

The Auditor-General  
Audit Report No.43 2000–2001  
Performance Audit

**Performance Information for  
Commonwealth Financial Assistance  
under the Natural Heritage Trust**

**Department of Agriculture, Fisheries and Forestry  
Department of the Environment and Heritage**

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ISSN 1036-7632  
ISBN 0 642 44210 X

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Canberra ACT  
1 June 2001

Dear Madam President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Agriculture, Fisheries and Forestry and the Department of the Environment and Heritage 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 *Performance Information for Commonwealth Financial Assistance under the Natural Heritage Trust*.

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.
AGS	Australian Government Solicitor.
ANAO	Australian National Audit Office.
catchment	The area of land from which rainwater or melted snow drains into a stream, pond, lake or reservoir.
devolved grants	Grants made to project proponents through intermediary organisations.
ESD	Ecologically Sustainable Development.
Environment Australia	Department of Environment and Heritage.
inputs	Physical and financial resources required to produce outputs.
JCPAA	Joint Committee of Public Accounts and Audit.
milestone	An interim stage in the measurement of performance.
MOU	Memoranda of Understanding. The foundation of the Coast and Clean Seas Initiative are tripartite Memoranda of Understanding between the Commonwealth, each State and the Northern Territory, and the relevant local government association.
NHT	Natural Heritage Trust.
NHT Annual Report	The joint annual report on the effectiveness of the administration of the NHT as required by the Act.
NLWRA	National Land and Water Resources Audit. Funded through the NHT.
One-Stop-Shop	Brings together 10 programs funded through the NHT. These programs share a single application form and assessment process.

outputs	The goods and services produced by agencies on behalf of Government for external organisations or individuals to meet planned outcomes. Outputs include goods and services produced for other areas of Government external to the agency.
outcomes	Results, impacts or consequences of actions by the Commonwealth on the Australian community. Planned outcomes are the results or impacts that the Government plans to achieve. Actual outcomes are the results or impacts actually achieved.
Partnership Agreements	Individual partnership agreements between the Commonwealth and each State/Territory are the formal administrative mechanism for the operation of the Natural Heritage Trust.
performance indicators	Provide a means to measure how well an agency has performed in meeting objectives or achieving outputs and outcomes. Performance indicators are not always an exact measure of achievement, but rather provide an indication of agency performance.
SOE	State of the Environment.
targets	Quantifiable level of performance an agency wishes to achieve within a specified timeframe.
the Act	<i>Natural Heritage Trust of Australia Act 1997.</i>



# **Summary and Recommendations**



# Summary

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## Background

1. The Natural Heritage Trust (NHT) is authorised under the *Natural Heritage Trust of Australia Act 1997* (the Act). Currently, the NHT consists of a suite of 23 environmental and natural resource management programs. A Ministerial Board comprising the Minister for the Environment and Heritage and the Minister for Agriculture, Fisheries and Forestry is constituted under the Act. The Board is responsible for, among other things, monitoring the effectiveness of the administration of the Act in terms of achieving program objectives. The NHT is administered by the Departments of Environment and Heritage, and Agriculture, Fisheries and Forestry. Total funding set aside is currently some \$1.5 billion over the period 1996–97 to 2001–02.

2. The goal of the NHT is to *‘stimulate activities in the national interest to achieve the conservation, sustainable use and repair of Australia’s natural environment’*. The objectives are to:

- *provide a framework for strategic capital investment to stimulate additional investment in the natural environment;*
- *achieve complementary environment protection, natural resource management and sustainable agriculture outcomes consistent with agreed national strategies; and*
- *provide a framework for cooperative partnerships between communities, industry and all levels of government.*

3. To date, some \$1.1 billion has been allocated to 9877 projects involving eligible proponents including State and Territory agencies, local government and non-government bodies. Performance information is important as it provides the basis for measuring and assessing whether a program is performing to expectations. International experience highlights some of the challenges as well as the potential for improvement.

## The purpose of the audit

4. The audit objective was to examine and report on:

- the performance information used to support the administration of \$1.5 billion in Commonwealth financial assistance under the Natural Heritage Trust; and
- compliance with legislative requirements for performance monitoring and reporting.

## Overall conclusions

### **Design, management and reporting of performance information for the NHT**

5. The performance information used to support the administration of \$1.5 billion in Commonwealth financial assistance under the NHT had strong design features but significant management and reporting challenges. A key issue was the absence of a finalised core set of performance indicators. The extent of the challenges is outlined in the following sections, as well as in more detail in the body of the report. While the administering agencies (that is, the Commonwealth Departments of Agriculture, Fisheries and Forestry, and Environment and Heritage) have made substantial efforts to fully comply with the provisions of general public sector and NHT specific requirements under various Acts, this remains an area requiring further attention. This is an issue that has been acknowledged by the administering agencies. The ANAO recognises that the development of quality performance information is an iterative process. Therefore, in shaping the future direction of environmental and natural resource management programs, the administering agencies should draw further on the lessons learned from the experiences of the NHT, as well as on the principles and practices outlined in this audit including, in particular, the implementation of intermediate outcomes as a practical approach to determining credible and measurable performance indicators as a means of making real progress toward the high level outcomes required.

### **The design of performance information for the NHT**

6. Overall, the draft design of performance information for the NHT was comprehensive and took into account better practice principles in important design areas. Some of the key lessons learned and better practice principles from past experiences in natural resource management and environment programs were used as the basis for NHT performance information. The ANAO recognises that determining suitable performance information can be technically difficult when measuring change in environmental conditions. This is because there are substantial timelags between an action (such as revegetation in a catchment) and the result expected (for example, increased biodiversity and/or reductions in the level of the water table to control salinity). The absence of baseline data on environmental condition in much of Australia has also been a major constraint on measuring and reporting on changes and trends in natural resource management and the environment. The finalisation of the Partnership Agreements was a considerable achievement within a challenging operating environment. The performance indicators for the NHT, along with the overall monitoring and evaluation strategy, were

to be further refined after the Partnership Agreements were signed by the Prime Minister, Premiers, Chief Ministers and responsible Commonwealth and State/Territory Ministers in 1997.

7. The draft performance indicators were developed using expert advice as appropriate to ensure that the progress against program objectives could be measured. The draft performance information framework directly related to clearly stated objectives and strategies; was balanced in relation to the use of inputs and achievement of outputs and outcomes; and contained a mix of qualitative and quantitative information. The most significant shortcomings were the absence of a finalised core set of indicators to assist in motivating behaviour towards the achievement of desired outcomes and to build suitable information on trends over time, and the absence of an agreed position on resourcing prior to the commencement of the NHT. Appropriate targets and benchmarks would have assisted this process but were not included due to the limited availability of baseline data at the commencement of the NHT.

### **The management of performance information**

8. Implementation of the performance information system has fallen substantially short of what was originally intended largely because of the absence of agreement on funding. There is significant variation in the approach to the management of performance information across States/Territories. An ongoing challenge is that performance data is based on a mix of actual and anticipated results, rather than on actual results achieved. This can distort the performance assessment obtained. While the Mid-Term Review provided a snapshot of on-ground monitoring and validation of projects at a particular point in time, the ANAO considers that there is a need for ongoing, systematic validation for continuous improvement. It is noted that in December 2000, the Natural Heritage Ministerial Board agreed that validation should be an element of the monitoring and evaluation strategy for the remaining period of the NHT.

9. The ANAO notes that the Mid-Term Review, the major evaluation of the NHT, was fair and balanced and provided a reasonable basis for management improvement at the time. However, at present, there is an absence of quantifiable progress against the Partnership Agreements and few, if any, trends in economic, social and environmental condition included in the NHT Annual Report although this was the intention of the Prime Minister, Premiers, Commonwealth and State/Territory Ministers in signing the Partnership Agreements. While recognising the gaps in scientific information, the challenges of the partnership approach and the efforts being made by agencies administering the NHT, this type of information should be a high priority for the remaining period of the NHT and should also be a focus for the development of future programs.

10. An ongoing challenge has been the absence of an integrated national database to manage the program from application through to project acquittal. While there is a management information system shared by the Commonwealth agencies, the States/Territories are not included, resulting in inevitable variation and lack of consistency for management purposes.

11. The application of intermediate outcome measures could have assisted agencies to better demonstrate actual progress achieved and assist in the management of strategic risks such as continuing high rates of land clearing and constraints on the adoption of better practice sustainable agriculture. Such risks are very substantial and have the potential to undermine the effectiveness of efforts made under the NHT by all levels of government and the community if not handled in a systematic manner.

12. The National Action Plan for Salinity and Water Quality aims to address many of the problems identified in Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*, which remain outstanding challenges for the NHT. A strong commitment and resourcing by all parties will be required if these ongoing problems are to be adequately addressed.

### **Reporting and accountability**

13. Three NHT Annual Reports have been prepared for the Parliament as required under the Act. The Act states that the Minister for Environment and Heritage (assisted by the Minister for Agriculture, Fisheries and Forestry) must,

*as soon as practicable after the end of 30 June in each year, cause to be prepared an annual report ... on the effectiveness of the administration of the Act during the financial year ended on that date in achieving the outcomes sought in agreements entered into under [the Act].*

While there are other sources of performance information such as departmental annual reports and the NHT website, the NHT Annual Report is the principal accountability mechanism for the NHT as a whole. It is the NHT Annual Report that primarily demonstrates accountability to Parliament in relation to the Act.

14. The report has been consistent in its format over time and provides some broad information on achievements. Producing a consistent report has been a particular challenge for the Commonwealth, given the variation in State/Territory reporting and delays in project completions. This has

meant that NHT Annual Reports do not allow for systematic comparison over time or across States/Territories. A stronger leadership role and guidance from the Commonwealth in this area could have assisted in improving the quality and depth of the overall reporting to Parliament on the achievements (or otherwise) of the NHT.

15. Accuracy has been an issue for output data. The administering agencies have acknowledged that output numbers are not robust, and that data reported reflects the total project area potentially influenced by changed management practice rather than actual areas treated. In addition, there is little reporting on trends, or quantification of substantial changes, in terms of the conservation, sustainable use and repair of Australia's natural environment at the catchment, State/Territory or national levels. For example, major risks (such as the continued high rate of land clearing in some States/Territories) and outstanding challenges (such as the declining application of conservation practices on farms despite increasing levels of Landcare membership and participation overall) and how these are being addressed are not discussed in the NHT Annual Report.

16. While the timeframe and scale of some projects (including the relative contributions of the Commonwealth and the States/Territories) can make it difficult to be definitive as to what has been achieved by the NHT, better use of intermediate outcomes could allow program managers to make some assessment of actual progress towards the achievement of program goals. It is very difficult to make an informed decision as to the effectiveness of the NHT programs overall. While the administering agencies have made substantial efforts to fully comply with the monitoring and reporting provisions of general public sector and NHT specific requirements under various Acts, this remains an area requiring further attention. The administering agencies acknowledge that improvements towards best practice standards of monitoring, evaluation and reporting are possible and advise that this is being addressed through the December 2000 monitoring and evaluation strategy.

## **Administering agencies' response**

17. The Department of Environment and Heritage and the Department of Agriculture, Fisheries and Forestry consider the audit report to be a balanced document which recognises NHT performance reporting to be a difficult process and also acknowledges the Government's efforts and initiatives in improving this area of NHT administration.

**18.** The administering agencies consider that the audit report provides practical assistance to agencies through inclusion of examples of performance information. The administering agencies consider that the recommendations in the audit report recognise the specific circumstances of the NHT, such as the existence of substantial timelags between intervention and planned results, as well as the scarcity of baseline data on much of Australia's environmental and natural resource condition. The administering agencies agreed to each of the six recommendations.



# Key Findings

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## The Design of NHT Performance Information (Chapter 2)

### Context and strategies

19. To be of most benefit, NHT performance information should be relevant to the objectives of the program, the strategies employed, the operating environment and the relationship with broader organisational goals. Context and strategies are important for defining the challenges and risks to be tackled as well as the opportunities to be achieved. The Act provides the context for the NHT and in particular a sense of urgency, for example, in relation to reversing the decline in Australia's natural environment. In terms of strategies to meet the requirements of the Act, the administering agencies, on behalf of Ministers, developed Partnership Agreements with the States/Territories (for One-Stop-Shop Programs) and Memoranda of Understanding (MOU's) with the States and the Northern Territory and local government under the Coasts and Clean Seas Initiative. The sense of urgency set by the Parliament in the legislation was also reflected in the Partnership Agreements and through the emphasis given to matters such as on-ground works, rather than, for example, longer term research and development within the NHT program guidelines.

20. At the time of Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*, which addresses issues relevant to the NHT, the ANAO highlighted the importance of administering agencies implementing the Partnership Agreements as soon as possible. These were all in place by October 1997. Given the often contentious nature of Commonwealth-State negotiations, and risks to program objectives from delays in their introduction, this was a considerable achievement.

21. However, the MOU's for the Coasts and Clean Seas Initiative were not all in place until September 1998. As a consequence, projects that were approved and announced in the first year of the program did not receive any funds for over nine months. This led to delays in funding and/or the commencement of projects. In terms of performance information, it would have been preferable for the project approval process to have been linked more closely to the agreement between the Commonwealth and the States/Territories which would have provided for a more timely receipt of output and outcome data.

## **Roles and responsibilities**

**22.** Clear roles and responsibilities between parties to agreements are important to avoid confusion and duplication of activity and to minimise the potential for disputes—particularly in relation to administrative issues. It has been an important consideration noted by the Joint Committee of Public Accounts and Audit (JCPAA) and acknowledged better practice for many years. The NHT Partnership Agreements generally defined the respective roles and responsibilities of the Commonwealth and the States/Territories. The definition was clear with the Commonwealth undertaking high level monitoring, evaluation and reporting on the performance of activities at overall NHT and program levels. The States/Territories were to monitor and evaluate the performance of programs and projects in their State/Territory and report to the Commonwealth on program outcomes. State/Territory responsibilities included the collection and reporting of data consistent with performance indicators, as agreed by the parties. The question of resourcing for these tasks was to be resolved after finalisation of the agreements.

**23.** The timely allocation of sufficient resources to provide for cost-effective monitoring and evaluation is a key element of the design of any performance information framework. As discussed earlier, at the commencement of the program, the Commonwealth agreed to work jointly with the States/Territories to establish and resource a strategy for monitoring, evaluation and reporting of the NHT. This strategy was to be consistent with an over-arching monitoring and evaluation framework which would allow agencies to meet annual reporting requirements under the Partnership Agreements.

**24.** Discussions over the level of resources to be allocated to the monitoring and evaluation framework commenced prior to the signing of the Partnership Agreements in 1997. The negotiations involved the Natural Heritage Ministerial Board, the two Commonwealth agencies, and State/Territory agencies involved in the delivery of the NHT. Negotiations have continued over the three-year period from the inception of the NHT. Provisional offers of Commonwealth funding were accepted by three States/Territories in 1998. Agencies have indicated that some other States/Territories chose to defer acceptance until agreement was reached on an overall monitoring and evaluation strategy.

**25.** An important element of defining roles and responsibilities is the clarification of the legal relationships established between the various parties involved in program delivery. This is particularly important for

the NHT which is based on networked delivery arrangements from the Commonwealth through its intermediaries. In order to assist with the examination of the legal implications of the complex delivery arrangements underpinning the NHT, the ANAO sought advice from the Australian Government Solicitor (AGS). Evidence examined in the course of the audit suggested that some project proponents were confused about the respective roles and responsibilities of the Commonwealth, States/Territories and other intermediary organisations. The AGS found that, in general terms, there was no fundamental legal problem arising in relation to grants made under the Act. The pressing issue was one of achieving clarity of responsibilities for all parties. Given that the NHT is delivered through a partnership approach, it is particularly important that both intermediary and final grant recipients have a clear understanding of legal relationships established under the NHT.

### **Meaningful performance expectations**

**26.** International and Australian experience has highlighted the importance of having performance expectations that are clear, measurable and focused on results. The NHT Partnership Agreements outline the program objectives and the expectations for each program or initiative. The Partnership Agreements included clear and concise objectives, although few programs included appropriate, quantifiable targets or milestones—largely because of the absence of baseline data on the pre-existing environmental condition. Bushcare was an exception, with performance measurement enhanced by the monitoring of land clearing as part of the efforts being made to reduce greenhouse gas emissions.<sup>1</sup> This enabled some baseline data to be collected on the extent of land clearing although there was very little information available on vegetation quality at the commencement of the NHT.

**27.** In recognition of the commonality of performance information requirements across programs within the NHT, key result areas were nominated in relation to a) institutional change; b) the environment; c) sustainable resource use; and d) people. Over 160 relevant program performance indicators were specified in the Partnership Agreements for the NHT. These had been reduced to around 50 by April 1999 as part of the refinement process envisaged after the Agreements had come into effect.

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<sup>1</sup> Bushcare has the objective of addressing the annual rate of land clearing in Australia which was some 375 000 hectares with net annual losses of around 300 000 to 340 000 hectares. The rate of net loss has recently been revised upwards to some 450 000 hectares per annum.

**28.** A draft performance measurement and reporting framework was submitted by agencies to the Ministerial Board in October 1998. This framework was intended to provide an overall monitoring and evaluation strategy for the One-Stop-Shop programs within the NHT. The overall draft design in relation to the program logic directly linked inputs, outputs and outcomes and tied the program specific performance measures to the overarching NHT goal and objectives. By 1999, the indicators and the performance reporting, monitoring and evaluation framework had still not been finalised.

**29.** Subsequently, agencies decided to use the Mid-Term Review to test the draft indicators in action and to seek advice from the consultants about the ongoing use of indicators. The Mid-Term Review process concluded in November 1999. In the final analysis, little guidance was provided from that review as to how to revise the indicators. The ANAO notes that there has still been little progress in relation to finalising the design of an overall performance information framework. Consequently, there has been limited capacity to measure results in concrete terms—that is, in terms of what impact the NHT has had overall and what progress has been made towards program goals such as the conservation, repair and sustainable use of Australia's natural environment.

**30.** In December 2000, the Natural Heritage Ministerial Board decided to increase the level of resources for monitoring and evaluation in the Commonwealth in order to promote a consistent approach to performance monitoring and evaluation overall. The ANAO notes the increased priority being given to monitoring and evaluation by the administering agencies. The results of the monitoring and evaluation process should provide a basis for the design of future environment and natural resource management programs.

## **The Management of NHT Performance Information (Chapter 3)**

### **Monitoring performance**

**31.** An important consideration in the management of performance information is the monitoring process which should include consistent, cost-effective and timely collection and analysis of data to demonstrate progress (and indeed motivate behaviour) towards anticipated outcomes. It is crucial that it provides a balanced and timely picture of performance in relation to goals and objectives, including cases where key expectations have not been met. Performance monitoring has an important role in providing an early warning on emerging risks and should be structured in a way that allows accurate comparisons over time and against original expectations and objectives.

**32.** Monitoring should allow program outputs to be linked to outcomes through the analysis of trends and the aggregation of project data. Management information systems should be integrated and sufficiently robust to support both internal and external accountability requirements. Where lead times for results are lengthy, milestones and/or intermediate outcomes should illustrate progress towards the anticipated outcomes. Evaluations and reviews provide more in-depth analysis which augment the ongoing monitoring framework.

**33.** Effective monitoring relies on the active participation of all relevant stakeholders involved in the administration, delivery and accountability aspects of the program. The very high numbers of people and organisations involved in the delivery of the NHT creates particular challenges and complexity in delivering outcomes.<sup>2</sup> However, the complexity of partnership arrangements does not absolve Commonwealth agencies from their responsibility to report on the effectiveness of programs to the Government and the Parliament. The administering agencies agree with this observation, and have advised that for future natural resource programs such as the National Action Plan for Salinity and Water Quality, data and methodologies developed by the National Land and Water Resources Audit (NLWRA), State of the Environment (SOE) reporting, and suggested in this audit, will be used to develop intermediate and longer term performance measures.

**34.** The Partnership Agreements recognised that project performance monitoring was a State/Territory responsibility. However, because of the absence of agreement on funding, there is significant variation in the approach to the management of performance information across States/Territories. Annual reports from the States/Territories provide the basis of annual qualitative assessments and annual quantitative output data. The latter covers such areas as on-ground activity (for example, the total area of native vegetation works), waterway or water body management (for example, the length of waterway protected by fencing), control of rising watertables (such as the area to be protected by groundwater pumping systems), water-use efficiency improvements, stabilisation of wind or water erosion, (for example, dune stabilisation) and improving the use of land within its capability (for example the area of land to be managed according to capability). Applications for continuing projects also provide some measure of progress at a project level.

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<sup>2</sup> The Mid-Term Review of the NHT indicated some 300 000 people were involved in NHT delivery. In addition, as an example of the complexity of delivery arrangements in the area of the environment, the Western Australian Auditor-General noted that more than 60 government and 150 private organisations had input into Western Australian environmental issues. (Office of the Auditor General of Western Australia (1998) *Public Sector Performance Report*, 'Monitoring and Reporting the Environment', Report No.12, OAG WA, Perth, p. 37).

**35.** The administering agencies have implemented a number of different mechanisms with the aim of ensuring that the data supplied on inputs and outputs is correct. While recognising that they do not have an overall set of performance indicators, agencies consider that they are able to provide information of adequate quality for inputs and outputs and are able to make general statements about progress towards achievement of the NHT goals and objectives sourced from evaluations and case studies and the 1999 Mid-Term Review of the NHT. The ANAO recognises that agencies have adequate information on inputs. This enables agencies to make some assessment as to progress against objectives, such as the level of capital investment and the number of cooperative partnerships. However, output and outcome information is less robust.

