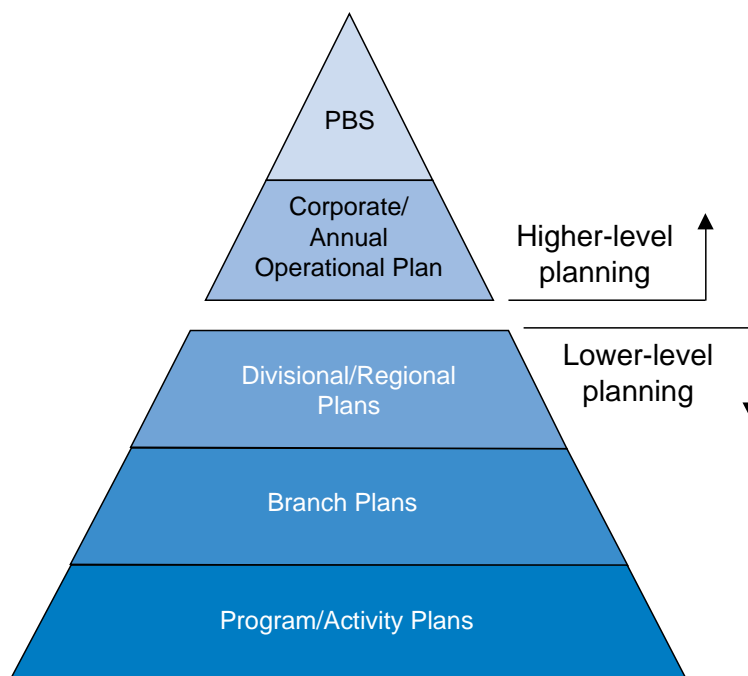
## 3. Planned Outcomes

*This chapter considers the quality of agencies' planned outcomes with respect to the provision of assistance to the agrifood industry.*

### Introduction

**3.1** Planned outcomes specific to agencies' agrifood activities and programs are mostly found in lower-level agency planning, for example, in divisional, branch, regional or post plans. However, higher-level planned outcomes, such as those included in agencies' Portfolio Budget Statements (PBS) or Corporate Plans, provide an overall sense of direction to the work of the agency, and guide efficient and effective resource allocation within the agency. In addition, higher-level planned outcomes form the basis for agencies' annual reports. For this reason this chapter distinguishes between 'higher-level' planning and 'lower-level' planning. 'Higher-level' planning is planning at the agency level, which encompasses the PBS, Corporate Plans, and where relevant, Annual Operating Plans. 'Lower-level' planning encompasses planning by various levels of work unit within the agency, reaching down to planning at the level of individual program or activity (see Figure 3.1).

**Figure 3.1**  
Generic planning framework



**3.2** Planned outcomes can often only be achieved in the longer term. In addition, they may not be the responsibility of a single Commonwealth agency. This presents significant challenges to agencies, particularly in assessing their performance in achieving overall outcomes. Where outcomes are not the responsibility of a single agency there is a challenge in isolating a particular agency's contribution to the outcome. Where the outcome may take some years to achieve, agencies face the challenge of how to demonstrate progress towards the outcome in any one year. In such cases, accountability is enhanced where agencies identify 'intermediate' outcomes<sup>27</sup> against which their effectiveness can be assessed and demonstrated. Achievement of 'intermediate' outcomes assists agencies to demonstrate their contributions to higher-level outcomes, as well as facilitating effective management to ensure cost-effective achievement of these higher-level outcomes. Non-achievement may provide early warning of the suitability of the approach adopted or measurability of the outcomes. 'Intermediate' outcomes may be used in both higher and lower-level planning.

**3.3** The ANAO examined agency planned outcomes statements, including 'intermediate' outcomes statements, against better practice criteria. These criteria were used to assess whether the statements of planned outcome were:

- clear, realistic, achievable and outcome-oriented; and
- linked to other levels of the planning framework and to Government policy.<sup>28</sup>

## **Clear, realistic, achievable and outcome-oriented planned outcomes**

### **Higher-level planning**

**3.4** Higher level planned outcomes statements should be clear, realistic and achievable, appropriate for demonstrating agency performance and guide management decision-making and resource allocation. In addition, these statements should be phrased so that the contribution to them from agency programs and activities, including those relating to the agrifood industry, can be demonstrated clearly. With the 1999–2000 and 2000–2001 PBSs, three of the four agencies—DFAT,

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<sup>27</sup> Intermediate outcomes are the result of the delivery of outputs and administered items and contribute to higher-level or longer-term outcomes.

<sup>28</sup> The guidance was drawn from DoFA's *Specifying Outcomes and Outputs* as well as the ANAO/DoF Better Practice Guide, *Performance Information Principles*.

Austrade and AFFA—had clear, realistic, and achievable planned outcomes in their higher-level planning documents which were directly linked to Government policy. For example, the relevant outcome in DFAT’s 1999–2000 PBS:

*Australia’s national interests protected and advanced through contributions to international security, national economic and trade performance and global cooperation,*

is a clear, realistic and achievable outcome, one of whose elements, national economic and trade performance, is clearly relevant to the agrifood industry.

### 3.5 DoTRS’s overall outcome for 1999–2000 and 2000–2001:

*Linking Australia through transport and regional services,*

while being clear and directly linked to Government policy, covers a broad range of functions, many of which are not Commonwealth responsibilities. Where agencies have such ‘shared’ planned outcomes, the particular contribution of the agency to the outcome should be identified, as far as is practicable, for accountability purposes. DoTRS advises the ANAO that it regards the six priority areas identified in each of the 1999–2000 and 2000–2001 PBSs as being ‘intermediate’ outcomes.<sup>29</sup> Further, DoTRS has advised that it believes the priority areas are clearly identified as being such. The priority areas are supported by strategies and descriptions in the PBSs which are consistent with those expected of DoTRS.

3.6 However, it was not clear to the ANAO, from the terminology and structure of the PBS, that the priority areas form part of the agency’s outcome hierarchy and therefore constitute key statements of ‘intermediate’ planned outcome for the purposes of assessing and demonstrating success in achieving outcomes. The ANAO considers that a clearly articulated PBS structure demonstrating the agency’s outcome hierarchy would improve the transparency of DoTRS’s accountability for outcomes to key stakeholders, particularly the Parliament.

## Lower-level planning

3.7 Better practice suggests that planned outcomes at lower levels address the contribution that individual programs or activities make to higher-level planned outcomes. In addition, the statements of planned outcome should be, *inter alia*, clear, realistic, achievable and outcome-oriented.