**36.** The basis of any robust performance information system is valid data that reflects actual results and allows program managers to analyse performance against objectives with confidence. Data validity can be checked through mechanisms such as random audits and independent assessments. However, the administering agencies are significantly reliant on the States/Territories for quality assurance, consistent with the Partnership Agreements. As discussed earlier, a consistent monitoring strategy was never finalised. As a consequence, there has not been a systematic and comprehensive approach to data validation.

**37.** While the ANAO considers that the findings of the Mid-Term Review and other individual reviews provide some degree of assurance as to data accuracy and relevance, neither of these replaces the need for a robust, ongoing system for performance management. There are significant weaknesses in relation to the validity of the output data for ongoing management and accountability purposes. The principal difficulty is that the data is based on a mix of actual and anticipated results, rather than on actual results achieved. This can distort the performance assessment obtained. The ability to validate data is particularly important due to the increasing emphasis being given to integrated natural resource management and the approval of projects with multiple objectives. A regular validation process should be a priority for the recently established NHT monitoring and evaluation unit so that it is clear as to the relative weighting being given by project proponents to each of the multiple objectives.

**38.** The collection of final report forms is the responsibility of the States/Territories for most programs with annual reports provided to the Commonwealth under the Partnership Agreements. Some

31.6 per cent of projects receiving final payments have submitted final project reports. The gap between projects receiving final payments and final project reports received is indicative of the challenges in obtaining timely project reports in a program that can be affected, for example, by seasonal conditions.

### **Developing management information systems**

**39.** It is important to ensure that management information systems are integrated and sufficient to allow differential reporting as required for both program management and external accountability purposes at both the Commonwealth and State/Territory levels. The ANAO anticipated that the Commonwealth would have a role in implementing a consistent approach to the collection and analysis of data. This is important so that agencies can serve the needs of Government and other stakeholders.

**40.** The *Project Administrator Database* is used to store NHT program information. The database was developed in stages over the life of the NHT and operates as a key element of program administration. While based in Environment Australia, both AFFA and Environment Australia now share this common database. This is a positive step forward, as it provides information on the implementation of the program and is a key requirement for administrative consistency between program partners. While noting the importance of managing privacy and security matters, the efficiency of the process could be enhanced if greater access was extended to the other key partners involved in the delivery of the NHT—especially the States/Territories. The administering agencies consider that the concept of a national database is sound, and note that they have discussed the development of a national database with the States/Territories over the life of the NHT. However, concerns over resources, time and complexity meant that the national database did not go ahead. One State/Territory commented in the course of the audit that the absence of a single national database to manage the program from application, through payment to project acquittal was a major technical impediment to the effective management of the NHT. Each jurisdiction has developed its own system with inevitable variation and lack of consistency for management purposes. A single national database would seem to be cost-effective. The administering agencies have commented that they are mindful of the benefits of a national database and, as technical solutions become cheaper, they will aim to move towards a national database that can be used by a range of proponents, as well as States/Territories and the Commonwealth.



## **Tracking intermediate outcomes**

**41.** Good program performance information clearly identifies direct links between outputs and outcomes. A first step is valid output data which can then be analysed to indicate progress against program objectives or anticipated outcomes. This is particularly important for a program of the scale and complexity of the NHT. Within this context, the identification of intermediate outcomes offers a practical and useful linking mechanism between base level outputs and higher level NHT objectives.

**42.** The ANAO notes that the identification of intermediate outcomes was intrinsic to the design of the original Partnership Agreements. Some programs have made more progress in this area than others. This largely reflects variations in program complexity and longevity. For example, the National Landcare Program, uses time series surveys of farm practices to measure progress towards more sustainable agriculture and compares practices by those who belong to Landcare groups and those who do not. Current trends show higher levels of conservation practice amongst Landcare members but a decline overall in the adoption of best practice conservation farming.

**43.** The ANAO notes that the NLWRA, funded by the NHT, has the potential to assist agencies in the management of risks relevant to intermediate outcomes through analysis based on Commonwealth and State/Territory datasets. The administering agencies have agreed that the NLWRA should be linked to relevant programs where possible. However, the ANAO notes that many datasets are still under development and information useful for programs is not yet available.

**44.** The ANAO considers that coordinating the tracking of intermediate outcomes should be a high priority for agencies administering the NHT. Within this context, the ANAO notes the work being undertaken by agencies in relation to the National Action Plan for Salinity and Water Quality. This National Action Plan is designed to bring new, integrated approaches to improve the future management of salinity and water quality. Administering agencies will need to pay particular attention to accountability arrangements in implementing the National Action Plan. Similar programs in the past have attempted to deal with the same issues with limited success. Active management attention at both agencies will be required to ensure that the objectives of the National Action Plan are met.



45. The long lead times required to bring about change in water table levels, sustainable agricultural practices or reductions in salinity suggest that greater attention to analysing the lessons learned and the implications from intermediate outcomes is critically important if agencies are to demonstrate the achievements of the program to date and avoid repeating the mistakes of the past. Within this context, a core set of intermediate outcomes measures could include those set out in Chapter 3.

### **Managing evaluation**

46. The completion of the Mid-Term Review provided an indication to agencies, the Parliament and the public as to the efficiency and effectiveness of the NHT. Consultants conducted 29 reviews evaluating the administrative arrangements and performance of 17 NHT programs; including six regional reviews and three thematic studies on dryland salinity and associated vegetation management, urban environment and inland waterways. The ANAO considers that the Mid-Term Review was fair and balanced and provided a reasonable basis for management improvement at the time.

47. The 1999 Mid-Term Review cost \$2.2 million for consultancies involving both Environment Australia and AFFA. It demonstrated the wide participation in the NHT and the substantial investment being made from a variety of sources. It also indicated, among other things, that the NHT was '*poor in the areas of monitoring and accounting for performance*'. The critical need for better baseline information on the status and trends of the problems which natural resource management policies were addressing was acknowledged.

48. Since the Mid-Term Review, agencies have given greater attention to the strategic focus of the NHT. The National Action Plan for Salinity and Water Quality is developing integrated catchment/regional management plans in priority catchments with targets and standards for natural resource management agreed between the Commonwealth and the States/Territories. Each plan will be accredited for its strategic content, proposed targets and outcomes, accountability, performance monitoring and reporting. The ANAO considers that this approach is a positive step forward and has suggested some elements of good practice in this area to strengthen the accountability framework. In addition, 'devolved grants' have been strengthened to reduce the administrative burden on landholders for on-ground works by simplifying the application process and providing a more focussed, regional approach to community-based projects.

## Reporting and Accountability (Chapter 4)

**49.** Three NHT Annual Reports have been prepared to date. The ANAO found that there has been a general focus on reporting inputs (projects funded) and outputs (for example, area of native vegetation protected, and area directly revegetated) with snapshot illustrations to highlight achievements. Targets are generally not used in the reporting process which makes it difficult to gauge how much has been achieved since the signing of the Partnership Agreements in 1997. Nevertheless, illustrative project results are linked to the overarching NHT goals and objectives providing a consistent approach to reporting across programs. The variation amongst States/Territories in relation to reporting, the absence of baseline data and appropriate, quantifiable targets, and significant delays in project completion has, to date, limited the quality and depth of Commonwealth reporting on the NHT. However, a stronger leadership role and guidance from the administering agencies in this area could have assisted in improving the quality and depth of the overall reporting to Parliament on the achievements (or otherwise) of the NHT.

**50.** Performance information should ideally be attributable to agencies which means that there should be a causal link between strategies and inputs and the achievements claimed. The ANAO recognises that there are significant challenges in attributing outcomes to the NHT (including the relative contributions of the Commonwealth and the States/Territories), for example, as discussed earlier, there are long lead times between the inception of a project and its achievement of results. In cases where the results can not be attributed in any meaningful way during the lifetime of a program, it may be more appropriate to report on inputs, outputs and intermediate outcomes or milestones achieved which would be consistent with the Partnership Agreements. Use of intermediate outcomes could at least demonstrate that risks are being properly managed and the project is at least heading towards the intended overall result based on sound scientific and/or management practices.

**51.** Accuracy of reporting is particularly important if agencies are to demonstrate value for money. The problems with the verification of NHT project data were noted earlier. As a result, the ANAO considers that it is difficult for agencies to provide an assurance to Parliament as to the overall accuracy of output data in the NHT Annual Report. The Mid-Term Review did provide at least some indication that the data is reasonably accurate from the sample examined at that time. However, the concerns of State/Territory agencies and the absence of ongoing project validation means that there is still doubt, both within the administering agencies as well as amongst their external clients, as to

the validity of the data being supplied. Agencies recognised in the 1998–99 NHT Annual Report that output numbers are not robust, and that data reported reflects the catchment/regional basis of projects—that is, it reflects total project area potentially influenced by changed management practice rather than actual areas treated. Agencies have advised that improving the accuracy of output data is one of the key activities for the monitoring and evaluation unit established in December 2000.

**52.** Complete and informative reporting requires agencies to cover key functions and programs using core performance indicators. Reporting should provide suitable information on trends or changes over time, and be balanced, in terms of assessing shortcomings as well achievements. These are fundamental principles in demonstrating accountability and value for money. The NHT Annual Reports provide generally a ‘good news story.’ However, there are no performance indicators used to demonstrate trends, intermediate or higher level outcomes. Outputs and outcomes are grouped together making it difficult to distinguish between the two. While the 1999–2000 NHT Annual Report has demonstrated some enhancement in reporting on performance in a more balanced way, reporting to date does not allow the reader to make an informed judgement as to the significance of achievements made, outstanding challenges, or overall progress of the NHT against the objectives set out in the Partnership Agreements.

**53.** The absence of an agreed monitoring and reporting framework for the NHT has been an ongoing constraint on the administering agencies’ capacity to demonstrate the overall impact of related programs. Consequently, it is difficult for agencies to report on the effectiveness of the administration of the NHT Act, in particular, as required. The ANAO notes the efforts made by agencies in drafting the monitoring and evaluation framework considered by Ministers in 1998 and additional efforts made to provide some degree of quality assurance subsequently, such as the Mid-Term Review and individual project reviews. International experiences also highlight the challenges in developing adequate performance information for environmental and natural resource management programs. While the administering agencies have made substantial efforts to fully comply with the monitoring and reporting provisions of general public sector and NHT specific requirements under various Acts, this remains an area requiring further attention. The administering agencies acknowledge that improvements towards best practice standards of monitoring, evaluation and reporting are possible and advise that this is being addressed through the December 2000 monitoring and evaluation strategy.

# Recommendations

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*The ANAO's recommendations, along with administering agencies' responses, are set out below. More detailed responses are shown in the body of the report. The recommendations form part of a package for improved performance management of environmental and natural resource management programs. As such, the recommendations form a set of equal priority.*

**Recommendation  
No.1  
Para. 2.39**

The ANAO recommends that, in relation to any future natural resource management program, Environment Australia and AFFA ensure that at the outset of the program/s' implementation:

- (a) the outputs from NHT programs, such as the National Land and Water Resources Audit, are used to develop baseline data and challenging, but achievable, targets; and
- (b) a core set of performance indicators is finalised and linked to the allocation of sufficient resources for effective monitoring and reporting.

***Administering agencies' response:*** Agreed.

**Recommendation  
No.2  
Para. 3.23**

The ANAO recommends that, in order to provide greater assurance as to the rigour of output and outcome data, Environment Australia and AFFA ensure that a consistent approach to data validation is an ongoing priority for the remainder of the NHT and for future programs. This should encompass a robust data verification system as well as facilitating audits of a valid sample of data supplied by proponents consistent with relevant Commonwealth-State/Territory agreements.

***Administering agencies' response:*** Agreed.

**Recommendation No.3**  
**Para. 3.33**

The ANAO recommends that, in order to enhance and streamline the collection and analysis of performance information, Environment Australia and AFFA consider the development of a shared project/program management information system between the Commonwealth and the States/Territories. This should be an integral part of future natural resource management, where the Commonwealth and the States/Territories sign Partnership Agreements.

***Administering agencies' response:*** Agreed.

**Recommendation No.4**  
**Para. 3.53**

The ANAO recommends that, in order to monitor medium term performance including the management of program risks, Environment Australia and AFFA implement intermediate performance measures as an integral part of accountability arrangements for the NHT and future natural resource management and environment programs.

***Administering agencies' response:*** Agreed.

**Recommendation No.5**  
**Para. 4.13**

The ANAO recommends that, in order to more closely link strategies and inputs with program achievements, Environment Australia and AFFA consider the scope for strengthening joint arrangements for analysing and reporting on performance information between the Commonwealth and States/Territories on related programs. In particular, common performance indicators and data-sharing protocols should ensure that improvements could continue to be made to baseline data, natural resource management priorities and performance targets.

***Administering agencies' response:*** Agreed.

**Recommendation  
No.6  
Para. 4.26**

The ANAO recommends that, in order to improve the quality of reporting, Environment Australia and AFFA give greater priority to documentation and reporting that reflects both achievements and shortcomings, as well as discussing strategic risks and challenges and the strategies developed to address such matters.

***Administering agencies' response:*** Agreed.

# **Audit Findings and Conclusions**





# 1. Background

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## Legislation and policy framework

**1.1** The Natural Heritage Trust (NHT) is authorised under the *Natural Heritage Trust of Australia Act 1997* (the Act). The Act allows the Trust to earn interest and allows for Consolidated Revenue to be paid into a Trust Reserve. The Act explicitly refers to the programs within the NHT and authorises grants of financial assistance for purposes consistent with the objectives of these NHT programs. A Ministerial Board comprising the Minister for the Environment and Heritage and the Minister for Primary Industries and Energy is constituted under the Act to provide a forum for consultation, the preparation of estimates and for monitoring the effectiveness of the administration of the Act in terms of achieving program objectives.<sup>3</sup>

**1.2** Initially, the NHT was established with \$1.249 billion over five years from 1996–97 to 2000–01. This funding was sourced from part of the proceeds of the first partial sale of Telstra, interest on the capital in the Reserve, and the transfer of additional funds from Consolidated Revenue. In July 1999, a further 16.6 per cent of Telstra was sold and an additional \$250 million was allocated to the NHT thereby extending the Trust's operation until 2001–02. Total funding set aside is currently some \$1.5 billion.<sup>4</sup>

**1.3** The NHT is administered by the Commonwealth Departments of the Environment and Heritage (Environment Australia) and Agriculture, Fisheries and Forestry (AFFA). The goal of the NHT is to '*stimulate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's natural environment*'. The objectives are to:

- *provide a framework for strategic capital investment to stimulate additional investment in the natural environment;*
- *achieve complementary environment protection, natural resource management and sustainable agriculture outcomes consistent with agreed national strategies; and*
- *provide a framework for cooperative partnerships between communities, industry and all levels of government.*

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<sup>3</sup> The Minister for Primary Industries and Energy has subsequently been replaced by the Minister for Agriculture, Fisheries and Forestry following changes to Administrative Orders in 1998.

<sup>4</sup> Natural Heritage Trust (1999) *Annual Report 1998–99: Helping Communities Helping Australia*, Environment Australia, Canberra. p. 3.

**1.4** The five major priority areas for the NHT are land, vegetation, rivers, biodiversity, coasts and clean seas. Agencies report against these priority areas in the NHT Annual Report which is required under the Act to be presented to Parliament. In addition, progress against the NHT goal and objectives is measured against the following four headings:

- **integration and institutional change:** integrated, cooperative and strategic approaches to investment in ecologically sustainable management of land, water and marine resources and environment;
- **environment:** biodiversity conservation and improved long-term protection and management of environmental resources, including native vegetation, representative ecosystems and World Heritage values;
- **sustainable production:** maintenance of, and improvement to, the sustainable productive capacity of Australia's environmental and natural resource base; and
- **people:** a community empowered to invest in, and take responsibility for, ecologically sustainable management.<sup>5</sup>

**1.5** \$1.1 billion has been distributed to project proponents such as State and Territory agencies, local government and non-government bodies as at November 2000. 9877 projects have been approved through the NHT to date. Projects can be funded for up to 36 months. Table 1.1 outlines funding levels and distributions.

**Table 1.1**

**Total NHT and related project funding (Actual results—October 2000)**

<i>State/Territory</i>	<i>Total Projects</i>	<i>Total Funding (\$M)</i>
NSW	2617	236.6
Victoria	1674	183.0
South Australia	1424	114.0
Queensland	1421	176.4
Western Australia	1252	137.2
Tasmania	830	118.6
Northern Territory	363	36.0
National	209	109.6
ACT	84	5.1
External Territories	3	0.3
<b>Total</b>	<b>9877</b>	<b>\$1 116.7 M</b>

Source: Environment Australia and AFFA, 'Monthly Report of the Natural Heritage Trust Data—October 2000'

<sup>5</sup> Natural Heritage Trust (1999) *Annual Report 1998–99: Helping Communities Helping Australia*, Environment Australia, Canberra, pp. 2–3.

## Natural Heritage Trust process and administrative structure

**1.6** The NHT operates largely as a program of financial assistance to, or through, the States and Territories. A range of eligible organisations, individuals or entities (such as community groups, local government, and other State/Territory and Commonwealth agencies) are the ultimate financial beneficiaries. Approximately 54 per cent of total funding to the year 2000–01 has been distributed to local government and community groups. Financial assistance is generally determined on the basis of formal applications by proponents. Some funds are allocated by the responsible Ministers to projects of national significance based on NHT guidelines.<sup>6</sup>

**1.7** There are 20 different NHT programs listed in the 1998–99 Annual Report (see Appendix 1).<sup>7</sup> Ten programs are administered within the One-Stop-Shop administrative process. The One-Stop-Shop process generally involves a single application form, a single assessment process (through regional and state assessment panels) and a single evaluation process.<sup>8</sup> One-Stop-Shop programs account for some 79 per cent of the total funds allocated to date.

**1.8** Under the Agreement between the Commonwealth and the States/Territories, project monitoring and evaluation is identified as a State/Territory responsibility. On the other hand, monitoring the effectiveness of the NHT Act in achieving program objectives is a Commonwealth responsibility. Commonwealth agencies are also involved at the project level through the consideration of continuing projects requiring ongoing funding.

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<sup>6</sup> Natural Heritage Trust, 'Guide to New Applications 2000-01'.

<sup>7</sup> In the 1999–2000 Annual Report, 23 programs are listed. New programs included in the 1999–2000 Annual Report are Advanced Property Management Planning, Tasmanian Regional Forestry Agreements and Oceans Policy.

<sup>8</sup> While the National Reserve System and Endangered Species programs are technically classified within the One-Stop-Shop, both programs have significantly different application and assessment processes. For example, the National Reserve System deals with land acquisition, is not considered by community or State-based assessment processes, and accepts applications throughout the year.

## Performance information

**1.9** Performance information is a critical element of the wider management and accountability framework that includes setting objectives, strategies for achieving those objectives and mechanisms for collecting and using relevant data in a systematic way, such as for program evaluation purposes. It is not an end in itself but rather provides the basis for measuring/assessing whether a program is performing to government, agency and client expectations. It includes program design elements (such as objectives, targets, milestones, and performance indicators), the implementation and monitoring of the process to manage risks and reporting on the efficiency and effectiveness of the administration of the program. It is the main means by which assurance is provided to the Parliament and the public that the Government's objectives are being met economically, efficiently and cost-effectively over time.

## International experiences in performance information relevant to the Natural Heritage Trust

**1.10** For the most part, responsibility for the administration of NHT programs is shared between the Commonwealth and the States/Territories. A review of international literature highlights that while partnership approaches can positively contribute to the achievement of shared outcomes, there are particular challenges for agencies in measuring and reporting performance where partnership approaches were applied. For example, based on a report by the Comptroller and Auditor-General in the United Kingdom (UK), the Committee of Public Accounts found that, while strategic partnerships involving the public, private and the voluntary sectors were a key means of delivering local urban regeneration, agencies needed to ensure that:

- staff using output recording and reporting systems were appropriately trained and correctly applied the guidelines on counting outputs so that accurate and reliable data on project performance would be maintained;
- common output definitions were achieved across national and regional agencies to make comparisons possible between program areas;
- completion reports were prepared on time and that any lessons learned were collated and used to inform the selection and delivery of future projects;

- other public sector funding sources were considered when reporting outputs, to avoid the risk of double counting and of misstating nationally reported outputs; and
- output and reporting systems were independently validated either annually or on a periodic basis.<sup>9</sup>

**1.11** In the United States of America (US), performance information measurement has been a major focus of the General Accounting Office (GAO) since the introduction of the *Government Performance and Results Act 1993*. A series of audits has been conducted on individual agencies to address major management challenges and program risks. An audit of the US Environment Protection Agency (EPA) in January 1999 found that the EPA needed more comprehensive information on the condition of the environment to ‘*effectively set priorities, assess progress in achieving its goals and objectives and report on its accomplishments in a credible way*’. The agency’s data systems were ‘*often outmoded and difficult to integrate in order to produce comprehensive environmental information*’. Important gaps in the data also existed. As in Australia, the states had become important partners with responsibility for implementing most national environmental programs on a daily basis. However, despite the importance of this partnership, the relationship was often characterised by fundamental disagreements over roles, priorities and the extent of federal oversight that potentially limited the effectiveness of programs.<sup>10</sup>

**1.12** A further international example pertinent to the consideration of NHT performance information, is the Canadian Auditor General’s 1997 report on ‘Reporting Performance in the Expenditure Management System’ which noted that the key criteria for good performance information were:

- clear context and strategies—an overview of what the agency is trying to accomplish under what operating environment and its relationship with broader organisational goals to allow for the performance reported;
- meaningful performance expectations—clear and concrete performance expectations with a focus on outcome-results;

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<sup>9</sup> Committee of Public Accounts (2000) *Department of the Environment, Transport and the Regions: English Partnerships—Assisting Local Regeneration*, Report No.23 1999–2000, House of Commons, London.

<sup>10</sup> United States General Accounting Office (2000) *Managing for Results: Challenges Agencies Face in Producing Credible Performance Information*, GAO/GGD–00–52, US GAO, Washington.

- performance accomplishments against expectations—agencies should report key accomplishments in relation to expectations and these should be attributable to the activities undertaken, that is, there should be a discussion and explanation of the extent to which the accomplishments achieved can be attributed to the activities of the program;
- capacity to learn and adapt should be demonstrated—performance information should provide a measure of the ability of the agencies to learn from past performance and to adapt to external changes; and
- fair, valid, reliable and understandable performance information should be reported.<sup>11</sup>

**1.13** These criteria and the findings from other audit reports were considered by the ANAO in its review of the performance information framework established for the NHT. In particular, the findings highlight the importance of a shared understanding of the steps and mechanisms required for the delivery of a robust performance information system. In addition, the importance of having comprehensive and fully agreed partnership arrangements prior to the commencement of a program with baseline data, clear responsibilities for the collection, analysis and reporting of data, integrated systems and other performance information arrangements are important lessons for environmental programs.

## Audit objective

**1.14** The audit objective was to examine and report on:

- the performance information used to support the administration of \$1.5 billion in Commonwealth financial assistance under the Natural Heritage Trust; and
- compliance with legislative requirements for performance monitoring and reporting.

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<sup>11</sup> **Fair** information presents a balanced and timely picture of performance in relation to expectations, including cases where key expectations have not been met.

**Valid** information is an accurate representation of what it purports to measure. It is essential that adequate explanatory and interpretive material is included in the report so that the reader can understand the relevance and importance of the measures provided and the context in which performance has been accomplished or otherwise.

**Reliable** information can be validated. The reliability that can be placed on the performance information should be indicated in the report, by presenting such information as the method of data collection and verification, or whether the data are anticipated, or actual, results.

**Understandable** performance information allows the intended reader to see readily and clearly what results were expected and the extent to which they have been achieved.

Office of the Auditor General of Canada (1997) *Report of the Auditor General of Canada*, April, Chapter 5 'Reporting Performance in the Expenditure Management System', Canadian Government Publishing, Ottawa.

## Audit methodology

**1.15** The methodology used for the audit is based on:

- a review of the provisions of relevant legislation including the *Natural Heritage Trust of Australia Act 1997*;
- a review of the file records and reports within Environment Australia and Agriculture, Fisheries and Forestry—Australia;
- discussions with relevant officers within the branches involved in the delivery of the programs;
- a review of the management information system and its outputs, including the NHT Annual Report; and
- consultations with, and consideration of submissions by, stakeholders such as State and Territory agencies and non-government bodies involved in program delivery.

## Audit conduct

**1.16** The audit was conducted in accordance with the ANAO Auditing Standards. An expert consultant, Professor C. Zammit of the University of Southern Queensland, was employed to assist the audit team with the analysis of scientific and technical issues. The audit commenced in July 2000 and the bulk of the fieldwork was conducted between August and October 2000. The total audit cost was \$260 000.

## Audit scope

**1.17** The focus of the audit was on design, management (including monitoring), and reporting on performance information. As such, the audit did not examine project approval processes or financial accountability. The audit was designed to look at the broad performance information framework across a selection of major NHT programs based on consideration of materiality and significance. Table 1.2 outlines those programs examined in the course of the audit. Most emphasis was given to the four most significant programs: National Landcare Program; Bushcare; Coasts and Clean Seas Initiative; and Murray-Darling 2001.

**Table 1.2****One-Stop-Shop and Coasts and Clean Seas program cumulative funding  
(Actual results—October 2000)**

<b>Program</b>	<b>Total Projects</b>	<b>Total Funding (\$M)</b>
National Landcare Program	2238	330.6
Bushcare	2168	221.8
Coasts and Clean Seas Initiative <sup>12</sup>	2129	74.0
Murray-Darling 2001	967	156.4
National Rivercare Program	495	54.5
Endangered Species	364	28.3
National Wetlands Program	185	11.5
Farm Forestry Program	177	23.1
Fisheries Action Program	140	6.9
National Reserve System	139	39.8
Waterwatch	106	10.7
<b>Total</b>	<b>9108</b>	<b>\$957.6 M</b>

Source: Environment Australia and AFFA, 'Monthly Report of the Natural Heritage Trust Data — October 2000'

## Previous audit coverage

**1.18** In 1996–97, Audit Report No.36 *Commonwealth Natural Resource Management and Environment Programs* examined relevant programs prior to the introduction of the NHT. While recognising the long lead times involved in addressing environmental damage in particular, the report concluded that '*progress towards achieving ultimate program outcomes can and should be measured to the maximum extent possible*'. The report acknowledged the work of agencies in measuring outputs such as the growth in the number of Landcare groups and the amount of fencing to protect vegetation. However, agencies were unable to indicate in any detail the outcomes that had been achieved from any of the programs examined. The ANAO considered that agencies had the scope and capability to make significant improvements to the performance and financial accountability of the programs examined. This included, among other things, less resources being devoted to input controls and greater attention being given to essential program-level financial and performance monitoring, evaluation and reporting.

<sup>12</sup> The Coasts and Clean Seas Initiative comprises nine complementary and integrated programs. The ANAO has included three of these within the scope of the audit for illustrative and comparative purposes. These are the same three programs that are included in monthly reports to the Minister on the NHT.



**1.19** In 1998, the JCPAA acknowledged the primary findings of the audit report. The JCPAA was in agreement with the ANAO that,

*DPIE and Environment Australia, despite a number of reviews and evaluations, were not in a position to give a sense of what had been achieved overall against the Government's original objectives laid out in the agreements.*<sup>13</sup>

**1.20** In 1997–98, the ANAO tabled Report No.42, *Preliminary Inquiries into the Natural Heritage Trust* in response to concerns raised in the Parliament about the allocation of financial assistance approved under the NHT. After considering all relevant factors, the ANAO concluded that the NHT decision making process was fundamentally sound in providing transparency and rigour and there was no evidence of systemic bias in the allocation of funds to projects.

## Report structure

**1.21** The performance information process is illustrated in Figure 1.1. This report follows the structure outlined in the figure below. Chapter 2 addresses the design of performance information for the NHT. Chapter 3 discusses the management of performance information by agencies responsible for administering the NHT. Chapter 4 examines reporting and accountability arrangements for the NHT.

**Figure 1.1**

The performance information process.



<sup>13</sup> Joint Committee of Public Accounts and Audit (1998) *Review of Auditor-General's Reports 1996–97: Fourth Quarter*, Report No.359, Australian Government Publishing Service, Canberra, p. 33.



## 2. The Design of NHT Performance Information

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### Introduction

**2.1** A cost-effective performance measurement framework is an important tool for demonstrating accountability and for providing managers and Parliament with reliable information on progress against milestones and the expected outcomes. Ideally, in designing a performance information framework, performance indicators should reflect the policy context and the priorities set by the Government. A core set of performance indicators should be built in from the start of the program and be well understood by all parties involved in program delivery. Roles and responsibilities for collecting, analysing and distributing performance information should be clearly defined and adequately resourced. Program managers should ensure that performance indicators are meaningful, that is that they are valid, timely, cost-effective and of sufficient quality to measure progress towards program objectives over time.

**2.2** The ANAO *Better Practice Guide: Administration of Grants* (1997) states that a performance measurement framework is essential for program managers to assess the effectiveness of the program. The guide indicates that, in summary, performance information should be:

- directly related to clearly stated objectives and strategies;
- limited to a manageable number of items of key information which focus on economy, efficiency and effectiveness and enable an informed judgment on the achievement of outcomes;
- balanced in relation to the use of inputs and achievement of outputs and outcomes;
- a mix, as necessary, of qualitative and quantitative information; and
- reported with sufficient explanation and comparisons, including targets, benchmarks and trends over time.<sup>14</sup>

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<sup>14</sup> Australian National Audit Office (1997) *Better Practice Guide: Administration of Grants*, Australian Government Publishing Service, Canberra, pages 18–19.

**2.3** The ANAO/Department of Finance *Better Practice Guide: Performance Information Principles* (1996) noted, among other things, the importance of:


- ensuring that program outputs and outcomes are linked and that performance is measured against all important criteria; and
- focusing on a core set of cost-effective indicators that should assist in motivating behaviour towards the achievement of desired outcomes.<sup>15</sup>


## The NHT context and strategies


**2.4** To be of most benefit, NHT performance information should be relevant to the objectives of the program, the strategies employed, the operating environment and the relationship with broader organisational goals. Context and strategies are important for defining the challenges and risks to be tackled as well as the opportunities to be achieved. The Act provides the context for the NHT and in particular a sense of urgency. The preamble to the Act notes that:

*The Parliament of Australia recognises the need for urgent action to redress the current decline, and to prevent further decline, in the quality of Australia's natural environment. There is a national crisis in land and water degradation and in the loss of biodiversity. There is a need to conserve Australia's environmental infrastructure, to reverse the decline in Australia's natural environment and to improve the management of Australia's natural resources. ...It is essential that government leadership be demonstrated, and that the Australian community be involved, in relation to these matters. ...The above considerations are taken into account by the Parliament of Australia in enacting the law...*<sup>16</sup>

### Design

 context and strategies

 roles and responsibilities

 meaningful performance expectations

<sup>15</sup> The importance of a sequence from high level outcomes to measurable outputs was also noted in Department of Finance and Administration (1998) 'Lessons learned from others: International experience on the identification and monitoring of outputs and outcomes', Discussion Paper No.2, Department of Finance and Administration, Canberra.

<sup>16</sup> *Natural Heritage Trust of Australia Act 1997*.

**2.5** Overall, the main challenge for administering agencies was the development of a sound performance and accountability framework that would allow them to demonstrate progress towards the program objectives. In the case of the NHT, this was made more challenging by the large numbers of people and levels of government and agencies (government and non-government) involved, the large number of outputs across programs, substantial time-lags for results from some programs, and the absence of baseline data and crucial scientific information to make informed judgements on the success or otherwise of NHT initiatives. In fact, while there was a large number of outputs across programs many programs used the same or related measures to indicate the nature of outputs, for example, length of protective fencing constructed or area revegetated.

**2.6** As noted from a previous audit of Commonwealth agencies (as well as the experiences from the UK and the US discussed in Chapter 1) partnership approaches are a high risk area in terms of performance information.<sup>17</sup> Agencies sought to tackle this issue through specific performance requirements and responsibilities detailed in the Partnership Agreements and the MOU's. The ANAO found that specific performance indicators for environmental, sustainable production, integration and institutional and people outcomes are all generally specified for programs under the NHT. State-specific context and programs are addressed in attachments to the Agreements for each program, as are program goals, objectives, outcomes and draft performance indicators.

**2.7** The indicators for each program within the Partnership Agreements were consolidated into a single, draft set of performance indicators for the NHT and included in a draft monitoring and evaluation framework. A similar, but separate, process was undertaken for the Coasts and Clean Seas Initiative. This culminated in the Initiative's Performance Reporting Framework.

**2.8** In addition, while recognising that the needs of individual States/Territories were identified in workshops and in bilateral discussions for the Partnership Agreements, a second challenge for the NHT was that Australia has substantial gaps in scientific information to enable higher level needs assessment. For example, at the commencement of the NHT, the capacity and suitability of the environment for broad acre agriculture and optimal natural resource utilisation was not clear. The 1996 SOE Report was the first comprehensive attempt to document some of the

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<sup>17</sup> ANAO Audit Report No.31 1998–99, *The Management of Performance Information for Specific Purpose Payments—The State of Play*, noted the difficulties in achieving consensus among parties in partnership arrangements with the States and Territories, p.12.

pressures on the environment Australia-wide. However, it was not able to provide baseline data to enable measurement of changes over time.<sup>18</sup> This is a strategic risk for the NHT in that many of the scientific assumptions underpinning NHT programs have not been widely tested and have been subject to substantial revision during the course of the NHT. This is the case in regard to the identification of catchment recharge/discharge areas and in relation to the density and distribution of perennial cover (ie. trees or other vegetation types) required in a given catchment. Finally, there are doubts as to whether particular interventions are economically viable or sustainable in some cases.<sup>19</sup>

**2.9** This in turn highlights the potential value of comprehensive needs assessment prior to significant investment in on-ground actions. This has not been done for the NHT as a whole, as the NHT was largely built on the administrative processes set up for the National Landcare Program.<sup>20</sup> However, the NHT at least has the advantage of State/Territory and regional expertise (through State, regional and technical assessment panels) via the decision making process.<sup>21</sup> In addition, workshops and consultations with the States/Territories and other stakeholders (including the National Landcare Advisory Committee) at the commencement of the NHT assisted in the development of targeted Partnership Agreements for each State/Territory.

**2.10** The National Land and Water Resources Audit (NLWRA), which is funded under the NHT, may be able to provide performance information on key natural resource management issues such as salinity and vegetation management after June 2001. NLWRA findings may be extremely valuable for natural resource management and environment programs in the future.<sup>22</sup>

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<sup>18</sup> The SOE Report noted that in many areas it is not possible to decide whether Australia's environmental management is adequate and that there was '*an urgent need for better information and understanding*'. It also noted that '*compared with other developed nations, Australia has only rudimentary information on the condition and productive capacity of its land resources and the potential hazards associated with their use. This limits our ability to use land in accordance with its capabilities and to monitor trends in its condition*'. SOE Report 1996 pp. 8 and 33. The second SOE Report is currently underway with a report planned for 2001.

<sup>19</sup> Victoria, which is one of the most advanced state in terms of technical capacity, will not have critical recharge zones within catchments identified until 2005.

<sup>20</sup> There were some exceptions to this in terms of the Endangered Species Program and National Reserve System. The Coast and Clean Seas Initiative, which falls outside of the One-Stop-Shop, has a separate process based on earlier Commonwealth research.

<sup>21</sup> ANAO Audit Report No.42 1997-98 *Preliminary Inquiries into the Natural Heritage Trust* concluded that the NHT selection process was fundamentally sound in providing transparency and rigour.

<sup>22</sup> The ANAO notes that there is a five-year timeframe involved for the NLWRA. Final results are expected in June 2001. Changes in scientific understanding and consistency of datasets across different jurisdictions have been an ongoing challenge for the NLWRA as indeed it is for the NHT.

**2.11** A further technical challenge is the level of natural variation across regions (in terms of different rainfall, soil characteristics, hydrology and native vegetation retention). This, as well as the large scales involved, makes comprehensive performance measurement a potentially daunting and expensive task. These difficulties are compounded by differences in institutional structures and administrative practices amongst State, Territory and local government agencies. Timelags between changes in land use and sometimes irreversible environmental impacts (ie. timelags between environmental cause and effect) can also be quite substantial, covering several decades in the case of dryland salinity.<sup>23</sup> Nevertheless, these constraints and challenges were known within agencies before the NHT was introduced in 1996–97 and, as such, measures to address them should have been considered as part of the design of the program’s performance measurement system.

**2.12** Despite the technical constraints and other challenges, the draft indicators were relevant to the NHT context and strategies and had the potential to assist agencies in measuring the efficiency and effectiveness of programs. However, while the administering agencies have identified intermediate outcomes as important to the design of associated programs and evaluation activities (see Chapter 3), intermediate performance measures were not developed in the design phase of the NHT.

**2.13** In terms of strategies to meet the requirements of the Act, agencies developed, on behalf of Ministers, Partnership Agreements with the States and Territories (for One-Stop-Shop Programs) and Memoranda of Understanding (MOU’s) with the States and the Northern Territory and local government under the Coasts and Clean Seas Initiative. This approach is consistent with the JCPAA’s preference for grant administration programs, like the NHT, to be administered under agreements between parties or legislation where appropriate.<sup>24</sup> These agreements underpin the program of financial assistance to eligible project proponents (through the States and Territories). The sense of urgency set by the Parliament in the legislation was reflected in the Partnership Agreements and through the emphasis given to matters such as on-ground works, rather than, for example, longer-term research and development within the NHT program guidelines.

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<sup>23</sup> See Murray-Darling Basin Ministerial Council, *Draft Basin Salinity Management Strategy 2001–2015*, <http://www.mdbc.gov.au/education/publications/publications.htm>




<sup>24</sup> Joint Committee of Public Accounts and Audit (1998) *General and Specific Purpose Payments to the States*, Report No.362, Parliament of the Commonwealth of Australia, Canberra. p. 57.

**2.14** At the time of Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*, which addresses issues relevant to the NHT, the ANAO commented on the length of time taken to introduce the Partnership Agreements and the consequential risks. However, the ANAO found in this audit that the agreements were all in place by October 1997. Given the often contentious nature of Commonwealth–State negotiations, and risks to program objectives from delays in their introduction, this was a considerable achievement. However, the MOU’s for the Coasts and Clean Seas Initiative were not all in place until September 1998. As a consequence, projects that were approved and announced in the first year of the program did not receive any funds for over nine months. This led to delays in funding and/or the commencement of projects. In terms of performance information, it would have been preferable for the project approval process to have been linked more closely to the agreement between the Commonwealth and the States/Territories which would have provided for a more timely receipt of output and outcome data.

## Roles and responsibilities

**2.15** Clear roles and responsibilities between parties to agreements are important to avoid confusion and duplication of activity and to minimise the potential for disputes—particularly in relation to administrative issues. It has been an important consideration noted by the JCPAA and acknowledged better practice for many years. The JCPAA has highlighted that the roles of parties to joint Commonwealth–State/Territory arrangements and their respective responsibilities for particular program management activities should be clearly defined, and that communication and consultation arrangements between the various parties should be adequately specified.<sup>25</sup> It is important that parties involved in partnership arrangements have a clear understanding of not only their roles and responsibilities in relation to performance information, but also of the legal obligations underpinning these. This is particularly relevant to the NHT because of the large and diverse numbers of stakeholders participating in NHT programs. These include State/Territory and Commonwealth agencies, local government, non-government and community-based organisations. In some cases, funding flows from the Commonwealth to the States/Territories, onto intermediary organisations, and ultimately to community groups or individual landholders.

### Design

-  context and strategies
-  roles and responsibilities
-  meaningful performance expectations

<sup>25</sup> Joint Committee of Public Accounts and Audit (1998) *General and Specific Purpose Payments to the States*, Report No.362, Parliament of the Commonwealth of Australia, Canberra. p. 57.



## Partnership Agreements

**2.16** Audit Report No.36 1996–97 *Commonwealth Natural Resource Management and Environment Programs* found significant problems with duplication and lack of clarity over parties' respective responsibilities for project outputs and outcomes.<sup>26</sup> The ANAO recommended that the Partnership Agreements for the NHT should explicitly state the respective roles and responsibilities of all parties to the agreement; define consultation arrangements for any shared roles and responsibilities; and focus the primary role of the Commonwealth on strategic planning and performance assessment commensurate with appropriate risk assessment.

**2.17** The ANAO found that the NHT Partnership Agreements define the respective roles and responsibilities of the Commonwealth and the States and Territories. Generally the definition is clear with the Commonwealth undertaking high level monitoring, evaluation and reporting on the performance of programs and activities at Trust and program levels. The States/Territories were to monitor and evaluate the performance of NHT programs and projects in their State/Territory and report to the Commonwealth on program outcomes. The State/Territories' roles included the collection and reporting of data consistent with performance indicators, as agreed by the parties. The question of resourcing for these tasks was to be resolved after finalisation of the agreements. In addition, auditing processes were to be implemented to test the effectiveness of monitoring and evaluation measures as well as to meet program management and legislative requirements. This matter is discussed further in the chapter on the management of NHT performance information.

## Allocation of resources for performance information purposes

**2.18** The timely allocation of sufficient resources to provide for cost-effective monitoring and evaluation is a key element of the design of any performance information framework. As discussed earlier, at the commencement of the program, the Commonwealth agreed to work jointly with the States to establish and resource a strategy for monitoring, evaluation and reporting of the NHT. This strategy was to be consistent with an over-arching monitoring and evaluation framework which would allow agencies to meet annual reporting requirements under the Partnership Agreements.

**2.19** Discussions over the level of resources to be allocated to the monitoring and evaluation framework commenced prior to the signing of the Partnership Agreements in 1997. The negotiations involved the Natural Heritage Ministerial Board, the two Commonwealth agencies,

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<sup>26</sup> ANAO Audit Report No.36 1996–1997, *Commonwealth Natural Resource Management and Environment Programs*, p. 27.



and State/Territory agencies involved in the delivery of the NHT. Negotiations have continued over the three-year period from the inception of the NHT. Debate centred on the level of funding to be allocated to the States/Territories for monitoring and evaluation purposes. An additional difficulty was clarifying what new and additional functions should be undertaken by the States/Territories as opposed to those general matters already agreed under the Partnership Agreements. Provisional offers of Commonwealth funding were accepted by three States/Territories in 1998. Agencies have indicated that some other States/Territories chose to defer acceptance until agreement was reached on an overall monitoring and evaluation strategy.