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<sup>29</sup> These priority areas are referred to as Government priorities in DoTRS’s PBS. The Government priorities are: economic prosperity and employment; accessibility; environmental sustainability; safety; national culture; and effective governance.

**3.8** The ANAO found that AFFA generally had clear, realistic, achievable and outcome-oriented planned outcomes in its lower-level planning. However, the degree to which lower-level planned outcomes in the other three agencies conformed to better practice was variable across and within these agencies. Statements of planned outcomes were often not outcome-oriented, but were, in whole or in part, strategies or outputs. For example, one set of DFAT outcomes is specified as follows:

*To ascertain and assist in negotiating reductions in market access barriers facing Australian processed food and beverage exports.*

*To record unresolved barriers for future attention, including through forthcoming multilateral negotiations.*

**3.9** This set of ‘outcomes’ is, in essence, a strategy, that is, a description of what DFAT intends to do to achieve an outcome, rather than an outcome itself. If performance is gauged against such statements then the effectiveness of agencies in achieving actual outcomes will not be assessed or reported.

**3.10** Similarly, DoTRS’s Trade and Cross Modal Policy Branch Plan<sup>30</sup> identified the following planned outcome:

*to improve the transport and logistics chain for agrifood exports through providing secretariat services to the working group, undertaking research to assist in developing work plans, promoting Transport and Logistics Working Group activities to industry, proactively implementing Transport and Logistics Working Group action plans.*

**3.11** The first part of this statement, *viz.*, ‘to improve the transport and logistics chain for agrifood exports’, addresses a planned outcome which is clear, realistic and achievable. However, the remainder of the statement is essentially a strategy. Statements such as this which combine planned outcomes with strategies, in addition to the risk to effective outcome reporting outlined above, may be unclear and overly prescriptive as to their method of achievement.

**3.12** DFAT advised that planned outcomes for its market access activities are difficult to establish, as the work undertaken in any period is driven by commercial and political demands which cannot be foreseen at the time plans are prepared and approved. The ANAO notes, however, that agencies are able to choose the levels at which to set their planned outcomes. The ANAO suggests that DFAT select a level which enables it

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<sup>30</sup> Trade and Cross Modal Policy Branch is the work unit within DoTRS which deals with agrifood-related transport and logistics issues.

to express planned outcomes which accommodate the range of issues expected to arise. For example, planned outcomes in this area might be expressed in terms of numbers of export markets opened and protected, rather than in terms of actions in specific markets.

**3.13** Austrade's lower-level planned outcomes for agrifood are expressed in the business plans of individual posts and regions, and in agrifood-specific plans developed by posts and regions. Some of the plans provided by Austrade were copies of slide presentations and were not adequate in that they lacked important detail. Many of the documents were untitled and/or undated. It was sometimes unclear which were key documents and whether they were drafts or had been approved. The ambiguity of these plans (including that caused by their brevity) limits their ability to guide effective and appropriate performance, communicate established priorities and provide a basis for effective performance assessment.

**3.14** The planned outcomes in Austrade's lower-level plans mostly take the form of key performance indicator (KPI) targets. Better practice states that planned outcomes should drive the design of KPIs and the setting of KPI targets. KPIs, in turn, support assessment of the extent to which an agency has achieved a planned outcome.

**3.15** While statements of planned outcome should be linked directly to KPIs, the use of KPI targets without clear statements of planned outcome may make implementation and assessment more difficult. For example, it is not clear that numerical KPI targets, expressed without comparison to previous KPI data, portray an intended outcome based on a Government policy of maintaining or increasing exports. Austrade's planning documentation would be clearer if, in addition to KPI targets, clearly articulated statements of planned outcomes giving effect to specific Government policy were included at the operational level.

**3.16** Although Austrade's formal measurement of KPIs for industry sectors takes place primarily at the corporate level, Austrade has advised that at post level some KPIs can only be produced manually and are monitored informally. The ANAO found no evidence of the regular or systematic production and use of these KPIs to assess agrifood-related plans at post or regional levels.<sup>31</sup> This further limits the effectiveness of these plans as tools for guiding and monitoring performance. Austrade has advised that improvements in its management information system, which will come into effect in July 2000, will improve access to this data at post and regional levels (see also Chapter 5).

<sup>31</sup> Austrade does report regularly and systematically by each post and region rather than by industry sector or against its agrifood related strategies.

## Linkages to other levels of the planning framework

**3.17** It is important that lower-level plans be clearly linked to those at higher levels. This helps to ensure that:

- staff implementing plans have a clear understanding of agency goals and objectives;
- work undertaken by lower-level work units is consistent with higher-level planned outcomes;
- agencies can effectively assess and report the contributions of lower-level work units to ‘intermediate’ or higher-level outcomes; and
- agencies can use these assessments to support appropriate resource allocation.

**3.18** There was scope for improvement in the internal links between plans at different levels of the planning hierarchy in some agencies. For example, Austrade did not have a clear hierarchy of planned outcomes between higher-level plans and lower-level plans, thereby exposing Austrade to the risk that the benefits mentioned in the previous paragraph might not be obtained.

**3.19** Prior to being relocated to another Division within DoTRS during the audit, the Trade and Cross Modal Policy Branch Plan was not linked effectively to higher-level planning documents as it did not use the output and outcome structures described in higher-level plans. It was thus not clear how DoTRS’s agrifood-related activities contributed to the achievement of its planned outcome. Since the relocation, the planning framework has developed to explicitly link the work of the Branch to higher-level planning. This should facilitate aligning the work of the Branch with higher-level goals, as well as facilitating improved performance assessment and reporting.

## Linkages to Government policy

**3.20** PBSs are tabled in Parliament as part of the Budget process. The higher-level planned outcomes identified within them are government policy. The question of the linkage to Government policy arises only for lower-level planned outcomes.

**3.21** The ANAO found that all four agencies had lower-level planned outcomes reflecting, and aimed at giving full effect to, Government policy. However, some of Austrade’s 1998–99 agrifood-related plans did not refer to detailed objectives specified in the 1998 Trade Outcomes and Objectives Statement. Austrade’s 1999–2000 plans significantly addressed this matter. Austrade has advised that it is improving its corporate and business-planning processes to ensure that these Government policy priorities are clearly articulated in future planning.

## Conclusion

**3.22** For 1999–2000 and 2000–2001, the four key agencies had clear, realistic, and achievable planned outcomes in their higher-level planning documents that were directly linked to Government policy. However, in both 1999–2000 and 2000–2001, DoTRS’s high-level planned outcome covered functions which were shared with other, including non-Commonwealth, agencies. Where agencies have shared planned outcomes, the contribution of the agency to the outcome should be identified for accountability purposes.