**2.20** While a draft performance framework with a core set of indicators for inputs, outputs and outcomes for the NHT as a whole was presented to the Board in December 1998, this was not endorsed by Ministers. The Ministerial Board and the Advisory Committee had reservations about the cost and complexity of the monitoring and evaluation framework.<sup>27</sup> Consequently, while there has been some one-off payments for data entry for output information from project report forms, monitoring and evaluation functions have been implemented inconsistently by the States and Territories.

**2.21** Agencies have commented that Tasmania, Queensland, ACT and South Australia have established monitoring and evaluation strategies, the first three of these with at least partial financial assistance through the NHT. Other states have been reluctant to proceed without NHT funding. In December 2000, three years after the commencement of the NHT, the Ministerial Board agreed to establish a three person monitoring and evaluation unit at the Commonwealth level. Some \$500 000 has been allocated for the first year. Although no additional funds have been allocated from this initiative to the States/Territories, one of the functions of the Commonwealth monitoring unit will be to liaise with the States/Territories on collecting and supplying data, and to provide a central point of contact which aims to promote a consistent approach to performance monitoring and evaluation across programs. However, ongoing challenges remain for Commonwealth agencies in achieving a consistent national approach. For example, one State/Territory in its annual report to the Commonwealth in February 2000 noted that:

*Because the Commonwealth has resolved to undertake monitoring and evaluations through consultants, rather than with State teams, [this State/Territory] has not reported on program performance. [The Commonwealth is] referred to the reports of the recent mid term review and to ... data collected from NHT application forms by your own consultant.*

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<sup>27</sup> The NHT Advisory Committee was established by the Act. The Committee brings together scientific and natural resource management experts to advise the Natural Heritage Ministerial Board on administrative matters.

## Legal relations

**2.22** As discussed earlier, an important element of defining roles and responsibilities is the clarification of the legal relationships established between the various parties involved in program delivery. This is particularly important for the NHT which is based on networked delivery arrangements from the Commonwealth through its intermediaries. In spite of this complexity, the Partnership Agreements, which provided the administrative framework for the NHT, relate only to the roles and responsibilities of the Commonwealth and the States and Territories for One-Stop-Shop programs. The Coasts and Clean Seas MOU's, by contrast, also cover the roles and responsibilities of local government through their respective State/Territory associations.

**2.23** In order to assist with the examination of the legal implications of the complex delivery arrangements underpinning the NHT, the ANAO sought advice from the Australian Government Solicitor (AGS). Evidence examined in the course of the audit suggested that some project proponents were confused about the respective roles and responsibilities of the Commonwealth, States/Territories and other intermediary organisations. The AGS found that, in general terms, there was no fundamental legal problem arising in relation to grants made under the Act. The pressing issue was one of achieving clarity of responsibilities for all parties. Given that the NHT is delivered through a partnership approach, it is particularly important that both intermediary and final grant recipients have a clear understanding of legal relationships established under the NHT.


**2.24** The ANAO recognises that liaison with proponents is an important part of the administering agencies' role in jointly delivering the NHT, particularly as the monitoring and evaluation responsibilities of the States/Territories outlined in the Partnership Agreements were unable to be finalised. However, because Commonwealth agencies regularly liaise with project proponents directly, there remains a risk that the respective roles and responsibilities defined under the Partnership Agreements could become blurred. This issue was discussed with the relevant agencies in the course of the audit and resulted in changes to correspondence between the Commonwealth and project proponents.


## Meaningful performance expectations

**2.25** International and Australian experience has highlighted the importance of having performance expectations that are clear, measurable and focused on results. Ideally, they provide realistic targets that enable inputs to be linked to outputs and outcomes. The JCPAA has indicated that measurable performance indicators should be linked to, and specified

### Design

 context and strategies

 roles and responsibilities

 meaningful performance expectations

for, each program objective. Further, basic data collection requirements should be identified for each performance indicator.<sup>28</sup>

**2.26** Audit Report No.36 1996–97 found that:

*across all programs examined in DPIE and Environment Australia, program objectives were broad and difficult to measure. There were few cases found where objectives were concise, realistic and measurable outcomes-oriented statements of what the program aimed to achieve.*<sup>29</sup>

**2.27** The NHT Partnership Agreements outline the program objectives and expectations for each program or initiative. The Partnership Agreements between the Commonwealth and States/Territories included a number of performance indicators for each program which were to be refined after the Agreements had come into effect.

**2.28** As part of its assessment of the program design phase of the NHT, the ANAO analysed three materially significant One-Stop-Shop programs (Bushcare, National Landcare, and Murray-Darling 2001) and one non-One-Stop-Shop program (Coasts and Clean Seas) to assess the clarity and utility of program goals, objectives and targets (see Appendix 1). Overall, the goals and objectives for each of these programs were found to be clear and concise. However, targets for all four of the programs were generally not specified making it difficult to report results in quantitative terms. In the case of Bushcare, a broad target was implicitly recognised in the objective. Performance measurement for Bushcare was further enhanced by the monitoring of land clearing as part of the efforts being made to reduce greenhouse gas emissions<sup>30</sup>. The ANAO acknowledges that the quality of vegetation cover is particularly hard to measure because of the absence of consistent baseline data at the catchment or regional scale across Australia. However, the forthcoming NLWRA datasets on vegetation cover may assist in identifying measurable targets. In the case of the National Landcare Program, the Murray-Darling 2001 Program and the Coasts and Clean Seas Initiative, there are no targets or milestones to measure progress, which represents a significant opportunity missed in the design phase.

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<sup>28</sup> Joint Committee of Public Accounts and Audit (1998) *General and Specific Purpose Payments to the States*, Report No.362, Parliament of the Commonwealth of Australia, Canberra.

<sup>29</sup> ANAO Audit Report No.36 1996–1997, *Commonwealth Natural Resource Management and Environment Programs*, p. 24.

<sup>30</sup> The rate of land clearing has had important implications for greenhouse gas abatement purposes as well as for programs such as Bushcare. The Commonwealth has used satellite data for calculating the rate of clearance. The estimates at the commencement of the audit the annual rate of land clearing in Australia was some 375 000 hectares with net annual losses of between 300 000 to 340 000 hectares. This estimate has subsequently been revised upwards to 450 000 hectares for Queensland alone.

**2.29** In addition, the ANAO found that there were significant definitional problems for two of the programs examined. A particular program risk for Landcare was the definition of 'sustainable agriculture productivity' which was identified as a critical program outcome. Although the Act contains a broad definition of sustainable agriculture, there was no shared understanding of a working, measurable definition that could provide a framework for priority setting and resource allocation amongst the Commonwealth and States/Territories. Consequently, the link between project, program and NHT objectives in this area was not clear. Lack of clarity over the definition of 'sustainable agriculture' was also a significant program risk for Murray-Darling 2001. The administering agencies have advised that a definition of sustainable agriculture has now been agreed and that performance indicators for sustainable agriculture have been developed as a result.<sup>31</sup> The ANAO considers that finalisation of this matter should provide a better basis for measuring results in the future.

**2.30** Work commenced on the development of performance indicators shortly before the Partnership Agreements were signed in 1997. Agencies sought expert advice to ensure that the indicators would be valid and of sufficient quality to measure progress towards program objectives. In recognition of the commonality of performance information requirements across programs within the NHT, key result areas were nominated in relation to a) institutional change; b) the environment; c) sustainable resource use; and d) people.

**2.31** A draft performance measurement and reporting framework was submitted by agencies to the Ministerial Board in October 1998. This framework was intended to provide an overall monitoring and evaluation strategy for the One-Stop-Shop programs within the NHT. The overall draft design in relation to the program logic directly linked inputs, outputs and outcomes and tied the program specific performance measures to the overarching NHT goal and objectives.<sup>32</sup> It recognised that because of the long lead times involved in some programs (such as

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<sup>31</sup> The Standing Committee on Agriculture (now SCARM) defines sustainable agriculture as: *'the use of farming practices and systems which maintain or enhance the economic viability of agriculture production; the natural resource base; and other ecosystems which are influenced by agricultural activities'*. This definition forms the basis for the National Collaborative Project on Indicators for Sustainable Agriculture (NCPIISA). The National Landcare Program has adopted a number of NCPIISA indicators as performance measures, and SCARM is currently making arrangements to update their assessment of Australia's performance in progressing towards sustainable agriculture.

<sup>32</sup> See Appendix 4 for draft NHT Program Logic.

Bushcare and Landcare), intermediate outcomes would be needed during the life of the NHT. It was noted that:

*Medium term NHT and program specific performance indicators provide quantitative information on progress during the life of the Trust. In many cases these are proxy or substitute measures, of the longer term outcomes, and as such tend to be measures of outputs or activity. For example, educational activities such as field days or courses are outputs aimed at the outcome of land managers adopting best practice sustainable land management. If the desired outcome is to lower groundwater levels to control salinity, an output may be the number of hectares of trees planted in groundwater recharge areas.<sup>33</sup>*

**2.32** The draft performance indicators intended to be used for the NHT were very comprehensive and covered **short term** (input and process measures such as the number and value of NHT projects addressing dryland salinity, water efficiency or marine water quality), **medium term** (outputs and outcomes directly attributable to the NHT such as the area revegetated with deep-rooted perennials by NHT projects, the numbers participating in NHT funded projects or the area managed under regional strategies with NHT support) and **long term** (for example, the number of regional strategies, the adoption of best practice and the condition and area of native vegetation).<sup>34</sup> The major challenges with these indicators were the degree of accountability for high level outcomes, the difficulties of measurement for some indicators and the unresolved level of resourcing.

**2.33** In particular, individual States/Territories wanted additional resources to implement monitoring while Ministers were concerned about the cost of the process given that some States/Territories had already received funding through individual projects that provided for performance monitoring. This is discussed further in Chapter 3.

**2.34** The indicators and the performance reporting, monitoring and evaluation framework have still not been finalised. The two major challenges have been firstly, agreeing funding for the monitoring and evaluation of projects; and secondly, agreeing, and obtaining approval for, a very complex set of indicators. The ANAO notes that there were over 160 relevant draft program performance indicators in the Partnership

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<sup>33</sup> Natural Heritage Trust (Draft) Monitoring and Evaluation Framework, October 1998, p. 14.

<sup>34</sup> Natural Heritage Trust (Draft) Monitoring and Evaluation Framework, October 1998, Appendix G. See also State Partnership Agreements.

Agreements, which had been reduced to around 50 draft indicators by April 1999. Subsequently, agencies decided to use the Mid-Term Review to test the draft indicators in action and to seek advice from the consultants about the ongoing use of indicators.

**2.35** The Mid-Term Review process, which is discussed in more detail in the ‘Managing evaluation’ section of this report, concluded in November 1999.<sup>35</sup> In the final analysis, little guidance was provided on how to revise the indicators. In April 1999, the Minister for the Environment said he remained ‘*deeply concerned by the slow (very slow) progress of the process*’<sup>36</sup>. The ANAO notes that there has still been little progress in relation to finalising the design of an overall performance information framework. Consequently, there has been limited capacity to measure results in concrete terms—that is, in terms of what impact the NHT has had overall and what progress has been made towards program goals such as the conservation, repair and sustainable use of Australia’s natural environment.

**2.36** While a complete set of cost-effective indicators covering inputs, outputs and outcomes has not been implemented for the NHT, there are some input and output indicators and indications of some outcomes. The potential for reporting on intermediate outcomes has not been realised except in a small number of programs that may be easier to measure than the larger, more complex NHT programs, (for example, the Endangered Species Program lists the number of species as endangered or vulnerable, the number of plans adopted or improved and the number of species for which recovery plans are in preparation).<sup>37</sup> This program illustrates the advantage in focusing on practical, intermediate outcomes particularly where the lead times exceed the time frame for the program. In this case, there remains a question as to the long-term viability of endangered populations or species. However, the quantum or target to be reached, actions being undertaken, and outstanding challenges are all clear.<sup>38</sup>

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<sup>35</sup> The Mid-Term Review was the major evaluation of the NHT.

<sup>36</sup> Minister’s response to Secretary’s briefing (09 April 1999), ‘NHT—Monitoring & Evaluation—Letters to the States’.

<sup>37</sup> Natural Heritage Trust (1999) *Annual Report 1998–99: Helping Communities Helping Australia*, Environment Australia, Canberra, p. 112.

<sup>38</sup> Intermediate outcomes are changes in the actions of clients or institutional change that could reasonably be regarded as significant milestone/s on the way to achieving the goal or objectives of the program or precursors to the achievement of the program goal or objectives. Intermediate outcomes are more easily linked to the activities of a program than are ultimate outcomes. In addition, intermediate outcomes allow agencies to better manage risks to the achievement of program objectives.



**2.37** As noted earlier, in December 2000 the Natural Heritage Ministerial Board decided to increase the level of resources for monitoring and evaluation activities in the Commonwealth in order to promote a consistent approach to performance monitoring and evaluation overall. Key aspects of the approach include:

- the development of a performance monitoring and evaluation system for natural resource management programs following on from the NHT and for the life of the NHT;
- the development of a simplified performance information system;
- reporting of aggregated data and analysis to the Natural Heritage Ministerial Board;
- on-ground verification of a sample of completed projects; and
- further studies and evaluations to measure key intermediate outcomes.

**2.38** The ANAO notes the increased priority being given to monitoring and evaluation by the administering agencies. The results of the monitoring and evaluation process should provide a basis for the design of future environment and natural resource management programs.

## Recommendation No.1

**2.39** The ANAO recommends that, in relation to any future natural resource management program, Environment Australia and AFFA ensure that at the outset of the program/s' implementation:

- (a) the outputs from NHT programs, such as the National Land and Water Resources Audit, are used to develop baseline data and challenging, but achievable, targets; and
- (b) a core set of performance indicators is finalised and linked to the allocation of sufficient resources for effective monitoring and reporting.

### *Administering agencies' response*

**2.40** The administering agencies agree with this recommendation, noting that the National Action Plan for Salinity and Water Quality is drawing on the results from the NHT's NLWRA to establish a monitoring framework. The National Action Plan is complementary, and additional to, the NHT. The National Action Plan includes national standards and targets and has as its centrepiece a targeted regional approach to program delivery. The administering agencies, however, question the desirability of delaying the implementation of programs until all baseline data and targets are established. The administering agencies consider that often this type of information is not available until some initial development of the program has been undertaken.

## Conclusions

**2.41** Overall, the draft design of performance information for the NHT was comprehensive and took into account better practice principles in important design areas. Some of the key lessons learned and better practice principles from past experiences in natural resource management and environment programs were used as the basis for NHT performance information. The ANAO recognises that determining suitable performance information can be technically difficult when measuring change in environmental conditions. This is because there are substantial timelags between an action (such as revegetation in a catchment) and the result expected (for example, increased biodiversity and/or reductions in the level of the water table to control salinity). The absence of baseline data on environmental condition in much of Australia has also been a major constraint on measuring and reporting on changes and trends in natural resource management and the environment. The finalisation of the Partnership Agreements was a considerable achievement within a challenging operating environment. The performance indicators for the NHT, along with the overall monitoring and evaluation strategy, were to be further refined after the Partnership Agreements were signed by the Prime Minister, Premiers, Chief Ministers and responsible Commonwealth and State/Territory Ministers in 1997.

**2.42** The draft performance indicators were developed using expert advice as appropriate to ensure that the progress against program objectives could be measured. The draft performance information framework directly related to clearly stated objectives and strategies; was balanced in relation to the use of inputs and achievement of outputs and outcomes; and contained a mix of qualitative and quantitative information. The most significant shortcomings were the absence of a finalised core set of indicators to assist in motivating behaviour towards the achievement of desired outcomes and to build suitable information on trends over time, and the absence of an agreed position on resourcing prior to the commencement of the NHT. Appropriate targets and benchmarks would have assisted this process but were not included due to the limited availability of baseline data at the commencement of the NHT.





## 3. The Management of NHT Performance Information

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### Introduction

**3.1** An important consideration in the management of performance information is the monitoring process which should include consistent, cost-effective and timely collection and analysis of data to demonstrate progress (and indeed motivate behaviour) towards anticipated outcomes. It is crucial that it provides a balanced and timely picture of performance in relation to goals and objectives, including cases where key expectations have not been met. Performance monitoring has an important role in providing an early warning on emerging risks and should be structured in a way that allows accurate comparisons over time and against original expectations and objectives.

**3.2** Monitoring should allow program outputs to be linked to outcomes through the analysis of trends and the aggregation of project data. Management information systems should be integrated and sufficiently robust to support both internal and external accountability requirements. Where lead times for results are lengthy, milestones and/or intermediate outcomes should illustrate progress towards the anticipated outcomes. Evaluations and reviews provide more in-depth analysis which augment the ongoing monitoring framework.

**3.3** In respect to public environmental reporting, Environment Australia has noted in its guide for private and public sector organisations that:

*an appropriate mechanism needs to be developed for monitoring and data collection of the environmental aspects and performance indicators identified. A range of issues, such as aligning monitoring periods to the reporting period, quality control and data reliability, need to be considered.<sup>39</sup>*

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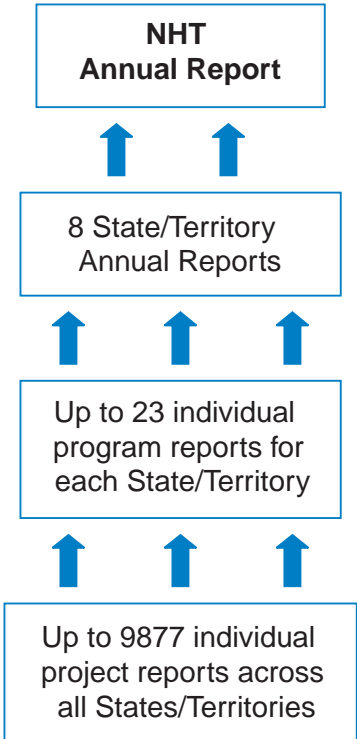
<sup>39</sup> Snowy Mountains Engineering Corporation et al for Environment Australia (2000) *Public Environmental Reporting: An Australian Approach*, Environment Australia, Canberra, p. 21.

**3.4** Responsibility for the collection and analysis of performance information should be clearly articulated and sufficient resources should be allocated for the purpose. Effective monitoring relies on the active participation of all relevant stakeholders involved in the administration, delivery and accountability aspects of the program. The very high numbers of people and organisations involved in the delivery of the NHT creates particular challenges and complexity in delivering outcomes.<sup>40</sup> However, the complexity of partnership arrangements does not absolve Commonwealth agencies from their responsibility to report on the effectiveness of programs to the Government and the Parliament.

**3.5** Figure 3.1 illustrates model management and reporting flows amongst different parties involved in the delivery of the NHT.

**Figure 3.1.**

**NHT model management and reporting flows.**



<sup>40</sup> The Mid-Term Review of the NHT indicated some 300 000 people were involved in NHT delivery. In addition, as an example of the complexity of delivery arrangements in the area of the environment, the Western Australian Auditor-General noted that more than 60 government and 150 private organisations had input into Western Australian environmental issues. (Office of the Auditor General of Western Australia (1998) *Public Sector Performance Report*, 'Monitoring and Reporting the Environment', Report No.12, OAG WA, Perth, p.37.)

## Monitoring performance

**3.6** Monitoring performance includes those aspects of administration that cover the ways in which data collected and analysed is given meaning in terms of overall high level and program level performance. Sufficient focus at the program level is particularly important if agencies are to adequately demonstrate compliance with overarching legislation such as the *Natural Heritage Trust of Australia Act 1997* and the *Financial Management and Accountability Act 1997*. The *Natural Heritage Trust of Australia Act 1997* states that a key function of the Ministerial Board is to ‘*monitor the effectiveness of the administration of the Act*’ in achieving program objectives. This requires the collection and analysis of data, an assessment of its validity and the timely production of reports.

### Collecting and analysing data

**3.7** As noted in Chapter 2, the Partnership Agreements recognised that project performance monitoring was largely a State/Territory responsibility. Under the Partnership Agreements the Commonwealth was to ‘*agree with the States, appropriate mechanisms and time lines for monitoring and the evaluation of programs.*’ Subject to resourcing considerations, the Agreements noted that ‘*the performance of individual projects will entail assessment of progress and final reports against the project objectives and the goal, objectives and outcomes of the contributing programs.*’ Projects were to be reviewed in detail, ‘*at a level and interval consistent with the evaluation and reporting strategy for the program*’<sup>41</sup>. However, while there was substantial efforts made by agencies this was never fully achieved as was originally anticipated because of the absence of agreement on funding. Consequently, there is significant variation in the approach to the management of performance information across States/Territories. As noted in the briefing to the Ministerial Board in December 2000:

*the States have, to date, undertaken monitoring and evaluation activities in different ways. States activity is confined to reporting on project outputs and acquittals. Some States also conduct project audits. This activity, while useful in reporting on project outputs needs to be aggregated and analysed at the national level and is limited in its capacity to reflect the overall performance of the Trust.*<sup>42</sup>

#### Management



monitoring performance



management information systems



tracking intermediate outcomes



managing evaluation

<sup>41</sup> Attachment A to State Partnership Agreements.

<sup>42</sup> Agenda item 10, ‘Monitoring and evaluation’, Natural Heritage Ministerial Board, Meeting Thirteen, 6 December 2000.

**3.8** This is important as the annual reports from the States/Territories provide the basis of national qualitative assessments and quantitative output data that is included in the NHT Annual Report. This data covers such areas as on-ground activity (such as the total area of native vegetation works), waterway or water body management (for example, the length of waterway protected by fencing), control of rising watertables (such as the such as the area to be protected by groundwater pumping systems), water-use efficiency improvements, stabilisation of wind or water erosion, (for example, dune stabilisation) and improving the use of land within its capability (for example the area of land to be managed according to capability). Applications for continuing projects also provide some measure of progress at the project level.