**3.23** While it was not clearly evident to the ANAO from the terminology and structure of the PBS, DoTRS advises that the six priority areas identified in each of the 1999–2000 and 2000–2001 PBSs are regarded by DoTRS as being ‘intermediate’ outcomes. The ANAO considers that a clearly articulated PBS structure demonstrating the agency’s outcome hierarchy would improve the transparency of DoTRS’s accountability for outcomes to key stakeholders, particularly the Parliament.

**3.24** The degree to which lower-level planned outcome statements complied with better practice was variable across and within agencies. Compliance with better practice would improve if agencies ensured that their planned outcome statements are in fact outcome-oriented and not statements of strategy or output.

**3.25** There was scope for improvement in the internal links between plans at different levels of the planning hierarchy in Austrade. This restricts the ability of Austrade to effectively assess and report the contributions of lower-level work units to ‘intermediate’ and higher-level outcomes.

**3.26** Overall, for all four agencies, the stated planned outcomes, strategies and outputs for agrifood-related programs and activities at the operational level adequately reflected Government policy.

## Recommendation No.1

**3.27** The ANAO recommends that agencies strengthen their planning frameworks with respect to their provision of assistance to the agrifood industry to ensure that statements of planned outcome are:

- outcome-oriented and able to be assessed (DFAT, Austrade and DoTRS);
- linked to other levels of the planning framework (Austrade);
- unambiguous in terms of approval and content (Austrade); and
- distinguished from, but directly linked to, KPIs (Austrade).



*Austrade response*

**3.28** Agreed. Austrade has already taken steps to improve planning documentation at post and regional levels without limiting the autonomy of Austrade's regions and posts to remain market-driven or their ability to plan priorities and opportunities for their particular markets.

*DFAT response*

**3.29** Agreed. While recognising the problematic nature of defining outcomes for the responsive market access work of DFAT, the audit has provided useful suggestions on how to define meaningful outcomes in this environment.

*DoTRS response*

**3.30** Agreed. DoTRS agrees that statements of planned outcome should be outcome-oriented and able to be assessed. The Transport and Regional Services 2000–2001 Portfolio Budget Statement identifies six Government priority areas that act to focus DoTRS' contribution to its Minister's overall outcome, and facilitate assessment and reporting of progress towards achievement of this outcome. DoTRS' 2000–2001 corporate and business planning will further strengthen linkages between all levels of the planning framework and enhance performance measurement and reporting.

## 4. Performance Information

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*This chapter considers agencies' performance information frameworks, and the quality of performance indicators within those frameworks, in relation to assessing the effectiveness of their support of the Australian agrifood industry.*

### Introduction

**4.1** The ANAO reviewed the performance information framework and the quality of performance indicators used by the four key agencies to assist in managing their agrifood activities. In order to examine the integration of a complete planning, monitoring and reporting cycle, the ANAO considered monitoring and reporting for 1998–99.<sup>32</sup> In addition, the ANAO examined current material in respect of 1999–2000 and 2000–2001.

### Performance information frameworks

**4.2** In order to effectively plan, monitor and report performance with respect to the provision of assistance to the agrifood industry, agencies require a framework for assessing performance at different levels. Agencies must assess and report outcomes at the whole agency level as well as at appropriate intermediate levels to ensure accountability for outcomes associated with Government policy, and to provide sufficient information on outcomes to support effective management decision-making.

**4.3** The Outcomes and Outputs Framework requires agencies to report on outputs and to assess and report on their contributions to outcomes:

*Specifying outcomes will involve providing performance information on the achievement of planned outcomes and the contribution of outputs and administered items to those outcomes.<sup>33</sup>*

Three of the four key agencies (AFFA, DFAT and Austrade) had clearly identified performance indicators for their higher-level planned outcomes in their 2000–2001 and 1999–2000 PBSs. Although DoTRS advised that its 1999–2000 and 2000–2001 PBSs included a range of effectiveness indicators for assessing the achievement of its planned outcome for the community,

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<sup>32</sup> The findings for each of the four key agencies with respect to 1998–99 are summarised in Tables 5.1-5.4 at Chapter 5.

<sup>33</sup> DoFA, *Specifying Outcomes and Outputs*, Canberra, 1998.

it was not clear to the ANAO from the terminology and structure of the PBS that they were adequate as the agency's outcome performance indicators. For example, for 2000–2001 DoTRS regards its *Portfolio Priorities* as the performance indicators for each of its six priority areas.<sup>34</sup> As stated in Chapter 3, the ANAO considers that a clearly articulated PBS structure demonstrating the agency's outcome hierarchy and related performance indicators would improve the transparency of DoTRS's accountability for outcomes to key stakeholders, particularly the Parliament. All of the four key agencies included performance indicators for outputs in both their 1999–2000 and 2000–2001 PBSs.

**4.4** Most work units within the four key agencies identified suitable performance indicators at program or activity levels. However, in the Agricultural Industries Division (AID) within AFFA, three out of four programs and activities examined did not have performance information at program, branch or divisional level. AFFA is accountable for assessing the success of these three programs, however, the AID had no methodology for assessing their efficiency or effectiveness.

**4.5** AFFA has advised that AID discharges accountability obligations through extensive records relating to contract management issues including expenditure and milestone achievement. While these controls over inputs and outputs may provide assurance as to AFFA's accountability for the amounts expended, they do not enable the effectiveness of program outcomes to be assessed. AFFA has advised that it intends to commence a process to improve its performance information framework at its divisional and group<sup>35</sup> levels.

## Quality of performance indicators

**4.6** In assessing the quality of performance indicators the ANAO used criteria drawn from better practice guidance.<sup>36</sup> Specifically the ANAO expected to find that:

- performance indicators were measurable and/or assessable, valid and reliable;
- there was appropriate use of targets, standards and/or benchmarks; and
- indicators addressed the achievement of planned outcomes.

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<sup>34</sup> These priority areas were discussed in Chapter 3 as supporting DoTRS's high level outcome.

<sup>35</sup> Within AFFA a group is a set of related divisions.

<sup>36</sup> The guidance was drawn from DoFA's *Specifying Outcomes and Outputs* as well as the ANAO/DoF Better Practice Guide, *Performance Information Principles*.

4.7 The ANAO found that there was substantial variation in the quality of performance indicators used by agencies to assess their provision of assistance to the agrifood industry. The following paragraphs provide typical examples from across agencies of indicators not meeting better practice, as well as examples of better practice.