**3.9** The administering agencies have recognised the difficulties of the variations in the monitoring systems and have implemented a number of different mechanisms with the aim of ensuring that the data supplied on inputs and outputs is correct. While recognising that they do not have an overall set of performance indicators, agencies consider that they are able to provide information of adequate quality for inputs and outputs and are able to make general statements about progress towards achievement of the NHT goals and objectives sourced from evaluations and case studies and the 1999 Mid-Term Review of the NHT.<sup>43</sup> The ANAO recognises that agencies have adequate information on inputs. This enables agencies to make some assessment as to progress against objectives, such as the level of capital investment and the number of cooperative partnerships. However, output and outcome information is less robust as will be discussed in the next section ('Validity of data').

**3.10** Both Environment Australia and AFFA have conducted project reviews or surveys. For example, AFFA has monitored key projects such as the Eyre Peninsula Regional Strategy where the project demonstrated an acceleration of change in farming systems and management with 50 per cent of all farmers on the Eyre Peninsula indicating the adoption of minimum tillage techniques since the project commenced in 1995. AFFA has also conducted research projects at the catchment level where promising results are emerging concerning cost-effective project monitoring. Surveys of farm practices have also been conducted over time to provide information on changes. These are discussed further

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<sup>43</sup> The review involved 29 reviews evaluating the administrative arrangements and performance of 17 Trust programs; including six regional reviews and three thematic studies on dryland salinity and associated vegetation management, urban environment and inland waterways.

later in this chapter under tracking intermediate outcomes. Environment Australia has also been active in monitoring projects such as Vegetation Management Planning in Victoria which integrates environmental conservation into catchment management. This is the first time in Australia that vegetation management planning has been comprehensively implemented across a State/Territory and may provide a model approach for others to follow in the future.

**3.11** The ANAO notes that at the program level, monitoring and/or evaluation has contributed to changes in program direction. For example, the evaluation of the property management planning component of Landcare contributed to the Government's decision in 2000 to establish a \$167 million FarmBiz program over four years as part of the Agriculture-Advancing Australia package.

**3.12** At the local level, Commonwealth agencies have been less involved in monitoring as projects are smaller and often more dispersed. There are practical limitations on Commonwealth involvement and also on the level of voluntary effort that could be expected from community based project proponents. However, the ANAO noted in the course of the field work that local community groups were keen to demonstrate their achievements. Victoria and Queensland, in particular, have indicated that local community groups would appreciate the opportunity to demonstrate the results of on-ground works, but that they would like clearer guidance from the Commonwealth to facilitate the demonstration and sharing of better practice initiatives emerging from the consistent monitoring of like projects Australia-wide. The ANAO notes that Commonwealth agencies have been strengthening their approach to evaluation guidelines at the program level. For example, the National Landcare Program has developed and disseminated guidelines such as 'Setting Up for Success—A guide for designing, managing and evaluating projects.' Environment Australia and AFFA have also collaborated on the production and dissemination of 'Participatory Evaluation for Landcare and Catchment Groups'. Both agencies also use the NHT website to disseminate some of the experiences from successful projects.



*Field day*

Source: Department of Natural Resources (Qld), *Annual Report 1998–99*, p. 37.

**3.13** The ANAO recognises the difficulties and potential cost implications of monitoring thousands of projects of varying size, spread over a continent the size of Australia. However, while the current monitoring system does enable some of the less complex programs to measure change it does not readily allow for consistent measurement of performance against the objectives in the Partnership Agreements for the NHT as a whole. In addition, there is little systematic comparison of performance over time or across States/Territories. There are technical difficulties in some areas but even in the key result area of ‘integration and institutional change’ which is more measurable and, where baseline data was available from the States/Territories, there is minimal collection of data to enable comparisons of performance. For example, while agencies measure the number of regions or catchments with new strategies funded through the NHT, it is unclear to what proportion of all catchments or regions are at recognised best practice in terms of integrated catchment planning and monitoring—a key priority for the National Action Plan for Salinity and Water Quality.

**3.14** In terms of the more difficult areas of measurement such as on-ground works, the NHT has suffered from ‘*often poor quality of data supplied in project application forms and progress reports*’.<sup>44</sup> Problems were also noted with the availability and experience of community participants to undertake monitoring as well as constraints or the late receipt of funding which can all lead to delays in reporting against agreed outcomes.

**3.15** The Mid-Term Review highlighted that some 1000 facilitators and coordinators have been funded through the NHT.<sup>45</sup> This suggests considerable existing capacity for improved monitoring of projects. Agencies have recognised this problem and a monitoring and evaluation unit was established in December 2000 to both coordinate the efforts being made and enhance the quality of analysis. The National Action Plan for Salinity and Water introduced in 2000 also aims to have improved monitoring arrangements.<sup>46</sup> The ANAO considers that a priority for the future is the promotion of a shared understanding across the different levels of governments of the relevance of innovative practice and achievements from the NHT—particularly when considered in proportion to the risks associated with continued sub-optimal practices. This should be a priority for the recently established NHT monitoring and evaluation unit.

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<sup>44</sup> See Mid-Term Review of the NHT.

<sup>45</sup> ‘Mid-Term Review of the Natural Heritage Trust: The Response’, August 2000, p. 11.

<sup>46</sup> In December 2000, the Government announced a National Action Plan for Salinity and Water Quality that aims to identify high priority, immediate actions to address salinity, particularly dryland salinity, and deteriorating water quality in key catchments and regions across Australia. The National Action Plan formed a key component of the Government’s response to the Mid-Term Review.

## Validity of data

**3.16** The basis of any robust performance information system is valid data that reflects actual results and allows program managers to analyse performance against objectives with confidence. Data validity can be checked through mechanisms such as random audits and independent assessments. However, the administering agencies are significantly reliant on the States/Territories for quality assurance, consistent with the Partnership Agreements signed by the Prime Minister and Ministers. As discussed earlier, a consistent monitoring strategy was never finalised. As a consequence, there has not been a systematic and comprehensive approach to data validation. Several State/Territory agencies, who are responsible for supplying performance data to the Commonwealth, indicated to the ANAO that there are shortcomings or gaps in this aspect of the administration. For example, one State/Territory commented that:

*With the Commonwealth's decision not to proceed [with] the framework, reporting has been reduced to sets of output data from continuing and final reports. This means that critical evaluation of NHT investment has limitations. Assessment and review of projects may not be consistent, particularly in evaluating outputs from continuing applications. Reporting on outputs by project proponents is problematic as it involves self-reporting.*

**3.17** Another State/Territory commented that:

*Because there is minimal on-ground monitoring of the Trust, the application form has developed into a source for output data. This is misguided and provides grossly inaccurate and misleading information on Trust achievements. It is no basis at all for assessment of Trust outputs or outcomes.*

**3.18** Five States/Territories indicated some concern to the ANAO about the accuracy and relevance of the program outputs for NHT programs. Commonwealth agencies have been advised of State and Territory concerns in this area through the annual reporting process and ongoing consultation. Commonwealth agencies regard the States/Territories as having the primary responsibility for on-site verification for One-Stop-Shop programs consistent with the responsibilities allocated under the Partnership Agreements. Commonwealth agencies have implemented a number of different mechanisms with the aim of ensuring that the data supplied on inputs and outputs is correct. These include desk-top reviews, surveys and some site visits (for example, Bushcare facilitators are currently undertaking validation of Bushcare projects). However, data integrity has been an ongoing problem for agencies with



some proponents using different measurement methodologies and over-estimating project outcomes. Some proponents still confuse hectares and acres. The continuing application form does provide some indication of validity for project outputs as the application is assessed by Regional and/or State Assessment Panels. In addition, some States/Territories, undertake validation activity including on-ground project audits. Commonwealth officers also undertake selective qualitative analysis of output data if in their judgement the data was too ambitious or the proponent had misinterpreted the question.

**3.19** The 1999 Mid-Term Review of the NHT was a one-off exercise where validation was conducted on 650 projects across Australia from a stratified random sampling of approximately 5000 projects funded at that time. No case of fraudulent use of Trust funds was found. 35 per cent of projects had achieved all the agreed milestones, 39 per cent had achieved more than half the milestones and 26 per cent had achieved less than half the agreed milestones. Of the 650 chosen in the sample, 400 were regarded as having sufficient performance information to be used for the Mid-Term Review. This represented a sample of 8 per cent of all NHT projects at the time. The ANAO considers that the findings of the Mid-Term Review and other individual reviews provide some degree of assurance as to data accuracy and relevance, although neither of these replaces the need for a robust, ongoing system for performance management.

**3.20** There are significant weaknesses in relation to the validity of the output data for ongoing management and accountability purposes. This remains an outstanding challenge. The principal difficulty is that the data is based on a mix of actual and anticipated results from re-application forms for continuing projects, rather than on actual results achieved. This can distort the performance assessment obtained. The ability to validate data is particularly important due to the increasing emphasis being given to integrated natural resource management and the approval of projects with multiple objectives. A regular validation process should be a priority for the recently established NHT monitoring and evaluation unit so that it is clear as to the relative weighting being given by project proponents to each of the multiple objectives.

**3.21** At the program level, on-site verification on behalf of the Commonwealth across the NHT overall varies across programs. This variation reflects, in part, factors such as the complexity of the program, the scale being addressed and the number of stakeholders involved. Consequently, some programs such as the Endangered Species Program (targeted at particular species in specific localities) and the National



Reserves Program (capital funding for site acquisitions) have made more progress than the larger, more complex programs. In addition, some programs are recognising that additional effort is required in relation to data validation. For example, although an annual review of a selection of projects is noted in the Coasts and Clean Seas application guide, in 1999–2000 only 15 projects were reviewed in NSW, Queensland, South Australia and Tasmania as part of visits to States for other purposes. However, there is budget set aside for specific purpose visits in 2000–01 with the aim of reviewing at least 10 per cent of Coasts and Clean Seas projects nationally.

**3.22** The ANAO notes that, regardless of the absence of formal arrangements between the Commonwealth and the States/Territories for the rest of the NHT, Coasts and Clean Seas program managers negotiated and agreed a performance reporting framework in May 1999. This framework has focussed on output data, but this data-collection is recognised by program managers as being inadequate without on-site verification by independent experts. In addition to contractual reporting requirements, Coasts and Clean Seas managers have negotiated with the States and the Northern Territory to provide informal quarterly progress updates on project status which track changes and highlight areas of potential risk.

## Recommendation No.2

**3.23** The ANAO recommends that, in order to provide greater assurance as to the rigour of output and outcome data, Environment Australia and AFFA ensure that a consistent approach to data validation is an ongoing priority for the remainder of the NHT and for future programs. This should encompass a robust data verification system as well as facilitating audits of a valid sample of data supplied by proponents consistent with relevant Commonwealth–State/Territory agreements.

### *Administering agencies' response*

**3.24** The administering agencies agree with this recommendation. The administering agencies consider that data validation and verification is and will continue to be a priority for the NHT and future environment and natural resource management programs, including the National Action Plan for Salinity and Water Quality.

## Timeliness of project reports

**3.25** The collection of final report forms is the responsibility of the States/Territories for most programs with annual reports provided to the Commonwealth under the Partnership Agreements. Table 3.1 illustrates that some 31.6 per cent of projects receiving final payments have submitted final project reports. The gap between projects receiving final payments and final project reports received is indicative of the challenges in obtaining timely project reports in a program that can be affected, for example, by seasonal conditions.

**Table 3.1**

**Projects receiving final payments and providing final reports by program (June 2000)**

<i>Program</i>	<i>Projects receiving final payments</i>	<i>Final project reports received</i>	<i>Final project reports received as a percent of projects receiving final payment</i>
	<i>1996–97 to 1999–00</i>	<i>1996–97 to 1999–00</i>	
Landcare	756	257	34.0
Bushcare	559	135	24.2
MD2001	331	110	33.2
Rivercare	105	14	13.3
Endangered Species	55	20	36.4
Farm Forestry	43	11	25.6
Wetlands	41	16	39.0
Fisheries Action	37	20	54.1
Coasts and Clean Seas	29	29	100.0
Waterwatch	5	5	100.0
National Reserves	5	3	60.0
Not Specified (Qld)	4	2	50.0
Feral Animal	2	1	50.0
Joint Landcare/Bushcare			0.0
Joint Rivercare/Bushcare			0.0
<b>Total</b>	<b>1972</b>	<b>623</b>	<b>31.6</b>

Source: Figures supplied to Environment Australia/AFFA by all States/Territories. One State/Territory provides access, but does not supply data to, the Commonwealth.

**3.26** While a relatively small percentage of final report forms have been received, the re-application assessment process has, in effect, provided an annual review of progress on those projects seeking continuing funding. This takes into account the views of the State and Regional Assessment Panels and technical assessment of the merits of the project to date. Climatic factors, on occasion, may also contribute to delays in project completions. For example, in the 1999 report from Queensland, it was noted that *‘the low completion rate may be attributed, in part, to the extremely wet year experienced across most of the State, which postponed*

*activity on a significant number of projects'. In Victoria, it was noted that 'delays to tree planting activities have been particularly common because of drought and below average rainfall from 1997 to mid-1999. In Gippsland the drought was broken by severe flooding which further set back many of the on-ground projects'. The Coasts and Clean Seas Initiative also experienced delays from projects that had changes in personnel or were affected by extreme weather conditions.*


## Developing management information systems


**3.27** It is important to ensure that management information systems are integrated and sufficient to allow differential reporting as required for both program management and external accountability purposes at both the Commonwealth and State/Territory levels. The ANAO anticipated that the Commonwealth would have a role in implementing a consistent approach to the collection and analysis of data. This is important so that agencies can serve the needs of Government and other stakeholders.


**3.28** The *Project Administrator Database* is used to store NHT program information. The database was developed in stages over the life of the NHT and operates as a key element of program administration. While based in Environment Australia, both AFFA and Environment Australia now share this common database. This is a positive step forward, as it provides data on the implementation of the program and is a key requirement for administrative consistency between program partners. It demonstrates progress since Audit Report No.36 1996–97 and provides the Ministerial Board with a common access point to information.


**3.29** While noting the importance of managing privacy and security matters, the efficiency of the process could be enhanced if greater access was extended to the other key partners involved in the delivery of the NHT—especially the States/Territories. Agencies consider that the concept of a national database is sound, and note that they have discussed the development of a national database with the States/Territories over the life of the NHT. However, the administering agencies were concerned about the resource implications and time needed to develop a complex national database for multiple users and consequently the national database did not go ahead. The States/Territories and other stakeholders consulted during the course of the audit noted the scope for improvement in this area. One commented that:

### Management

 monitoring performance

 management information systems

 tracking intermediate outcomes

 managing evaluation

*The major technical impediment to the effective management of the Natural Heritage Trust has been the lack of a single national database to manage the program from application, through payment to project acquittal. This has led to each jurisdiction developing its own system with inevitable variation and lack of consistency. This has been an opportunity missed to allow the collation of performance data at a single point accessible to all through the Internet.*

**3.30** Currently, the States/Territories have no access to the Commonwealth's *Project Administrator Database*. There is, however, cooperation in the exchange of electronic application, assessment and output data. Consequently, the States/Territories developed separate databases, most of which preceded the development of the Commonwealth's. Four States/Territories adopted common databases, which differ from that used by the Commonwealth.

**3.31** In 1993 and in 1997 the ANAO found that:

*Ideally, there should be a single, comprehensive management information system that collects and collates data which is then processed and reported in a customised format that suits the particular requirements of various users at each level of government. An integrated approach to management information can provide considerable resource savings for both levels of government. Common systems across all States/Territories can also lead to savings, particularly by avoiding the high costs of development and maintenance of separate systems which are essential designed to meet the same needs. Commonwealth agencies are uniquely placed to take a lead role in the identification, coordination and adoption of best practices in this area.<sup>47</sup>*

**3.32** Agencies have commented that they are mindful of the benefits of a national database and, as technical solutions become cheaper, they will aim to move towards a national database that can be used by a range of proponents, as well as the States/Territories and the Commonwealth. The ANAO considers that as a first step agencies should aim to establish as soon as practicable, a shared system for bodies involved in the administration of NHT-related programs in the future.<sup>48</sup>

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<sup>47</sup> ANAO Audit Report No.6 1993–94, *An Audit Commentary on Aspects of Commonwealth-State Agreements* and ANAO Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*.

<sup>48</sup> Administering bodies include Commonwealth agencies, State/Territory agencies, State and Regional Assessment Panels and Technical Assessment Panels.

## Recommendation No.3

**3.33** The ANAO recommends that, in order to enhance and streamline the collection and analysis of performance information, Environment Australia and AFFA consider the development of a shared project/program management information system between the Commonwealth and the States/Territories. This should be an integral part of future natural resource management, where the Commonwealth and the States/Territories sign Partnership Agreements.

### *Administering agencies' response*

**3.34** The administering agencies agree with this recommendation. The Commonwealth will work with the States/Territories to achieve a shared project/program management information system for future environment and natural resource management programs such as the National Action Plan for Salinity and Water Quality.





**3.35** The administering agencies commented that they have discussed the development of shared management information systems with the States/Territories over the life of the NHT, and that these discussions continue. However, the establishment of such a system is complex. The development of a national database is desirable and is a goal to which the administering agencies are working. However, the various jurisdictions, agencies and programs involved in the operation of the NHT have varying requirements in terms of program management, reporting and accountability which add layers of complexity to negotiating a common system.

## Tracking intermediate outcomes

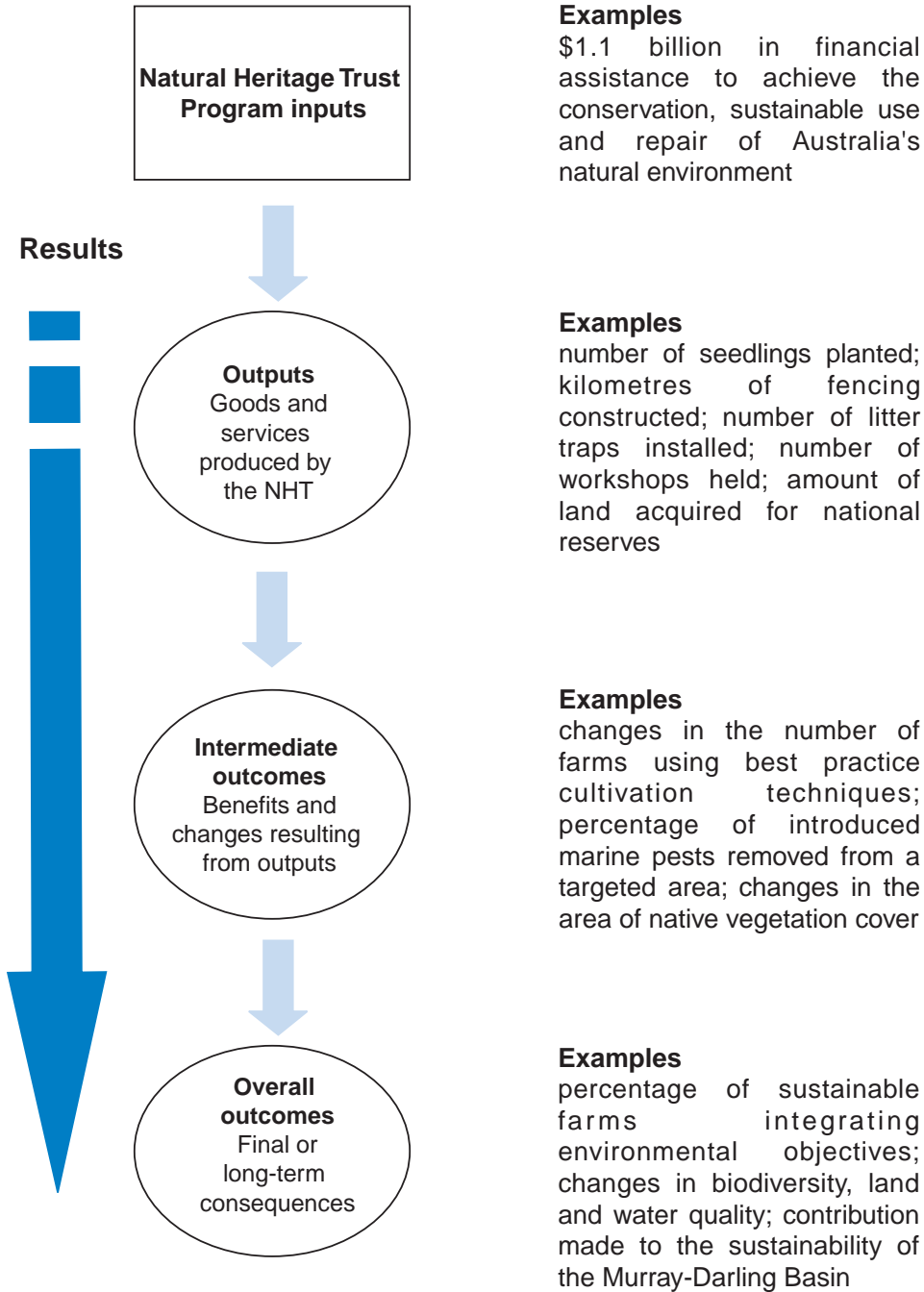
**3.36** As noted in the introduction to this chapter, good program performance information clearly identifies direct links between outputs and outcomes. A first step is valid output data which can then be analysed to indicate progress against program objectives or anticipated outcomes. This is particularly important for a program of the scale and complexity of the NHT. Within this context, the identification of intermediate outcomes offers a practical and useful linking mechanism between base level outputs and higher level NHT objectives.