4.8 In the Business Plan of AFFA's National Pork Industry Development Group,<sup>37</sup> a hierarchy of goals and planned outcomes<sup>38</sup> is defined. Each planned outcome is supported by 'strategies/tactics'. None of the Plan's performance indicators addressed the planned outcomes; they all addressed the Plan's strategies and tactics. Further, performance information relating to the individual strategy or tactic is activity-oriented and is often a restatement of the strategy or part thereof. For example, the 'strategy/tactic':

*Technical quality audit to identify domestic market specification compliance;*

had the activity-oriented indicator:

*Audit undertaken.*

4.9 Similarly, in DoTRS' Trade and Cross Modal Policy Branch Plan, performance indicators referred to, for example, the number of meetings of advisory groups held each year. Such indicators provide little assurance of outcome achievement. Other indicators relevant to agrifood focused on outputs only.

4.10 Other performance indicators were vague as to what was being assessed. For instance, many DFAT performance indicators were of the form 'Extent of ... (a restatement of planned outcome)' or '(activity) leading to...(a restatement of planned outcome)', such as:

*Extent of progress in setting up operations, developing effective strategies and delivering market access improvement.*

4.11 This indicator states what DFAT should measure in order to assess performance, but provides no indication of how DFAT will assess the 'extent of progress'.

4.12 Some performance indicators are expressed in terms that allow several valid means of assessment. For example, DFAT's performance indicator:

*Market access barriers reduced or action to prevent new barriers being introduced;*

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<sup>37</sup> This Group implements the National Pork Industry Development Program (NPIDP), one of four elements of the Pork Industry Adjustment Package (Chapter 1). The NPIDP is aimed at increasing the competitiveness of the Australian pork industry with particular emphasis being placed on developing an increased export focus. The program will cost \$9 million over three years.

<sup>38</sup> 'Planned outcomes' is used for consistency within this report—see Footnote 16 to paragraph 1.15. The National Pork Industry Development Group Business Plan refers to objectives.

could be assessed by the number of barriers removed, a reduction in the height of the barriers, or the export value achieved or protected as a result of these actions. Although each of these could be a valid means of assessing performance, the ANAO considers it better practice to specify the chosen means of assessment as part of the indicator. Specification of the means of assessment reduces the risk that frequent changes in the means of assessment might conceal aspects of performance. Such a practice also provides continuity and the ability to analyse trends over time.

**4.13** The ANAO found examples of better practice performance indicators. AFFA's contract with STA Ltd, effective from 1999–2000, requires STA Ltd to provide AFFA with reports on performance indicators addressing both outcomes and outputs of the STA Strategy. The contract contains five KPIs addressing the key planned outcome:

*To grow Australian food sales to Asia and increase the number of exporters.*

**4.14** The KPIs in the contract are useful, measurable, valid, reliable, cover key aspects of the outcome, and make appropriate use of targets.<sup>39</sup> The contract also specifies the outputs for which STA Ltd is responsible. It includes performance indicators for these outputs addressing qualitative and quantitative aspects of performance. The contract written by AFFA in respect of the Food and Fibre Supply Chain is structured similarly to the contract with STA Ltd and has satisfactory KPIs.

**4.15** Austrade's performance information framework, including its measurement of export impact,<sup>40</sup> facilitates assessment of its role in achieving the planned outcome in the Foreign Affairs and Trade Portfolio Budget Statement which is relevant to, *inter alia*, the agrifood industry.<sup>41</sup> The framework is built around six KPIs that are used almost universally throughout the agency. Four of these KPIs are relevant to the agrifood industry:

- number of companies assisted into exporting;
- number of existing exporters assisted into new markets;
- export impact; and
- client satisfaction.

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<sup>39</sup> The performance targets are \$16 billion in agrifood exports, and 2000 new agrifood exporters, to Asia by 2002.

<sup>40</sup> Export impact is the dollar value of exports assisted by Austrade and is independently verified.

<sup>41</sup> Outcome 2, 1999–2000 Foreign Affairs and Trade Portfolio Budget Statement.

**4.16** These indicators are measurable, important to decision-making, balanced, reliable, valid and accurate means of assessing outcome achievement. The KPIs are also outcome-focused, and capture relevant aspects of the particular planned outcome. Specifically, these indicators:

- are the same across the agency;
- are clearly linked to agency planned outcomes;
- clearly isolate the effect of agency activity from other influences; and
- are determined with rigour, particularly the export impact indicator.

**Austrade’s key performance indicator—export impact**

Export impact is measured as the dollar value of export sales written by Australian exporters who verify to an independent agency that Austrade made a positive contribution to those sales. Export impact in a particular year includes sales where delivery is scheduled to occur in future years.

Austrade staff record the name of the client and the value of sales and contracts that have been written with Austrade’s assistance at the time of the sale. At the end of the financial year, an independent agency contacts the clients to verify the sales recorded during the year, and asks the clients to rate Austrade’s contribution to those sales. Only sales in which the client rates Austrade’s contribution as being at least positive are used in calculating export impact.

This indicator enables clear identification of the impact of the agency (Austrade) on a complex outcome (exports).

**4.17** DFAT’s MDTF has performance information on each market-specific priority outcome of the Task Force. The performance information includes a subjective assessment of progress in achieving each priority outcome, as well as targets for specific aspects of each planned outcome.<sup>42</sup> The targets are generally either milestones or ‘intermediate’ outcomes. Performance information reported to each meeting of the MDTF is used to reassess priorities. The performance information for each of the MDTF priority planned outcomes is useful, often measurable and uses appropriate targets. It is an example of better practice.

**4.18** Notwithstanding these examples of better practice, performance indicators adopted by agencies for many agrifood programs or activities are of limited value in assisting managers to plan and evaluate their programs or assess their effectiveness in assisting the agrifood industry. These indicators:

- did not adequately assess or measure outcomes;
- were not specific as to what is to be assessed or measured; and/or
- were not directly linked to targets.

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<sup>42</sup> ‘Planned outcomes’ is used for consistency in this report—see Footnote 16 to paragraph 1.15. The Market Development Task Force planning document refers to objectives.

## Conclusion

**4.19** Key agencies are still coming to terms with the requirements of the Outcome and Outputs Framework with respect to the agrifood industry. With the exception of Austrade—and notwithstanding some examples of better practice across the other three key agencies—increased use of performance indicators that focus on outcomes and ‘intermediate’ outcomes, as well as being sufficiently precise, measurable (or assessable), and able to be used to set appropriate targets, is needed to support both program planning and evaluation, and to assess the effectiveness of agencies’ contribution to the Government’s agrifood objectives.