**3.37** Figure 3.2 illustrates the linkage between program inputs, outputs, intermediate outcomes and overall outcomes.

### Management

-  monitoring performance
-  management information systems
-  tracking intermediate outcomes
-  managing evaluation

**Figure 3.2**  
**Tracking results.**



**3.38** The ANAO notes that the identification of intermediate outcomes was intrinsic to the design of the original Partnership Agreements. However, because the performance indicators, monitoring and reporting systems included in the Partnership Agreements have not been implemented as envisaged, there is limited capacity to report on anything beyond basic inputs and outputs at the present time.

**3.39** Some programs have made more progress in this area than others. This largely reflects variations in program complexity and longevity. For example, the Endangered Species Program currently reports, to some extent, the quantum of the problem being addressed and progress against measurable targets. It makes clear the number and status of recovery plans for nationally threatened species and the



*The endangered bridled nailtail wallaby*

Source: Department of the Environment, Sport and Territories, 1995, *Native Vegetation Clearance, Habitat Loss and Biodiversity Decline*, p. 8.

number of species for which recovery plans are in preparation. For example, the report noted that there were 1320 listed species as endangered or vulnerable for which 27 plans had been adopted or approved and a further 343 were in preparation. In South Australia, the 1998–99 Annual Report for the NHT noted that management actions were implemented for 29 nationally threatened species, 11 vertebrate species and 18 plant species. In Queensland, the bridled nailtail wallaby project successfully re-established several populations in the wild and implemented fox control strategies to ensure these populations continue to survive in the wild. This species was reported as being well on track to being ‘down-listed’ from endangered to vulnerable.

**3.40** In addition, both agencies have used intermediate outcomes in relation to NHT programs outside the formal reporting process for the NHT. For example, a recently published Australian Bureau of Agricultural and Research Economics (ABARE) report to the NHT provided reporting on a number of natural resource management intermediate outcomes. While not directly attributable to individual NHT projects for the National Landcare Program, the ABARE time series surveys of farm practices have allowed AFFA to measure progress towards more sustainable agriculture and compare practices by those who belong to Landcare groups and those who do not. Current trends show higher levels of conservation practice amongst Landcare members but a decline overall in the adoption of best practice conservation farming. ABARE’s November 2000 report noted that:



*More than half of the farmers in the wheat-sheep zone stated that they maintain vegetative cover along drainage lines. Preserving or enhancing areas of conservation value was the second most common farm practice across all broadacre farms in the wheat-sheep zone in 1998–99, with nearly half carrying out this practice. However, the proportion of farms in the wheat-sheep zone who reported having this farm practice as part of their overall farm management program has fallen since the 1995–96 survey, when the proportion of farms was 61 per cent.<sup>49</sup>*

**3.41** Any NHT monitoring and evaluation framework should more explicitly link this sort of survey work with the activities of the NHT, so that program managers would be better placed to report on intermediate outcomes and progress against the Partnership Agreements.

**3.42** Measuring intermediate outcomes in this way could also provide a mechanism for the better management of program risks. For example, agencies have been actively involved in monitoring land cover change, particularly within the context of policy development for the National Vegetation Initiative and the work of the Council for Sustainable Vegetation Management.<sup>50</sup>

### **Using intermediate outcomes to address concerns over strategic risks**

**3.43** Intermediate outcomes can also assist in demonstrating how a program is handling strategic risks. A key program risk for the Bushcare program was the high rate of land clearing in Queensland. This is because the objective of Bushcare was to ‘*reverse the decline in the quality and extent of Australia’s native vegetation cover*’. However, the ANAO notes that the Queensland State-wide average annual clearing rate for the 1997–99 period was 425 000 hectares (ha)/year. This rate was 25 per cent higher than the 1995–97 rate of 340 000 ha/year and 47 per cent higher than the 1991–95 rate of 289 000 ha/year. This is particularly significant as the Mid-Term Review of Bushcare indicated that:

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<sup>49</sup> <http://www.abareconomics.com/ame/lrm/landcare.pdf>

<sup>50</sup> The Council for Sustainable Vegetation Management (CSVM) provides independent advice on a range of environmental issues including priority setting, incentives for retaining native vegetation, monitoring and evaluation, research and development to support the Bushcare program. The Council comprises representatives from industry, research institutions, non-government organisations and state government departments.



*In the absence of significant legislative reform in Queensland to control clearing of native vegetation and a tightening up of controls in NSW, the goal of Bushcare and the NHT of 'no net loss' will not be reached. But this is largely beyond the direct control of Bushcare, although Bushcare activities can influence the outcome.<sup>51</sup>*

**3.44** It also illustrates the importance of program monitoring in the management of risks and how intermediate outcomes and/or milestones can provide early warning in areas of very high risk to program objectives.

**3.45** While the ANAO notes that Commonwealth agencies are involved in working with other agencies in developing policies to address major environmental issues such as land clearing and vegetation management, the link between this external work and the NHT is not made public. The link between the external policy work and the NHT is particularly important as intermediate outcomes could assist in raising awareness amongst stakeholders. For example, there could have been value in disseminating information on the rate of clearing in the Murray-Darling catchment (a high priority for NHT programs such as Murray-Darling 2001), which is 80 000 ha/year higher than the 1995–97 rates.

*This increase is equivalent to 94 per cent of the overall increase in clearing rate from 1995–97 to 1997–99. The current clearing rate was also approximately twice that reported for 1991–95. The Murray-Darling catchment contains 52 per cent of all 1997–99 clearing in Queensland.<sup>52</sup>*

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<sup>51</sup> Mid-Term Review of the Natural Heritage Trust—Bushcare Program (November 1999), p. 8.

<sup>52</sup> Queensland Department of Natural Resources, Land Cover Change in Qld, 1997–1999.

**3.46** The ANAO notes that the NLWRA, funded by the NHT, has the potential to assist agencies in the management of risks relevant to intermediate outcomes through separate analysis based on Commonwealth and State/Territory datasets. Agencies have agreed that the NLWRA should be linked to relevant programs where possible. However, the ANAO notes that many datasets are still under development and information useful for programs is not yet available. However, there are emerging findings that highlight substantial risks to NHT program goals. For example, the NLWRA found that approximately 5.7 million hectares of land are at risk or already affected by dryland salinity. While dryland salinity is not a specific objective of the NHT, the NHT Partnership Agreements indicate that dryland salinity is a priority area for the Bushcare, Landcare and Murray-Darling 2001 programs in some States.



*Lucerne established in saline area*

Source: South Myall Catchment Landcare Group.

**3.47** The NLWRA estimates that in 50 years, the area affected by dryland salinity might increase to just over 17 million hectares. Within this area, some 630 000 hectares of remnant vegetation (especially riverside vegetation which the ANAO notes has been targeted for NHT funding) and their ecosystems are at risk. This is estimated to increase to close to 2 million hectares over the next 50 years.<sup>53</sup> The ANAO recognises that the rate of land clearing is largely outside of the control of the agencies. However, the need for strengthened action to retain native vegetation has been recognised for some time. It was recognised by Governments in the National Strategy for Ecologically Sustainable Development (1992), the National Greenhouse Response Strategy (1992) and in the National Strategy for the Conservation of Australia's Biological Diversity (1995).<sup>54</sup> Consequently, the ANAO considers that coordinating the tracking of this type of intermediate outcome should be a high priority for agencies administering the NHT. Within this context, the ANAO notes the work being undertaken by agencies in relation to the National Action Plan for Salinity and Water Quality. This National Action Plan is designed to bring new, integrated approaches to improve the future management of salinity and water quality.<sup>55</sup>

**3.48** The ANAO notes that agencies will need to pay particular attention to accountability arrangements in implementing the National Action Plan. Similar programs in the past have attempted to deal with the same issues with limited success. Active management attention at both agencies will be required to ensure that the objectives of the National Action Plan are met.

**3.49** The long lead times required to bring about change in water table levels, sustainable agricultural practices or reductions in salinity suggest that greater attention to analysing the lessons learned and the implications from intermediate outcomes is critically important if agencies are to demonstrate the achievements of the program to date and avoid repeating the mistakes of the past. Within this context, a core set of intermediate outcomes measures could include those set out below. The measures below are not intended to be definitive, but may provide an indication of what could be introduced for programs such as Bushcare, the National Landcare Program or Murray-Darling 2001. The approach is based on the assumption that valid regions/catchments can be defined using biophysical, economic and social criteria. In some cases, catchments will overlap (for example, the sub-catchments that form part of the Murray-Darling Basin Commission.)

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<sup>53</sup> National Land and Water Resources Audit, (AuditInfo No.29, October—December 2000).

<sup>54</sup> Environment Australia (1995) *Native Vegetation Clearance, Habitat Loss and Biodiversity Decline, Biodiversity Series Paper No.6.*

<sup>55</sup> <http://www.affa.gov.au/docs/nrm/actionplan/>

**Figure 3.3**

**Intermediate measures of performance**

**Indicator**—number and percentage of total regions/catchments with regional/and or catchment plans that are at best practice. Reporting should cover the percentage change over time.

Criteria could include:

- identification of natural resource management and environmental challenges in terms of economic, social and environmental trends and consequences;
- clear measurable objectives that include both natural resource management and environmental conservation, repair and sustainable use where relevant;
- clear outline of regional and catchment priorities and how those priorities were developed and how they will be updated to take account of new information;
- quantitative targets and milestones (or intermediate outcomes) relevant to natural resource management and environmental conservation (for example, per cent of catchment to be revegetated);
- percentage and area of priority conservation areas to be protected through fencing and management agreements (or legal caveats);
- a core set of quantifiable performance indicators that are consistent across regions and programs to the maximum extent possible;
- a commitment to adequate resource levels for performance measurement and reporting against objectives and targets; and
- clear reporting obligations and timetables that require achievements, shortcomings, remaining challenges and the strategies addressing them to be specified.

**3.50** The ANAO appreciates that catchment planning is not fully consistent across States/Territories and, as noted in the Mid-Term Review, *‘many regions are not mature in terms of integrated planning’*. However, by developing national objectives and criteria for better practice and linking these to funding, where appropriate (such as through devolved grants or strategic, integrated projects), the Commonwealth can provide an incentive structure for moving regions towards better practice over time. As stated in the Partnership Agreements, catchment management is a high priority for programs such as the National Landcare Program. Agencies have indicated that the National Action Plan for Salinity and Water Quality will provide the incentive for this type of performance-based system which will be supported by the outputs from the NLWRA. This is being incorporated into new programs and planning procedures such as salinity risk mapping in the National Action Plan on Salinity and Water Quality which has a catchment focus.

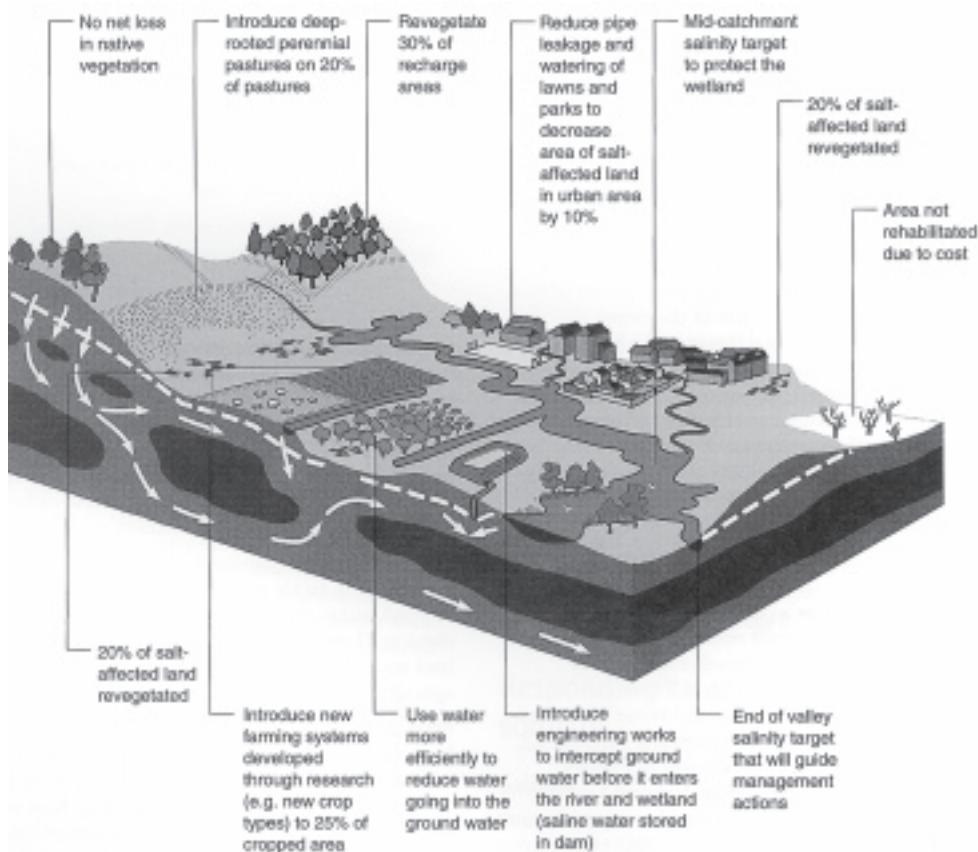
**3.51** Within this context other suggested core performance measures for intermediate outcomes might include:

- area and percentage of a catchment or region in native vegetation cover and the net change generated by the program (for example, the amount of private land revegetated or dedicated to management agreements for conservation);

- length and percentage of catchments or regional waterways protected from stock damage or point source pollution;
- number and percentage of catchments or regional waterways that meet quantifiable targets for water quality (for example, 800 EC for salinity in freshwater streams). It is important to note that care is needed on this indicator as droughts and floods can radically change the data. An underlying trend is required that takes account of major one-off events;
- number and percentage of farms within a region or catchment using best practice conservation farming methods;
- number and percentage of farms within a region or catchment using best practice conservation farming methods with farm productivity or income above the national average; and
- level of awareness within a region or catchment of sustainable resource management best practices.

**Figure 3.4**

**Examples of management targets outlined in the NSW Salinity Strategy**



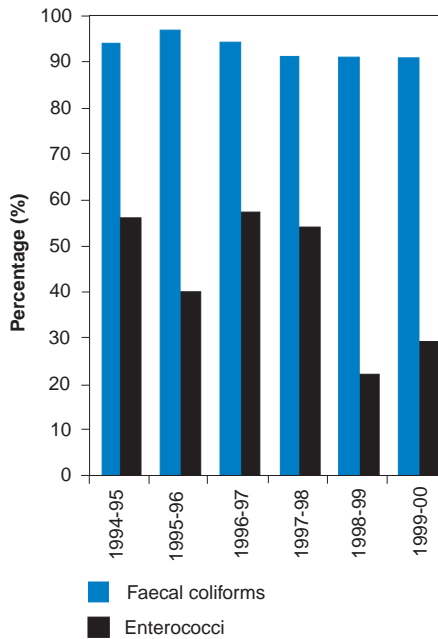
*NSW SOE reporting against targets – salinity*

Source: *NSW State of the Environment 2000 Report*, p. 134.

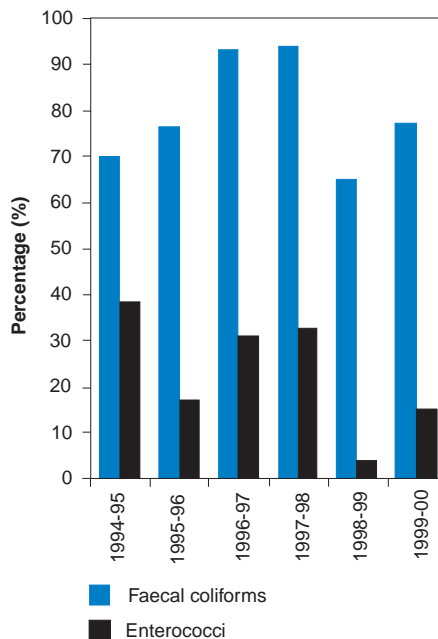
**Figure 3.5**

**Measuring compliance with recreational water quality criteria – NSW SOE**

*Percentage of Sydney ocean beaches with over 90% compliance against Beachwatch criteria*



*Percentage of Sydney estuarine bathing sites with over 90% compliance against Beachwatch criteria*



Source: *NSW State of the Environment 2000 Report*, p. 187.

**3.52** The very high numbers of people and organisations involved in the delivery of a program as complex as the NHT creates particular challenges in demonstrating the achievement of outcomes. Nevertheless, the complexity of delivery arrangements does not absolve Commonwealth agencies from their responsibility to demonstrate accountability to the Parliament. The administering agencies agree with this observation, and have advised that for future natural resource programs such as the National Action Plan for Salinity and Water Quality, data and methodologies developed by the NLWRA, SOE reporting, and as suggested in this audit, will be used to develop intermediate and longer term performance measures.

## Recommendation No.4

**3.53** The ANAO recommends that, in order to monitor medium term performance including the management of program risks, Environment Australia and AFFA implement intermediate performance measures as an integral part of accountability arrangements for the NHT and future natural resource management and environment programs.

### *Administering agencies' response*





**3.54** The administering agencies agree with this recommendation and note the need to continually improve the development of performance information. The Natural Heritage Ministerial Board has allocated additional resources to this task as part of the monitoring and evaluation strategy agreed in December 2000.

## Managing evaluation

### Program evaluation

**3.55** The completion of the Mid-Term Review provided an indication to agencies, the Parliament and the public as to the efficiency and effectiveness of the NHT. Consultants conducted 29 reviews evaluating the administrative arrangements and performance of 17 NHT programs; including six regional reviews and three thematic studies on dryland salinity and associated vegetation management, urban environment and inland waterways. The ANAO considers that the Mid-Term Review was fair and balanced and provided a reasonable basis for management improvement at the time. Importantly, it also provided some degree of validation of project performance information discussed earlier in this chapter. The review found that:

#### Management

-  monitoring performance
-  management information systems
-  tracking intermediate outcomes
-  managing evaluation



*... although the Trust has laid a good foundation, the magnitude of the problem being addressed requires a long term government commitment and higher levels of funding. The review recommended increased emphasis on strategic targeting of investment and devolution of regional delivery mechanisms, where regional plans have identified or prioritised remediation or protective action. However, grant funding for works should be used strategically as one element of a mix of interventions, including capacity building, regional planning, research, institutional reform, regulation and market based mechanisms. The review did not find any fundamental failings in the administration of the Trust, for example in the area of financial accountability.<sup>56</sup>*

**3.56** The 1999 Mid-Term Review cost \$2.2 million for consultancies involving both Environment Australia and AFFA. It demonstrated the wide participation in the NHT and the substantial investment being made from a variety of sources. It also indicated, among other things, that the NHT was ‘*poor in the areas of monitoring and accounting for performance*’. The critical need for better baseline information on the status and trends of the problems that natural resource management policies were addressing was acknowledged.

**3.57** Since the Mid-Term Review, agencies have given greater attention to the strategic focus of the NHT. The National Action Plan for Salinity and Water Quality discussed earlier is developing integrated catchment/regional management plans in priority catchments with targets and standards for natural resource management agreed between the Commonwealth and the States/Territories. Each plan will be accredited for its strategic content, proposed targets and outcomes, accountability, performance monitoring and reporting. The ANAO considers that this approach is a positive step forward and has suggested some elements of good practice in this area to strengthen the accountability framework.

### **Devolved grants**

**3.58** Also in the period since the Mid-Term Review, devolved grants have been strengthened to reduce the administrative burden on landholders for on-ground works by simplifying the application process and providing a more focussed, regional approach to community-based projects. If a project satisfies the guidelines and is supported through the One-Stop-Shop application process, the Commonwealth will consider passing on the responsibility for supervising the implementation of the on-ground works, to regional or catchment based organisations. In 2000–01, \$45 million was allocated to devolved grant projects.

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<sup>56</sup> Advice provided to Ministers in relation to the outcomes from the Mid-Term Review.



**3.59** Devolved grants have the benefit that they can improve the efficiency of program delivery and enable the more strategic targeting of resources to high need areas within catchments at a scale that could make a measurable improvement (for example, by consolidating small, on-ground works projects and involving landholders with properties at strategic points of a catchment). As projects are assessed for funding locally, assessors are more likely to know the local circumstances of both landholders and the region and might be able to make better judgements about the technical, environmental and management risks associated with each site. In addition, payments can be made or finalised on completion of works (following a site inspection) rather than in advance. Finally, management agreements, for example in relation to post-grant fencing and vegetation maintenance, are made with a local authority and might be easier to monitor than agreements held in the State/Territory capital.

**3.60** Risks associated with devolved grants, however, relate to the number of participants (ie. the Commonwealth, the States/Territories, the intermediary organisation and the final grant recipients) which can lead to delays in getting performance information. This is particularly important since there have been delays in funding reaching final recipients.<sup>57</sup> The number and variety of participants can also lead to misconceptions regarding the nature of the funding and lines of responsibility (as noted in relation to the issue of roles and responsibilities discussed in Chapter 2).

**3.61** The ANAO considers that while there are significant benefits in relation to devolved grants, the accountability framework established by the Commonwealth agencies needs to be tightened. In this respect, guidelines should more explicitly outline performance information requirements and the importance of ensuring a shared understanding of these requirements amongst all parties. In addition, there is a need for a more consistent approach between agencies to better manage risks and to improve the client focus of the program.

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<sup>57</sup> This has been because of a range of reasons such as a change in landholder circumstances (eg ill health or property sales), or a change of participation in the scheme at the catchment level.

## Conclusions

**3.62** Implementation of the performance information system has fallen substantially short of what was originally intended largely because of the absence of agreement on funding. There is significant variation in the approach to the management of performance information across States/Territories. An ongoing challenge is that performance data is based on a mix of actual and anticipated results, rather than on actual results achieved. This can distort the performance assessment obtained. While the Mid-Term Review provided a snapshot of on-ground monitoring and validation of projects at a particular point in time, the ANAO considers that there is a need for ongoing, systematic validation for continuous improvement. It is noted that in December 2000, the Natural Heritage Ministerial Board agreed that validation should be an element of the monitoring and evaluation strategy for the remaining period of the NHT.

**3.63** The ANAO notes that the Mid-Term Review was fair and balanced and provided a reasonable basis for management improvement at the time. However, at present, there is an absence of quantifiable progress against the Partnership Agreements and few, if any, trends in economic, social and environmental condition included in the NHT Annual Report although this was the intention of the Prime Minister, Premiers, Commonwealth and State/Territory Ministers in signing the Partnership Agreements. While recognising the gaps in scientific information, the challenges of the partnership approach and the efforts being made by agencies administering the NHT, this type of information should be a high priority for the remaining period of the NHT and should also be a focus for the development of future programs.

**3.64** An ongoing challenge has been the absence of an integrated national database to manage the program from application through to project acquittal. While there is a management information system shared by the Commonwealth agencies, the States/Territories are not included, resulting in inevitable variation and lack of consistency for management purposes.

**3.65** The application of intermediate outcome measures could have assisted agencies to better demonstrate actual progress achieved and assist in the management of strategic risks such as continuing high rates of land clearing and constraints on the adoption of better practice sustainable agriculture. Such risks are very substantial and have the potential to undermine the effectiveness of efforts made under the NHT by all levels of government and the community if not handled in a systematic manner.

**3.66** The National Action Plan for Salinity and Water Quality aims to address many of the problems identified in Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*, which remain outstanding challenges for the NHT. A strong commitment and resourcing by all parties will be required if these ongoing problems are to be adequately addressed.



## 4. Reporting and Accountability

### Introduction

**4.1** For Commonwealth agencies administering the NHT, reporting performance is an important part of demonstrating compliance with the provisions of the *Natural Heritage Trust of Australia Act 1997*. As noted in the previous chapter, the Minister for Environment and Heritage (assisted by the Minister for Agriculture, Fisheries and Forestry) is required to,

*as soon as practicable after the end of 30 June in each year, cause to be prepared an annual report ... on the effectiveness of the administration of the Act during the financial year ended on that date in achieving the outcomes sought in agreements entered into under [the Act].*<sup>58</sup>

The NHT Annual Report also provides a basis for the Departments' annual reporting to Parliament on performance under the Accrual Budgeting Framework which includes outputs and outcomes.

**4.2** Annual reports are the principal accountability mechanism by which agencies demonstrate results over the financial year to Parliament and other stakeholders. As noted previously, the NHT has specific monitoring and reporting requirements. In addition, the administering agencies are subject to the wider range of relevant public sector legislation including the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*. The Department of Prime Minister and Cabinet guidelines (which are approved by the JCPAA)<sup>59</sup> provide practical guidance in relation to section 63 of this latter Act, which relates to annual reporting. While noting that the NHT Annual Report is separate from the departmental annual reports, the Department of Prime Minister and Cabinet guidelines provide useful criteria for the development of the NHT Annual Report. The Department of the Prime Minister and Cabinet guidelines state that the annual report should:

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<sup>58</sup> This date varies from that in the State Partnership Agreements. It is 30 September for Queensland, ACT, NT, Tasmania and Victoria, as opposed to 31 October for NSW, SA and WA. However, the tightness of the timeframe means that any slippage in terms of the timeliness of responses from the States/Territories will lead to delays in the overall national reporting process. This is a particular problem in relation to the latest Annual Report, however agencies have indicated that other factors such as the need for a legal opinion on the financial statements and internal program delays also contributed to problems with annual reporting for the 1999–2000 financial year.

<sup>59</sup> The Department of the Prime Minister and Cabinet's checklist of performance reporting requirements is attached at Appendix 2.

- *review ... how the department has performed during the year in relation to the department's outputs and contribution to outcomes;*
- *provide sufficient information and analysis for the Parliament to make a fully informed judgement on departmental performance; and*
- *succinctly cover progress towards outcomes and the extent to which the agency is wholly or partly responsible for the outcome.*<sup>60</sup>

This latter point is particularly important where service delivery mechanisms involve networked partners or other additional sources of funding.

**4.3** Audit Report No.36 1996–97 found that Commonwealth natural resource management and environment programs at that time *'fell short of identified better practice in terms of monitoring and evaluation of projects, and reporting of outcomes'*. The focus of reporting had been more on activities than outputs or outcomes. The ANAO considered, at the time of the earlier report, that information available in the relevant agencies' annual reports had *'not allowed Parliament to make a fully informed judgment on departmental performance.'*<sup>61</sup>

**4.4** In addition, the ANAO commented on the reporting framework to be established under the then draft Partnership Agreements between the Commonwealth and the States/Territories for the forthcoming NHT. The ANAO commented at the time that any performance reporting framework should:

- identify appropriate mechanisms for Commonwealth and State/Territory monitoring and evaluating of projects and programs;
- allow the relevant parties to evaluate the extent to which actions or activities of governments and project proponents result in progress against NHT objectives; and
- provide for audits to ensure that agreed monitoring and evaluation measures would be effective.<sup>62</sup>

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<sup>60</sup> Department of the Prime Minister and Cabinet 2000, *Requirements for Annual Reports*, AGPS, Canberra, pp. 3 and 5.

<sup>61</sup> ANAO Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*, p. 69.

<sup>62</sup> ANAO Audit Report No.36 1996–97, *Commonwealth Natural Resource Management and Environment Programs*, p. 70.





**4.5** While the ANAO recognises that environmental reporting presents particular challenges (as discussed earlier in Chapter 1), the ability to report environmental outcomes will become increasingly important for Commonwealth public and private sector agencies if they are to remain consistent with best practice. After 30 June 2001, a new requirement for annual reporting on ecologically sustainable development (ESD) and environmental performance will come into effect for all Commonwealth agencies. Accordingly, agencies need to consider the priority given to the quality of their reporting processes. As the Minister for the Environment and Heritage commented in the foreword to Environment Australia's *Framework for Public Environmental Reporting*:

*... stakeholders such as governments, the local community and employees are ... placing increasing demands on organisations to be more transparent and accountable for their environmental performance. In this sense public environmental reporting is an increasingly important tool for organisations to gain a 'licence to operate' from the wider community.*<sup>63</sup>

**Management**

## Reporting on performance against expectations

**4.6** Ideally, to report on program effectiveness, performance reporting should be consistent across related programs and over time, attributable (that is the extent to which the accomplishments achieved can be attributed to the activities of the program) and accurate as to what is being disclosed. In addition, performance reporting should meet the needs of users, be balanced, and indicate progress against targets over time. As discussed in Chapter 2, the Partnership Agreements provided the basis for a model reporting framework for NHT programs which links national goals, objectives and outcomes across four headings: environmental outcomes; sustainable production outcomes; integration and institutional outcomes; and people outcomes.

-  reporting performance against expectations
-  complete and informative reporting
-  demonstrating compliance
-  future directions

<sup>63</sup> Senator Robert Hill in Snowy Mountains Engineering Corporation et al for Environment Australia 2000, *A Framework for Public Environmental Reporting: An Australian Approach*, Environment Australia, Canberra, Foreword.

## **Consistency in reporting**

**4.7** The NHT Annual Report lists achievements against each of these headings for each program area. Three Annual Reports have been produced for the years 1997–98, 1998–99 and 1999–2000. The ANAO found that there has been a general focus on reporting inputs (projects funded) and outputs (for example, area of native vegetation protected, and area directly revegetated) with snapshot illustrations under each of the four headings to highlight achievements. Targets are generally not used in the reporting process which makes it difficult to gauge how much has been achieved since the signing of the Partnership Agreements in 1997. Nevertheless, project results are linked to the overarching NHT goals and objectives providing a consistent approach to reporting across programs. The variation amongst States/Territories in relation to reporting, the absence of baseline data and quantifiable targets, and significant delays in project completion has, to date, limited the quality and depth of Commonwealth reporting on the NHT. In particular, this has meant that NHT Annual Reports do not allow for systematic comparison over time or across States/Territories. A stronger leadership role and guidance from the administering agencies in this area could have assisted in improving the quality and depth of the overall reporting to Parliament on the achievements (or otherwise) of the NHT.

## **Attributing outcomes presents challenges for agencies**

**4.8** Performance information should ideally be attributable to agencies which means that there should be a causal link between strategies and inputs and the achievements claimed. The ANAO recognises that there are significant challenges in attributing outcomes to the NHT, for example, as discussed earlier, there are long lead times between the inception of a project and its achievement of results. NHT funding for projects can be for up to a maximum of three years, and the projects themselves can extend for considerably longer than this. This is illustrated with examples in Figure 4.1.

## Figure 4.1.

### The challenge in attributing project outcomes

The Victorian Northern Mallee Pipeline Project, for example, was funded between 1992 and 1999, at a total estimated cost of \$40.5 million (of which 50 per cent was contributed by the Commonwealth). The project covered an area of some 601 000 hectares.<sup>64</sup> It is difficult to attribute outcomes when much of the project funding precedes the NHT and is equally supported by State funding.

The Gowrie Creek Catchment project in Toowoomba (Qld) has been funded from 1997–98 to 1999–2000 at a total cost to the Commonwealth of \$370 200. However, the total cost of the project is estimated by Toowoomba City Council at some \$36 million.<sup>65</sup> The Council anticipates that outcomes will not be achieved until 2008. This latter example also illustrates the challenge in attributing outcomes to the NHT, when the Commonwealth's contribution to the project is relatively small (compared with the contribution of the project proponent) and the lead times are long—well after the completion of the NHT.

**4.9** In cases where the results can not be attributed in any meaningful way during the lifetime of a program it may be more appropriate to report on inputs, outputs and intermediate outcomes or milestones achieved which would be consistent with the Partnership Agreements. Use of intermediate outcomes could demonstrate that risks are being properly managed and the project is at least heading towards the intended overall result based on sound scientific and/or management practices.

**4.10** A further issue in reporting on performance is that both the Commonwealth and the States/Territories have separate reporting processes. This is understandable as each level of government has separate accountability requirements. However, it is equally difficult for the States/Territories to attribute outcomes to their programs given the substantial Commonwealth contribution being made to projects. State annual reports often include references to projects that involve the NHT such as the Great Artesian Basin Rehabilitation Project. However, few references could be found in State/Territory reports to Commonwealth assistance. It is also inherently more costly to maintain separate performance information and reporting systems across governments. At the very least common datasets and systems could be shared across agencies at all levels of government.

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<sup>64</sup> Snowy Mountains Engineering Corporation for AFFA (1999) *Northern Mallee Pipeline Project*, SMEC Victoria, p. 8.

<sup>65</sup> Toowoomba City Council, November 1998, 'Gowrie Creek Catchment Management Strategy—Plan Implementation', p. 92.



**4.11** The quality of Commonwealth and State/Territory performance reporting in health, education, justice, housing and community services has been subject to annual review through the Steering Committee for the Review of Commonwealth/State Service Provision since 1993. This has provided an incentive for improvement over time. Agencies have also established joint Commonwealth-State/Territory mechanisms to cooperatively address both the collection of data and reporting on performance. For example, the Commonwealth Department of Health and Aged Care has contracted the Australian Institute of Health and Welfare to improve performance information in particular priority areas. In the area of the environment and natural resource management, there exists mechanisms such as the SOE Report and the National Collaborative Project on Indicators for Sustainable Agriculture which assist in tracking regional, state and national policies directed at ecological sustainable development. Much of the work of the NLWRA has also involved cooperative efforts in terms of information sharing and reporting across Commonwealth and State/Territory jurisdictions. However, as discussed earlier, Commonwealth financial commitment to the NLWRA is scheduled to end in June 2001.

**4.12** The ANAO notes that the Council of Australian Governments in November 2000 agreed to streamline Ministerial Councils and consolidate responsibility under a Natural Resource Management Ministerial Council. This Council is planned to have oversight responsibility for the National Action Plan for Salinity and Water Quality. The ANAO considers that a joint Commonwealth-State/Territory body that builds on the results of the NLWRA could provide joint monitoring and reporting mechanisms to strengthen performance measurement and accountability for both spheres of government. In particular, this cooperative approach could lead to the enhancement of data that could contribute to improved performance targets and baseline data on environmental condition for the purposes of policy development and program management.

## **Recommendation No.5**

**4.13** The ANAO recommends that, in order to more closely link strategies and inputs with program achievements, Environment Australia and AFFA consider the scope for strengthening joint arrangements for analysing and reporting on performance information between the Commonwealth and States/Territories on related programs. In particular, common performance indicators and data-sharing protocols should ensure that improvements could continue to be made to baseline data, natural resource management priorities and performance targets.

## **Administering agencies' response**

**4.14** The administering agencies agree with this recommendation supporting the need for improved integrated monitoring and reporting of natural resource management and environment programs at regional/State/Commonwealth scales. The administering agencies consider that improvements in integrated natural resource management and environmental monitoring and reporting at the farm (local), regional and national levels can contribute to improved program, policy and overall sustainability monitoring.

## **Accuracy**

**4.15** Accuracy of reporting is particularly important if agencies are to demonstrate value for money. The 1998–99 NHT Annual Report acknowledged that the output data is based on information provided by proponents in their continuing application forms and, as such, requires verification and evaluation through the Mid-Term Review. The 1999–2000 report noted that the Mid-Term Review had been completed and that there were no fundamental failings in the administration of the Trust and that the NHT had been:

*good in raising awareness and empowering communities to act, good in creating partnerships arrangements, good in fostering integrated planning in mature regions while noting that many regions are not mature, providing limited evidence of complementarity between environmental protection, natural resource management and sustainable production, good in achieving local outputs but few [projects] have the potential to lead to broad scale long term landscape outcomes, poor in monitoring and accounting for performance, poor in administration and cost shifting by States and Territory Governments.<sup>66</sup>*

**4.16** The problems with the verification of NHT project data were noted in Chapter 3. As a result, the ANAO considers that it is difficult for agencies to provide an assurance to Parliament as to the overall accuracy of output data in the NHT Annual Report. Consequently, while the Mid-Term Review did provide at least some indication that the data is reasonably accurate from the sample examined at that time. However, the concerns of State/Territory agencies and the absence of ongoing project validation means that there is still some doubt, both within the

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<sup>66</sup> Mid-Term Review Precis Report, 1999, p. 4.

administering agencies as well as amongst their external clients, as to the validity of the data being supplied. Agencies recognised in the 1998–99 NHT Annual Report that output numbers are not robust, and that data reported reflects the catchment/regional basis of projects—that is, it reflects total project area potentially influenced by changed management practice rather than actual areas treated. Agencies have advised that improving the accuracy of output data is one of the key activities for the monitoring and evaluation unit established in December 2000.


## Complete and informative reporting

**4.17** Complete and informative reporting requires agencies to cover key functions and programs using core performance indicators. Reporting should provide information on trends or changes over time, and be balanced, in terms of assessing shortcomings as well achievements. These are fundamental principles in demonstrating accountability and value for money. A complete report will also assist Parliament and other key stakeholders in making an informed decision on the performance of the NHT.<sup>67</sup>

**4.18** The NHT Annual Reports provide generally a ‘good news story.’ However, there are no performance indicators used to demonstrate trends, intermediate or higher level outcomes. Outputs and outcomes are grouped together making it difficult to distinguish between the two. Finally, there is little reference to outstanding challenges, (for example, the identification of critical recharge zones within catchments, the risks from land clearing for remnant vegetation and biodiversity or finalisation of indicators of sustainable agriculture) or to strategies for overcoming those challenges. For example, the Victorian Department of Natural Resources and Environment in *Victoria’s Salinity Management Framework: Restoring our Catchments* (August 2000) identifies goals, progress against goals, challenges and future directions. The framework also includes quantifiable targets that indicate the State Government’s intentions and progress against these. The ANAO considers that the framework for this report demonstrates a stronger commitment to accountability as well as facilitating better management practice. The framework used would be applicable to the NHT to enhance the completeness of the NHT Annual Report.

### Management

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 complete and informative reporting

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<sup>67</sup> The NSW Audit Office has recently released a better practice guide on performance reporting. The Report on ‘Better Practice Principles for Performance Reporting’ (2000) highlights the importance of good performance information for accountability purposes.

**4.19** The 1999–2000 NHT Annual Report has demonstrated some enhancement in reporting on performance in a more balanced way. For example, it notes the important lessons learned from the Mid-Term Review. The 1999–2000 NHT Annual Report noted that:

*although the Trust has been successful, the magnitude of the problems being addressed requires long-term government commitment and greater security of funding. ... The review recommended more emphasis on strategic targeting of investment and more emphasis on regional delivery. It noted that the Trust should be used strategically as part of a wider spectrum of interventions such as capacity building, regional planning, research, institutional reform, regulation and market based mechanisms.*

**4.20** While this a good step towards more balanced reporting, reporting to date does not allow the reader to make an informed judgement as to the significance of achievements made, outstanding challenges, or overall progress of the NHT against the objectives set out in the Partnership Agreements. For example, it might have been useful to illustrate the impact of the NHT on the extent of Australia's native vegetation cover state by state. It might also have been useful to demonstrate progress towards more sustainable use of the Murray-Darling Basin's river systems by aggregating results across different states. An analysis of the number of regions or catchments with institutional arrangements to measurably improve sustainable use of natural resources in Australia could also enable the reader to make an informed judgement on progress against NHT objectives. Measurement of the number and percentage of stormwater outfalls with litter traps, as well as catchment management strategies, could assist in the analysis of the impact of the NHT in coastal areas on a state by state basis.

**4.21** Comparing and contrasting performance across States/Territories can assist in motivating behaviour towards national objectives, particularly in high priority areas or where there are major policy conflicts between the Commonwealth and the States/Territories. For example, while the Commonwealth is limited in what it can do to address land clearing through the NHT, this issue is directly relevant to the program objective of Bushcare. As such, it is critically important as the rate of clearance in Queensland is now higher than when the NHT commenced and is occurring in areas targeted as a priority under the NHT. Reporting on the issue and comparing and contrasting results in different States/Territories (such as in Victoria and South Australia where positive results are being obtained) would provide a good indication of the net impact of the program nationally and the variation in performance in different jurisdictions. Public reporting can also provide a powerful incentive for better performance amongst all stakeholders.

**4.22** The ANAO notes that agencies are increasingly able to comment on achievements and shortcomings or ongoing challenges because of the

work being undertaken in other fora as well through the NHT itself. For example, AFFA has produced a report entitled *Sustainable Agriculture: Assessing Australia's Recent Performance* for the Agriculture and Resource Management Council of Australia and New Zealand. This report notes that while agricultural production is rising in some areas, there are real concerns about the sector's ability to sustain its resource base. Improved management practices such as conservation farming are contributing to a decrease in the level of wind erosion. In contrast, soil sodicity and acidity are increasing and stream water quality is deteriorating. The report also found that on-farm investment in sustainable practices is inadequate, contributing to an increase in on-site and off-site impacts on the natural resource base. The report highlights ongoing challenges such as better information on dryland salinity and a better measure of the impact of agriculture on biodiversity.<sup>68</sup> Environment Australia has also coordinated reporting on intermediate outcomes through the ANZECC Vegetation Management Framework. The ANAO considers that these initiatives provide valuable input and context for the NHT and as such relevant findings or conclusions should be adequately reflected within the NHT Annual Report.

**4.23** A further issue is the importance of putting NHT achievements into context, that is, recognising the barriers to change and what impact the program is having. While there is no evidence of widespread landscape change as a consequence of the NHT to date, there are important initiatives being funded that could, if more widely adopted, provide the basis for change to traditional annual cropping and pasture approaches. There is some evidence that the absence of a commercial alternative to current agricultural systems is one of the biggest barriers to the introduction of sustainable farming practices.

**4.24** The NHT has made some progress in this area although the quantum of the impact is not yet clear. For example, farm forestry is encouraging better practice in relation to predicting catchment response to tree planting for woodlots and salinity control.<sup>69</sup> This type of information can provide guidance for better economic and environmental decision-making on landscape design at the catchment level. Similarly, in the dryland regions of northern NSW, pulse farming using perennial native pasture has been a focus for sustainable agriculture funded through the National Landcare Program.<sup>70</sup>

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<sup>68</sup> SCARM, 1998, *Sustainable Agriculture: Assessing Australia's Recent Performance*, p. 2.

<sup>69</sup> Recent research illustrates that if tree planting is evenly distributed, half the catchment will have to be planted with trees to reduce overall leakage by 50 per cent; but if half the recharge occurs on 30 per cent of the land area, planting only that part of the catchment will have the same impact.