## Recommendation No.2

**4.20** The ANAO recommends that AFFA, DoTRS, and DFAT, in order to support appropriate program planning and evaluation, and to more fully demonstrate the effectiveness of their support for Australia’s agrifood industry, ensure that their performance information:

- measures and/or assesses outcomes as well as outputs;
- specifies what is to be assessed or measured; and
- makes appropriate use of targets, standards and/or benchmarks of performance.

### *AFFA response*

**4.21** Agreed. AFFA is actively working to improve its planning, performance indicator and reporting framework.

### *DFAT response*

**4.22** Agreed. Where it is possible to determine in advance what are appropriate targets, standards and benchmarks, the Department has attempted to do so. DFAT notes the ANAO’s endorsement of the approach to performance information taken by the Market Development Taskforce. DFAT’s major difficulty has been in determining performance indicators for its responsive market access work. The audit has provided suggestions which can be of use in addressing these difficulties.

### *DoTRS response*

**4.23** Agreed. DoTRS agrees with the need for appropriate performance information to support assessment of the achievement of outcomes. As noted in the response to Recommendation No.1, DoTRS’ 2000–2001 PBS identifies six Government priority areas which act to focus DoTRS’ contribution to its Minister’s overall outcome, and facilitate assessment and reporting of progress towards achievement of this outcome.

# 5. Performance Reporting and Ability to Demonstrate Achievement of Government Objectives for the Agrifood Industry

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*In this chapter the ANAO examines both external reporting and management information and reporting arrangements within agencies.*

## Introduction

5.1 Better practice guidance<sup>43</sup> suggests performance reporting should, amongst other things, report progress against:

- planned outcomes;
- relevant performance indicators; and
- strategies, and achievement of outputs or key activities undertaken.

5.2 The ANAO reviewed the four key agencies' external reporting to stakeholders, as well as internal management information and reporting, with respect to programs or activities assisting the Australian agrifood industry.

## External reporting

5.3 In conjunction with effective planning and performance monitoring, better practice performance reporting can demonstrate agencies' effectiveness in providing Commonwealth assistance to the agrifood industry. External reporting focuses on the annual report and other advice to Parliament, and other means by which agencies communicate with external stakeholders, such as newsletters.

5.4 The ANAO found individual examples of better practice external reporting in three of the four agencies included in the audit—Austrade, AFFA and DFAT:

- Austrade's 1998–99 Annual Report includes a report on its KPIs and other performance indicators. The data are presented graphically and explanatory context is provided. There is also a graphical presentation of Austrade's KPI 'export impact' by industry sector.

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<sup>43</sup> Better practice for performance reporting was drawn from DoFA's *Specifying Outcomes and Outputs* and the ANAO/DoF Better Practice Guide, *Performance Information Principles*.



- In AFFA's 1998–99 Annual Report, AQIS reported on market access against the relevant planned outcome,<sup>44</sup> and included reports of performance indicators as well as key outcome-oriented highlights.
- DFAT and Austrade also report to external stakeholders through the Minister for Trade's annual *Trade Outcomes and Objectives Statement*, providing detailed reporting on previously established objectives.

5.5 While these better practice examples contribute to accountability for some Commonwealth agrifood activities, the outcomes of most agrifood programs and activities have not been reported. Reporting is often focused instead on outputs and key activities undertaken. This is demonstrated, for example, in AFFA's 1998–99 Annual Report where, except for the above-mentioned report of AQIS's market access work, the reporting of programs or activities falling within the scope of the audit focused on activity or output reporting instead of systematically reporting outcomes and relevant performance indicators, as well as activity or output reporting.

5.6 The DoTRS Annual Report for 1998–99 and other DoTRS external reports<sup>45</sup> focused on activity and highlight reporting with respect to assistance to the agrifood industry rather than on outcomes and performance indicators.

5.7 Such reporting does not accord with better practice and makes it difficult to establish a program's or activity's effectiveness and value for money, and to make suitable comparison over time.

5.8 The ANAO has been advised by key agrifood-related agencies that improvements in planning, especially in their PBSs, should facilitate improved reporting in future years.

## Internal management information and reporting

5.9 Management information and reporting focuses on information flows to management that help to ensure programs and activities are cost-effectively achieving outcomes. In this audit the ANAO considered both formal and informal internal reporting arrangements.

5.10 The ANAO found better practice examples of reporting in: higher-level reports of export impact by industry sector to the Austrade board; DFAT's management of the MDTF; and with respect to AQIS's technical market access work. In each case outcomes and performance indicators are reported consistently and used to review resource allocations and priorities as part of good management.

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<sup>44</sup> 'Sub-program objective' in the 1998–99 PBS. See Footnote 16 to paragraph 1.15.

<sup>45</sup> DoTRS reports to other external stakeholders through a variety of means including through a web-site, a newsletter and the Transport and Logistics Working Group of Supermarket to Asia.

**5.11** However, the ANAO found that management information and reporting systems suffered from similar limitations to external reporting, focusing mainly on outputs and activity but not systematically reporting outcomes or outcome-oriented performance indicators. AFFA, with the exception of AQIS, focuses substantially on activity and progress reporting within its management information and reporting documents, as does DoTRS. However, AFFA has advised that a new internal reporting framework is being implemented. This framework requires quarterly reporting against KPIs outlined in the 1999–2000 PBS.

**5.12** While Austrade’s internal reporting includes examples of better practice at the corporate level, there is a specific issue relating to the ability of Austrade managers to monitor and manage its agrifood-related plans at post and regional levels. These plans frequently contain targets relating to export impact and other KPIs.<sup>46</sup> As discussed in Chapter 3, the ANAO found no evidence of the regular or systematic production and use of these KPIs to assess agrifood-related plans at post or regional levels. Austrade has advised that formal measurement of KPIs for industry sectors takes place primarily at the corporate level, and that performance at post and regional levels is monitored informally. Use of KPI information at post and regional level has tended to focus on overall results for the post or region rather than sectoral performance. Austrade has further advised that improvements in its management information system, which will come into effect in July 2000, will improve access to sectoral data at post and regional levels.

**5.13** DFAT reports regularly against its planned outcomes via a divisional review process. However, as DFAT’s outcomes and performance information frameworks do not focus on particular industry sectors, there is only limited reporting of planned outcomes specifically for agrifood.

## Conclusion

**5.14** Notwithstanding some examples of better practice, the outcomes of most agrifood programs and activities are not reported, either to external stakeholders or as part of internal management information and reporting. Reporting is often focused on outputs and activities undertaken with limited assessment of outcome achievement based on these outputs and activities.

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<sup>46</sup> In many of these plans KPI targets are the sole indication as to the planned outcome which is to be achieved. This issue was discussed in Chapter 3.

**5.15** At post and regional levels, Austrade is creating agrifood-related plans containing quantitative KPI targets against which the ANAO found no evidence of regular and systematic reporting. The value of having agrifood plans at post and regional level is largely foregone if their effectiveness is not determined, reported and used to inform management decision-making.

**5.16** Greater emphasis by AFFA, DoTRS and Austrade on reporting outcomes, or 'intermediate' outcomes where appropriate, and useful related performance information would enhance management decision-making and the ability of stakeholders to assess agencies' effectiveness in providing assistance to the agrifood industry.

### **Recommendation No.3**

**5.17** The ANAO recommends that AFFA and DoTRS enhance their management decision-making and the ability of stakeholders to assess agencies' effectiveness in providing assistance to the agrifood industry by making greater use of reporting against agrifood-related planned outcomes and performance indicators.

#### *AFFA response*

**5.18** Agreed. AFFA is actively working to improve its planning, performance indicator and reporting framework.

#### *DoTRS response*

**5.19** Agreed. The Department agrees with the desirability of making greater use of reporting against agrifood-related planned outcomes and performance indicators. As noted in the response to Recommendation No.1, DoTRS' 2000–2001 corporate and business planning will enhance performance measurement and reporting, including program evaluation.

### **Recommendation No.4**

**5.20** The ANAO recommends that Austrade, to enhance its management decision-making, strengthen its management information and reporting framework by reporting against planned outcomes and targets for its agrifood-related post and regional strategies.

#### *Austrade response*

**5.21** Agreed. Austrade's new Core Business System, available from July 2000, will make sector-specific analysis of client information easier as a management tool.

## Ability to demonstrate achievement of Government objectives for the agrifood industry

**5.22** As mentioned in Chapter 1, Government policy objectives for the agrifood industry are set out in election policy statements, announcements relating to the Supermarket to Asia Strategy, and other documents such as the annual *Trade Outcomes and Objectives Statement*. These policy objectives are sometimes expressed at the level of agrifood, and sometimes as a component of broader policy for, say, agribusiness or trade. Policy objectives may also refer to specific elements of the agrifood industry, for example the Pork Industry Assistance Package.

**5.23** One of the most direct statements of Government policy for the agrifood industry is found in the objectives of the Supermarket to Asia Strategy. The Strategy aims for \$16 billion of food exports to Asia by 2002,<sup>47</sup> and 2000 new food exporters. Actual exports have been \$10–11 billion a year since 1996 up to and including 1998–99. STA Ltd analysis of quarterly ABS statistics for the first half of 1999–2000 suggests food exports to Asia increased by 15 per cent over the corresponding quarters in the previous year.<sup>48</sup> If this increase applies to food exports not covered by the quarterly statistics,<sup>49</sup> and if the increase continues in the second half of 1999–2000, food exports to Asia in 1999–2000 will be around \$12 billion. This would be a substantial indication of progress towards achievement of the Strategy's aim of \$16 billion in food exports to Asia by 2002.

**5.24** In order for agencies to be able to demonstrate their effectiveness in assisting the Australian agrifood industry, as well as to provide appropriate information to facilitate effective management of these programs and activities, agencies require sound planning, performance information and reporting arrangements. Summarising better practice guidance, agencies need to have aligned:

- a sound planned outcomes hierarchy;
- performance information frameworks capable of identifying, measuring and assessing outcomes relevant to the agrifood industry; and
- a methodology for, and commitment to, reporting the results to managers and other stakeholders.<sup>50</sup>

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<sup>47</sup> The date for this target to be achieved was initially set at 2001, but has been put back by one year as a result of the Asian economic crisis.

<sup>48</sup> *Supermarket to Asia Statistical Package—September 1999 Quarter*, and *Supermarket to Asia Statistical Package—December 1999 Quarter*, at Internet URL <http://www.supermarkettoasia.com.au/media/Backgrounders>

<sup>49</sup> For confidentiality reasons, the ABS quarterly statistics omit certain food items which account for about 30 per cent of food exports to Asia.

<sup>50</sup> See footnotes in Appendix 1.

**5.25** The ANAO examined the integration of a complete planning, monitoring and reporting cycle for 1998–99. Alignment of planning, monitoring and reporting for outcomes is required at the agency level, and at least some lower levels of the planning hierarchy, to facilitate reporting by agencies on the achievement of both ‘intermediate’ outcomes and policy objectives for the agrifood industry, as well as for effective management decision-making.

**5.26** Agencies’ performance in terms of outcome planning, monitoring and reporting, for selected planning levels within the agencies, for 1998–99, is summarised in Tables 5.1–5.4.

**Table 5.1**

**AFFA performance against audit criteria: 1998–99 summary**

<i>Planning hierarchy</i>	<i>PLANNING – clear, realistic and achievable planned outcomes</i>	<i>MONITORING – performance information facilitates assessment of outcomes</i>	<i>REPORTING – performance reporting against planned outcomes and performance indicators</i>
<b>PBS Program</b>	✓	✗	✗
<b>PBS Sub-program</b>	✓	✗	P (c)
<b>Division</b>	✓	P (a)	P (d)
<b>Branch</b>	✓	✗ (b)	✗
<b>Lower-level Program/activity</b>	✓	✗	✗

Legend: ✓—adequate

✗—not adequate

P—partial compliance with the audit criteria.

- Note
- (a): AQIS has performance measures for divisional planned outcomes; the Food and Agribusiness Industries Division has indicators focused on programs or activities; and the Agricultural Industries Division has no indicators in its Divisional Plan.
  - (b): AQIS has some outcome indicators in its branch plans. There is no performance information in other branch plans.
  - (c): The Annual Report reports against the relevant planned outcomes; however, with the exception of AQIS’s market access work there is limited reporting of outcomes or performance indicators.
  - (d): AQIS is the only division that reports regularly against its outcomes and performance indicators for agrifood.

**5.27** Table 5.1 shows that AFFA had clear, realistic and achievable planned outcomes, as they related to agrifood, throughout its planning framework. This provided the basis for effective performance monitoring and reporting. However, with the exception of AQIS’s work on market access for Australian agrifood exports, limitations in the performance information and reporting frameworks constrained AFFA’s ability to fully demonstrate its effectiveness in assisting the agrifood industry.