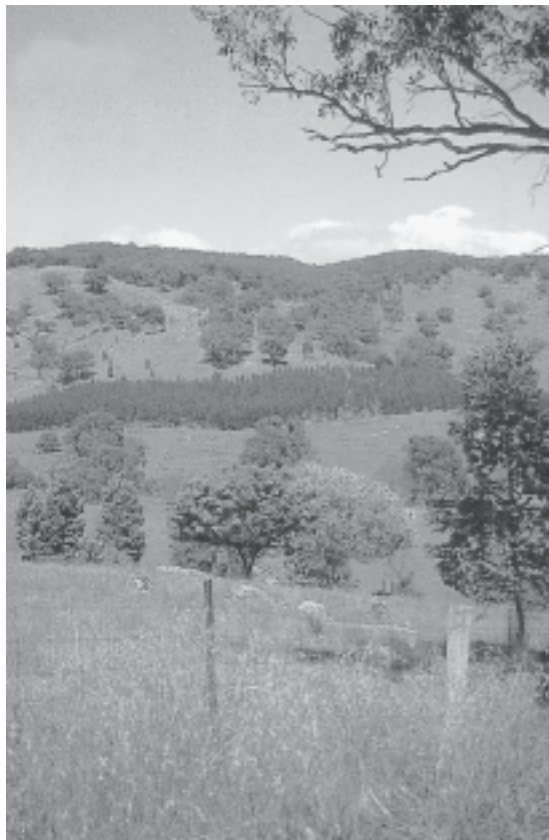
<sup>70</sup> The focus has been on building root biomass, soil organic matter and surface litter to improve the water holding capacity in the surface layers of the soil and enhance soil structure and nutrient levels through perennial ground cover. This also reduces the substantial risks from periodic heavy rains and flooding characteristic of much of Australia.





*Forest clearing for agriculture*

Source: Department of the Environment, Sport and Territories, *Native Vegetation Clearance, Habitat Loss and Biodiversity Decline*, p. 14.



*Using trees for healthy catchments and productive farms*

Source: Joint Venture Agroforestry Program, *Trees, Water and Salt*, p. 13.

**4.25** In Western Australia, Bushcare and Farm Forestry programs have combined to provide funding in 1998–99 of \$760 000 to the Oil Mallee Association of WA which supports local farmers with site and species selection and paddock planning. The plan is to dramatically increase the volume of oil mallee plantings as a basis for eucalyptus oil production, electricity (from the waste) and activated charcoal. \$470 000 was also provided in 1998–99 to develop a range of other profitable woody plant crops and products for low rainfall regions. The total project cost is estimated at \$4.5 million. Within three years, oil mallee plantings will be undertaken on some 400 farms from Geraldton to Esperance with the aim being total to plant some 24 million seedlings. Apart from the capacity to produce a perennial cash crop for farmers, the project may also assist in salinity control. It is far too early to say whether or not the project is a success but it is illustrative of the capacity of the NHT to fund innovative, experimental projects that may address a barrier to an NHT goal. Reporting on these matters assists in making an informed judgement on the program. The inclusion of reports on intermediate outcomes and a systematic monitoring and reporting process would enhance reporting on these matters and provide evidence that the NHT is assisting in facilitating sustainable alternatives.

## Recommendation No.6

**4.26** The ANAO recommends that, in order to improve the quality of reporting, Environment Australia and AFFA give greater priority to documentation and reporting that reflects both achievements and shortcomings, as well as discussing strategic risks and challenges and the strategies developed to address such matters.

### *Administering agencies' response*

**4.27** The administering agencies agree with this recommendation and will further develop this approach in future reports. The administering agencies note that they work within the framework of continuous improvement and will take account of the ANAO comments in revising and improving their performance reporting. The administering agencies consider that the current NHT Annual Report is comprehensive. The administering agencies consider that the NHT Annual Report does emphasise achievements but that it also reports on 'lessons learned'. The administering agencies noted that the section on the Mid-Term Review in the 1999–2000 NHT Annual Report, for example, indicated shortcomings and how these were being addressed.

**4.28** In the development of the bilateral agreements and through other arrangements for implementation of the National Action Plan for Salinity and Water Quality generally, including the Ministerial Council, the administering agencies intend to put in place an accountability framework which is consistent with and draws upon the recommendations of this audit report with respect to performance information.

## Demonstrating compliance


**4.29** As noted in the introduction to this chapter, demonstrating compliance is crucial to accountability. Agencies should be able to demonstrate that they have fully considered and effectively implemented all relevant legislation. In this context, the administering agencies should be able to demonstrate the efficient and effective use of those Commonwealth resources for which they are responsible.


**4.30** The absence of an agreed monitoring and reporting framework for the NHT has been an ongoing constraint on the administering agencies' capacity to demonstrate the overall impact of related programs. Consequently, it is difficult for the administering agencies to report on the effectiveness of the administration of the NHT Act, in particular, as required.


**4.31** The ANAO notes the efforts made by the administering agencies in drafting the monitoring and evaluation framework considered by Ministers in 1998 and additional efforts made to provide some degree of quality assurance subsequently, such as the Mid-Term Review and individual project reviews. International experiences also highlight the challenges in developing adequate performance information for environmental and natural resource management programs. While the administering agencies have made substantial efforts to fully comply with the monitoring and reporting provisions of general public sector and NHT specific requirements under various Acts, this remains an area requiring further attention. The administering agencies have acknowledged that improvements towards best practice standards of monitoring, evaluation and reporting are possible, and advise that this is being addressed as part of the December 2000 monitoring and evaluation strategy.

**4.32** While noting the constraints on the administering agencies in terms of technical and resource capacity, demonstrating full compliance will need to be a priority for the administering agencies and should shape the direction of future programs of this type.

### Management

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## Future directions

**4.33** The ANAO recognises that the development of quality performance information is an iterative process and that the outputs from the NHT itself have assisted in shaping new initiatives such as the National Action Plan for Salinity and Water Quality. The approach taken through this Action Plan is sound and has the potential to provide a good basis for accountability. The Ministerial Council for Natural Resource Management, with its enhanced focus on the quality of reporting under the Plan, should increase the accountability aspects of performance in this regard. The key aspect is that performance should be reported against clear objectives using valid indicators.

**4.34** The outputs from the NLWRA and the SOE Report should assist in filling at least some of the gaps in baseline data that have significantly limited the capacity of the NHT to report on quantifiable results. However, baseline data alone is inadequate without realistic, measurable program targets that can provide a clearer sense that the resources are being directed towards achievable outcomes. Drawing on the lessons learned from the experiences of the NHT, the ANAO considers that key priorities for consideration in future programs in natural resource management or the environment are:

- use of NLWRA outputs to develop base line data and sound quantitative targets that provide a measurable basis for reporting on performance;
- finalisation of a core set of performance indicators, as suggested in Chapter 3, that can be used across programs (to the extent that this is practicable) to provide a basis for reporting performance;
- a focus on improving data validity relevant to outputs including a systematic mechanism for improving the quality over time through monitoring and project audits as envisaged under the Partnership Agreements;
- application of, and reporting on, intermediate outcomes to demonstrate results where there are long lead times for results; and
- reporting on shortcomings, barriers/challenges to program objectives and strategies in place to address risks and barriers to the achievement of program objectives.

### Management

-  reporting performance against expectations
-  complete and informative reporting
-  demonstrating compliance
-  future directions

## Conclusions

**4.35** Three NHT Annual Reports have been prepared for the Parliament as required under the Act. The Act states that the Minister for Environment and Heritage (assisted by the Minister for Agriculture, Fisheries and Forestry) must

*as soon as practicable after the end of 30 June in each year, cause to be prepared an annual report ... on the effectiveness of the administration of the Act during the financial year ended on that date in achieving the outcomes sought in agreements entered into under [the Act]’.*

While there are other sources of performance information such as departmental annual reports and the NHT website, the NHT Annual Report is the principal accountability mechanism for the NHT as a whole. It is the NHT Annual Report that primarily demonstrates accountability to Parliament in relation to the Act.

**4.36** The report has been consistent in its format over time and provides some broad information on achievements. Producing a consistent report has been a particular challenge for the Commonwealth, given the variation in State/Territory reporting and delays in project completions. This has meant that NHT Annual Reports do not allow for systematic comparison over time or across States/Territories. However, a stronger leadership role and guidance from the Commonwealth in this area could have assisted in improving the quality and depth of the overall reporting to Parliament on the achievements (or otherwise) of the NHT. Accuracy has been an issue for output data. The administering agencies have acknowledged that output numbers are not robust, and that data reported reflects the total project area potentially influenced by changed management practice rather than actual areas treated. In addition, there is little reporting on trends, or quantification of substantial changes, in terms of the conservation, sustainable use and repair of Australia’s natural environment at the catchment, State/Territory or national levels. For example, major risks (such as the continued high rate of land clearing in some States/Territories) and outstanding challenges (such as the declining application of conservation practices on farms despite increasing levels of Landcare membership and participation overall) and how these are being addressed are not discussed in the NHT Annual Report.

**4.37** While the timeframe and scale of some projects (including the relative contributions of the Commonwealth and the States/Territories) can make it difficult to be definitive as to what has been achieved by the NHT, better use of intermediate outcomes could allow program managers to make some assessment of actual progress towards the achievement of program goals. It is very difficult to make an informed decision as to the effectiveness of the NHT programs overall. While the administering agencies have made substantial efforts to fully comply with the monitoring and reporting provisions of general public sector and NHT specific requirements under various Acts, this remains an area requiring further attention. The administering agencies acknowledge that improvements towards best practice standards of monitoring, evaluation and reporting are possible and advise that this is being addressed through the December 2000 monitoring and evaluation strategy.

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Canberra ACT  
1 June 2001

P. J. Barrett  
Auditor-General



# **Appendices**



## Appendix 1

### Natural Heritage Trust Programs

Natural Heritage Trust Programs, including those administered under the One-Stop-Shop process.<sup>71</sup>

<i><b>Program</b></i>	<i><b>One-Stop-Shop</b></i>
National Landcare Program	✓
Bushcare	✓
Murray-Darling 2001 Program	✓
Coasts and Clean Seas	
National Rivercare Program	✓
National Reserve System Program	✓
National Land and Water Resources Audit	
World Heritage Area Management and Upkeep Program	
Endangered Species Program	✓
Farm Forestry Program	✓
Tasmanian Strategic Natural Heritage Program	
National Wetlands Program	✓
Air Pollution in Major Cities Program	
Waterwatch Australia	✓
Riverworks Tasmania	
Fisheries Action Program	✓
National River Health Program	
National Feral Animal Control Program	
National Weeds Program	
Waste Management Awareness Program	
Advanced Property Management Planning	
Tasmanian Regional Forest Agreements	
Australia's Oceans Policy	

<sup>71</sup> As listed in the 1999–2000 NHT Annual Report, p. 7. Some programs, such as the National Reserves System Program, while considered part of the One-Stop-Shop, have separate application processes.

## Appendix 2

### Analysis of Selected Program Goals and Objectives

#### **Bushcare (\$346.5 million)**

Bushcare's goal is reversing the decline in the quality and extent of Australia's native vegetation cover. Its objectives are to work with all levels of government, industry, landholders and the broad community towards the conservation and ecologically sustainable management of Australia's biological diversity by:

- (a) conserving remnant vegetation;
- (b) conserving Australia's biodiversity; and
- (c) restoring, by means of revegetation, the environmental values and productive capacity of Australia's degraded land and water.<sup>72</sup>

#### **ANAO Comment**

The program goal is very clear and concise. A broad, target is implicitly recognised in the goal and is achievable given that the extent of land clearing is monitored by agencies. The key risk requiring careful consideration was the impact on the total annual rate of clearing for Australia of 375 000 hectares and net annual losses of around 300 000 to 340 000 hectares.

The quality of vegetation cover is harder to measure because of the absence of consistent baseline data on biodiversity at the catchment or regional scale across Australia. Vegetation cover and quality was a major focus for the NLWRA.

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<sup>72</sup> The program was based on consideration of the earlier One Billion Trees Program (\$31 million and 550 million trees planted or regenerated) and the Save the Bush Program (\$12 million spent). The SOE Report (1996) noted that there was *'little assessment of how these programs had affected the extent of tree cover or conservation of bushland. At best, they made a relatively modest contribution'*.



### **National Landcare Program—NLP (\$326.7 million)**

The NLP goal is to develop and implement resource management practices which enhance our soil, water and biological resources and which are efficient, sustainable, equitable and consistent with the principles of ecologically sustainable development. Through working with all levels of government, industry and the community

- (a) assist in enhancing the long term productivity of natural resources in Australia;
- (b) promote community, industry and governmental partnership in the management of natural resources in Australia;
- (c) assist in establishing institutional arrangements to develop and implement policies, programs and practices that will encourage sustainable use of natural resources in Australia;
- (d) assist in developing approaches to help resolve conflicts over access to natural resources in Australia; and
- (e) assist in raising the natural resource and business management skills of landholders. Critical outcomes anticipated were integrated catchment management, particularly land, water and related vegetation management; and sustainable agricultural productivity.

### **ANAO Comment**

The program objective is clear and concise. There are no quantitative targets or milestones which would have enhanced performance measurement and reporting although farm surveys provide a basis for trend analysis. The integrated catchment management approach addressed earlier concerns that *'Landcare may be an inappropriate response to environmental problems in some circumstances as its scale may be too small to address whole catchment or off-farm problems such as salinity and excess nutrient run-off. Also because the NLP is voluntary, the non-participation of farmers in critical parts of a catchment ...can undermine the good work of others'*.<sup>73</sup>

A particular program design risk was the definition of 'sustainable agriculture'. The Act contained a broad definition relating to economic and social viability and ecological sustainable use. There were also elements that would be broadly agreed across Australia such as whole farm planning, soil conservation practices and the protection of riparian zones. However, at the commencement of the program, no shared understanding between the Commonwealth and the States/Territories of what constituted a working, measurable definition of sustainable agriculture (ie. with agreed indicators) was in place.

While recognising the technical challenges involved (ie. different regions often require different technical solutions because of variations in soil or farming practices) this highlights the importance of establishing targets that are meaningful and that provide a framework for priority setting and resource allocations to both incremental or more substantial change in practices applicable at the national, state and catchment levels. More specific indicators for sustainable agriculture have been considered as part of the National Collaborative Project on Indicators for Sustainable Agriculture (NCPISA). The National Landcare Program has adopted a number of NCPISA indicators as performance measures, and SCARM is currently making arrangements to update their assessment of Australia's performance in progressing towards sustainable agriculture.

<sup>73</sup> ANAO Report No.36 1996–1997, *Commonwealth Natural Resource Management and Environment Programs*, p. 49. See also the SOE Advisory Council Report (1996).

**Murray-Darling 2001 (\$195.6 million)**

The national goal is to contribute to the rehabilitation of the Murray-Darling Basin with a view to achieving a sustainable future for the Basin, its natural systems and its communities. The objectives are to improve the health of the basin's river systems by:

- (a) improving water quality by reducing salt and nutrient levels in the river system;
- (b) developing integrated catchment management plans for all Murray-Darling catchments and commencing major on-ground works to address land and water degradation;
- (c) restoring riparian land systems, wetlands and flood plains by establishing environmental flows capable of sustaining natural processes, protecting water quality and the aquatic environment;
- (d) improving the health of key river systems in the Basin by integrated catchment management and flow management strategies; and
- (e) encouraging ecologically and economically sustainable land use by reducing salinity and water logging in irrigated lands and encouraging the highest value use of scarce water resources.

**ANAO Comment**

This objective is clear, as discussed in the above programs, there are no targets or milestones to measure progress. Targets could have provided a measurable basis for salinity reduction in waterways as has recently been introduced by the Murray-Darling Basin Commission of 800 EC for drinking water desirability and irrigation use and 1500 EC for ecosystem health. The CSIRO has indicated that the highest costs of salinity relate to the impact on drinking water (ie. when the 800 EC target is exceeded).

The definitional problem as to what constituted sustainable agriculture (see ANAO comment on National Landcare Program above) also created a program design risk. This was particularly so given the increasing investment in irrigation water diversions for cotton and other crops in northern NSW and Queensland (ie. the headwaters of the Murray-Darling Basin) and the policy challenge in balancing this demand with the needs of the existing downstream users and the environment.

**Coasts and Clean Seas Initiative (\$145.2 million)**

The goal of Coast and Clean Seas is to accelerate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's coastal and marine environments.

The objectives of Coasts and Clean Seas are to:

- (a) protect the marine environment from the negative impacts of human activities;
- (b) actively involve stakeholders in decision-making;
- (c) promote sustainable management of coastal and marine resources;
- (d) maintain and protect marine and coastal biodiversity;
- (e) maximise benefits from the sustainable use of coastal and marine environments; and
- (f) promote an integrated approach to institutional policy and program development and implementation).

**ANAO Comment**

This objective is clear although, as discussed in the above programs, there are no targets or milestones to measure progress. Targets would have assisted in providing a measure, for example, of the number of storm water or sewage effluent outfalls that were to be targeted for improvement and the expected reduction in waste flowing into the coastal, marine environment.

## Appendix 3

### Performance Reporting Requirements

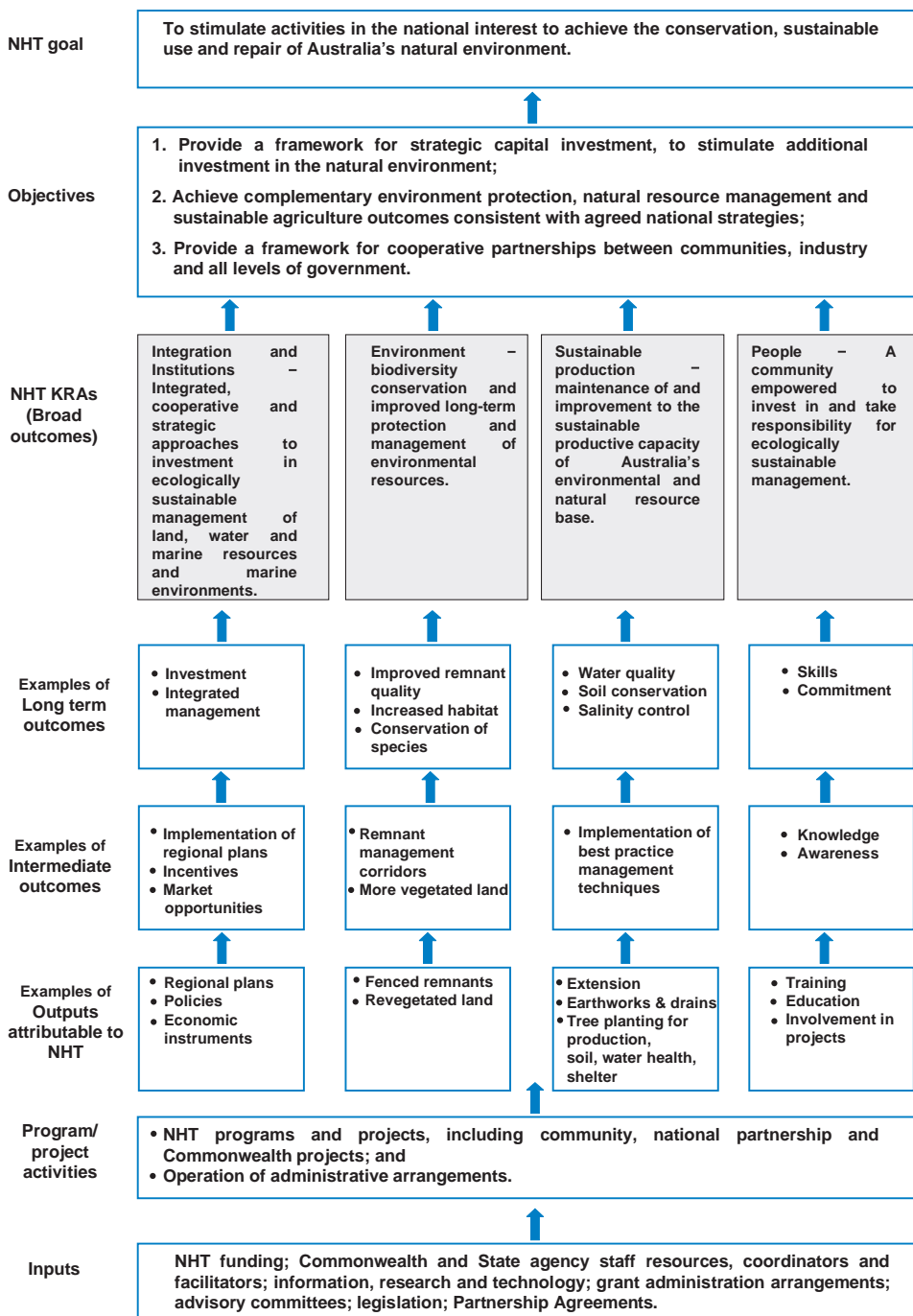
Department of the Prime Minister and Cabinet's checklist of performance reporting requirements (May 2000).

<i>Description</i>	<i>Requirement</i>
Review of performance during the year in relation to outputs and contribution to outputs	Required
Actual performance in relation to performance targets set out in PBS/PAES	Required
Performance of purchaser/provider arrangements	If applicable, required
Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Required
Narrative discussion and analysis of performance	Required
Trend information	Suggested
Factors, events or trends influencing departmental performance	Suggested
Significant changes in nature of principal functions/services	Suggested
Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, required
Social justice and equity impacts	If applicable, required
Discussion and analysis of the department's financial performance	Required
Discussion of any significant changes from the prior year or from budget	Suggested
Summary resource tables by outcomes	Required
Developments since the end of the financial year that have affected or may significantly affect the department's operations or financial results future	If applicable, required

## Appendix 4

### NHT Program Logic

Developed by agencies as part of draft performance information framework.



## Appendix 5

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