**Table 5.2****Austrade performance against audit criteria: 1998–99 summary**

<i>Planning hierarchy</i>	<i>PLANNING – clear, realistic and achievable planned outcomes</i>	<i>MONITORING – performance information facilitates assessment of outcomes</i>	<i>REPORTING – performance reporting against planned outcomes and performance indicators</i>
PBS Program	✓	✓	✓
PBS Sub-program	✓	✓	✓
Austrade's Regions	P	✓	✓
Austrade's Posts/ Sub-regions	X (a)	✓	P (b)
Austrade's agrifood related strategies/plans	X	✓	X

Legend: ✓—adequate

X—not adequate

P—partial compliance with the audit criteria.

Note: (a): Of the regions examined by the ANAO and which were undertaking agrifood-related strategies, only two had post/sub-region plans. Such plans are not required by Austrade, rather it is left to each region to determine the appropriate structure of its planning framework.

(b): Austrade reports key activities and highlights monthly on a post/sub-region and regional basis. These reports are by geographic market rather than industry sector.

**5.28** Table 5.2 shows that at the highest levels in its planning hierarchy Austrade had sound planned outcomes, a performance information framework capable of identifying, measuring and assessing these outcomes and a methodology for reporting effectiveness in achieving its planned outcomes. However, limitations in the planning and reporting frameworks at the level of Austrade's post and regional agrifood plans meant that Austrade did not report the effectiveness of these plans. From a management perspective, the value of having agrifood plans at post and regional level is largely foregone if their effectiveness cannot be determined. Moreover, the sector- and market-specific information which would be contained in reports of the effectiveness of these plans could be expected to be of considerable interest to specific groups of external stakeholders.

**Table 5.3****DFAT performance against audit criteria: 1998–99 summary**

<i>Planning hierarchy</i>	<i>PLANNING – clear, realistic and achievable planned outcomes</i>	<i>MONITORING – performance information facilitates assessment of outcomes</i>	<i>REPORTING – performance reporting against planned outcomes and performance indicators</i>
<b>PBS Program</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>PBS Sub-program</b>	<b>X</b>	<b>X</b>	<b>✓</b>
<b>Market Development Division</b>	<b>✓</b>	<b>X</b>	<b>✓</b>
<b>Processed Foods Market Access Team</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>MDTF priorities</b>	<b>✓</b>	<b>✓</b>	<b>✓</b>

Legend: ✓—adequate

X—not adequate

Note: The Processed Foods Market Access Team is not superior in the hierarchy to the Market Development Task Force (MDTF). Both the Team and the MDTF are under the Market Development Division.

5.29 Table 5.3 shows that the MDTF had aligned its planned outcomes with a performance information and reporting framework which, together, allowed assessment and reporting of outcomes. Information on the progress towards planned outcomes was used to review and restructure priorities. At other levels in DFAT's planning hierarchy improved planning for outcomes, performance monitoring or reporting methodology would enhance DFAT's ability to demonstrate its effectiveness in assisting the Australian agrifood industry.

**Table 5.4****DoTRS performance against audit criteria: 1998–99 summary**

<i>Planning hierarchy</i>	<i>PLANNING – clear, realistic and achievable planned outcomes</i>	<i>MONITORING – performance information facilitates assessment of outcomes</i>	<i>REPORTING – performance reporting against planned outcomes and performance indicators</i>
<b>DoTRS</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Divisional level</b>	n.a.(a)	n.a.	n.a.
<b>Trade and Cross Modal Policy Branch</b>	<b>P</b>	<b>X</b>	<b>X</b>
<b>Trade and Logistics Team</b>	<b>✓</b>	n.a.	<b>X</b>
<b>Project specific</b>	<b>P</b>	<b>X</b>	n.a.

Legend: ✓—adequate

X—not adequate

P—partial compliance with the audit criteria.

Note (a): During the course of the audit the Trade and Cross Modal Policy Branch was relocated to a new division making Divisional level planning, performance monitoring and reporting problematic with respect to the Trade and Cross Modal Policy Branch.

**5.30** Table 5.4 shows that DoTRS, while having some sound planned outcomes at lower levels of its planning framework, could enhance its ability to report the effectiveness of its assistance to the agrifood industry in the area of transport and logistics, particularly by developing its performance monitoring and reporting systems.

**5.31** Overall, tables 5.1–5.4 show that for 1998–99 the four key agrifood-related agencies did not, in general, align a sound planned outcomes hierarchy with a performance information framework capable of identifying, measuring and assessing outcomes relevant to the agrifood industry, and with a methodology for reporting the results to managers and other stakeholders. As a consequence, agencies, generally, were unable to demonstrate adequately the effectiveness of their programs or activities in assisting the Australian agrifood industry.

**5.32** There are some examples of better practice outcome reporting where agencies have aligned their planning, performance information and reporting frameworks. For 1998–1999 Austrade was able to report the outcome of its support for the ‘Food and Beverage’ industry; it assisted exports of \$1.1 billion in that year. However, for the reasons outlined previously, Austrade does not assess and report the success of agrifood-related plans at post and regional levels.

**5.33** Another example of outcome reporting is by AQIS, which reported in AFFA’s 1998–99 report that it had secured 44 new markets for Australian exports and protected 103 existing markets from possible trade disruptions.<sup>51</sup>

**5.34** There is clear evidence of improvement in planning and reporting frameworks across the key agencies, both as a result of continuous improvement initiatives across the public service and specifically as a result of the adoption of the Outcomes and Outputs Framework (see Table 5.5). While these improvements have yet to flow through to the reporting of the effectiveness of the four key agency’s support for the agrifood industry, such improvement is expected to commence in reporting on the 1999–2000 year. Table 5.5 shows the key improvements, either

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<sup>51</sup> These markets refer largely but not wholly to the agrifood industry.



implemented or being undertaken, since the commencement of 1999–2000, for each agency with respect to planning, performance monitoring and reporting. Some of the improvements described in Table 5.5 are reflected in the findings of Chapters 3 and 4, others will result in improved planning for outcomes, performance information and reporting in future. Experience across public sectors in Australia and overseas demonstrates that progress in these areas is often iterative and requires a substantial change in management culture at all levels of an organisation.

**Table 5.5**

**Agency improvements in planning monitoring and reporting since 1998–99**

<b>Agency</b>	<b>PLANNING</b> – <i>clear, realistic and achievable planned outcomes</i>	<b>MONITORING</b> – <i>performance information facilitates assessment of outcomes</i>	<b>REPORTING</b> – <i>performance reporting against planned outcomes and performance indicators</i>
<b>AFFA</b>		In the 1999–2000 planning documents provided by AFFA there was improvement in the quality of performance indicators. This is most evident in the new contracts with Supermarket to Asia Ltd and for the new Food and Fibre Supply Chain Program. There are also improvements in the performance information in plans of the Food and Agribusiness Industries Division and in the 1999–2000 PBS. AFFA has advised that it intends to commence a process to improve its performance information framework at the division and group levels.	AFFA has implemented a new performance reporting system addressing both internal and external reporting requirements. The system requires AFFA's Groups to report quarterly against, amongst other things, the performance indicators outlined in the PBS.
<b>Austrade</b>	Austrade is reviewing its corporate and business planning processes to address issues raised in this report.		Austrade advises that it will ensure it has systems in place to generate reports on sectoral bases and other Government priorities.
<b>DoTRS</b>	DoTRS has developed a planned outcome framework in its 1999–2000 and 2000–2001 PBSs which includes 'intermediate' outcomes.	DoTRS advised that it has identified performance indicators for outcomes in both its 1999–2000 and 2000–2001 PBSs.	

<b>Agency</b>	<b>PLANNING</b> – clear, realistic and achievable planned outcomes	<b>MONITORING</b> – performance information facilitates assessment of outcomes	<b>REPORTING</b> – performance reporting against planned outcomes and performance indicators
<b>DFAT</b>	The 1999–2000 PBS describes a clear, realistic and achievable outcome relevant to the Department's role in assisting the Australian agrifood industry.		



Canberra ACT  
24 July 2000

P.J. Barrett  
Auditor-General

# **Appendices**

## Appendix 1

### Audit Criteria

#### Issue 1

##### The nature and extent of Commonwealth assistance to the agrifood industry

- The role of each agency, in relation to the provision of assistance to the agrifood industry, is clearly defined.
- Agencies recognise and utilise the expertise of other Commonwealth agencies.

#### Issue 2

##### The planned outcomes of key Commonwealth agencies for the provision of assistance to the agrifood industry

- Planned outcomes described by each agency are clear, realistic and achievable.
- Planned outcomes are linked to Government policy.
- Planned outcomes are supported by both strategies and outputs.

#### Issue 3

##### Measuring and reporting of performance in achieving planned outcomes

- Agencies collect performance information to assess their role in providing assistance to the agrifood industry.
- Agencies have defined outputs, including administered items.
- Agencies have demonstrated the links between outputs and the achievement of outcomes.
- Agencies report their performance against planned outcomes, internally and externally.

The criteria for issues 2 and 3 are based on information contained in *Specifying Outcomes and Outputs: Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework*<sup>52</sup> and the Better Practice Guide *Performance Information Principles*.<sup>53</sup>

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<sup>52</sup> Department of Finance and Administration, *Specifying Outcomes and Outputs: Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework*, Parkes, ACT, 1998.

<sup>53</sup> Department of Finance and ANAO, *Performance Information Principles*, Canberra, 1996.

## Appendix 2

### Survey details

Many surveyed agencies provide assistance to the agrifood industry through activities outside the scope of the survey, such as:

- production measures not linked directly to other elements of the supply chain, for example, sustainability, yield or productivity research; pest and disease management; and farm welfare programs;
- activities principally involving the States and Territories, for example, projects coordinated by the Integrated Logistics Network, (see boxed text following paragraph 2.31);
- general industry assistance measures such as the R&D START program, the Export Market Development Program, the Export Finance and Insurance Corporation; and
- general industry support activities such as those of the Australian Bureau of Agricultural and Resource Economics (ABARE), the Bureau of Resource Sciences (BRS) and activities in support of multilateral trade negotiations, such as those relating to the World Trade Organisation and the Cairns Group.

In addition, activities supporting the agrifood industry which, by their nature, are difficult to value with any precision, were excluded from the survey. Examples include tariff concessions and by-laws for the concessional importation of equipment and supplies used in the agrifood industry.

### Commonwealth agencies surveyed

#### Commonwealth Departments

- Department of Agriculture, Fisheries and Forestry—Australia (AFFA)
- Department of Foreign Affairs and Trade (DFAT)
- Department of Industry, Science and Resources (DISR)
- Department of Transport and Regional Services (DoTRS)

## **Research and Development Corporations**

- Dairy Research and Development Corporation (DRDC)
- Dried Fruits Research and Development Corporation (DFRDC)
- Fisheries Research and Development Corporation (FRDC)
- Grains Research and Development Corporation (GRDC)
- Grape and Wine Research and Development Corporation (GWRDC)
- Horticultural Research and Development Corporation (HRDC)
- Pig Research and Development Corporation (PRDC)
- Rural Industries Research and Development Corporation (RIRDC)
- Sugar Research and Development Corporation (SRDC)

## **Statutory Marketing Authorities**

- Australian Dairy Corporation (ADC)
- Australian Dried Fruits Board (ADFB)
- Australian Horticultural Corporation (AHC)
- Australian Pork Corporation (APC)
- Australian Wheat Board Ltd (AWB)
- Australian Wine and Brandy Corporation (AWBC)

## **Cooperative Research Centres**

- Cooperative Research Centre for Aquaculture
- Cooperative Research Centre for Cattle and Beef Industry
- Cooperative Research Centre for Food Industry Innovation
- Cooperative Research Centre for International Food Packaging and Science
- Cooperative Research Centre for Legumes in Mediterranean Agriculture
- Cooperative Research Centre for Molecular Plant Breeding
- Cooperative Research Centre for Plant Science
- Cooperative Research Centre for Sustainable Rice Production
- Cooperative Research Centre for Sustainable Sugar Production
- Cooperative Research Centre for Tropical Pest Management
- Cooperative Research Centre for Tropical Plant Pathology
- Cooperative Research Centre for Viticulture
- Quality Wheat Cooperative Research Centre

**Other**

- Australia New Zealand Food Authority (ANZFA)
- Australian Customs Service (ACS)
- Australian Taxation Office (ATO)
- Australian Trade Commission (Austrade)
- Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- Export Finance and Insurance Corporation (EFIC)

**State and Territory agencies consulted**

The ANAO wrote to the following agencies asking for their input. Not all State and Territory agencies contacted responded to the ANAO's request.

- Department of State Development, Victoria
- Business Victoria
- Department of Natural Resources and Environment, Victoria
- Department of State and Regional Development, New South Wales
- Premier's Department, New South Wales
- NSW Agriculture
- Department of Primary Industries, Queensland
- Department of State Development, Queensland
- Agriculture Western Australia
- Department of Industry and Trade, South Australia
- Department of Primary Industries and Resources, South Australia
- Department of Primary Industries, Water and Environment, Tasmania

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