

The Auditor-General  
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Performance Audit

# **Reef Trust—Design and Implementation**

Department of the Environment and Energy

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Canberra ACT  
24 November 2016

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of the Environment and Energy titled *Reef Trust—Design and Implementation*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

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

Yours sincerely



Grant Hehir  
Auditor-General

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

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# Summary and recommendation

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## Background

1. Australia's Great Barrier Reef is the world's largest coral reef system and is considered to be one of the world's premier natural resources. In response to identified threats to the reef's health and outlook, such as the decline in marine water quality, governments have funded a range of reef conservation initiatives.
2. The Reef Trust, which was foreshadowed in the Coalition's election policy in September 2013, commenced on 1 July 2014 with the objective of providing cost-effective, strategic investment that goes above and beyond existing programmes to address key threats to the Great Barrier Reef and catchments for the long-term protection and conservation of the outstanding universal value of the Great Barrier Reef. The Reef Trust is administered by the Australian Government Department of the Environment and Energy (Environment).
3. Since its inception, the Australian Government has committed \$210 million to the Reef Trust (initially \$40 million, with a further \$100 million from July 2015 and \$70 million from July 2016). The program is being delivered on a phased basis as new funding is made available by government. As at June 2016, there had been four phases of investment announced, with \$139.8 million in funding allocated to 17 projects.

## Audit objective and criteria

4. The objective of the audit was to assess the effectiveness of the Department of the Environment and Energy's design and implementation of the Reef Trust. To form a conclusion against this objective, the ANAO adopted the following high level audit criteria:
  - Did the design of the Reef Trust support the achievement of the Government's policy objectives?
  - Did Environment establish sound implementation arrangements?
  - Did Environment establish robust performance measurement and reporting arrangements?

## Conclusion

5. The Department of the Environment and Energy has been largely effective in designing and implementing the Reef Trust.
6. The design of the Reef Trust is aligned to the Australian Government's broad policy objectives outlined in its original election commitment. Environment provided generally sound advice to government in relation to design options for the Reef Trust, with the advice to government informed by extensive stakeholder consultation processes. Stakeholder feedback received by the ANAO was largely positive about Environment's consultation activities. Environment also incorporated into the design of the Reef Trust lessons learned from previous reef programs, consideration of delivering reef conservation activities that would not have been delivered under existing arrangements, and detailed prioritisation processes.
7. Overall, Environment's performance in implementing the Reef Trust has been sound, with planning undertaken for initial and ongoing implementation and risk assessment activities

conducted at multiple levels. There has been extensive stakeholder consultation on implementation approaches, which has usefully informed the prioritisation of funding activities and helped to minimise duplication across reef conservation activities. Environment has also established processes to minimise duplication in projects delivered under the Reef Trust. In relation to the selection of individual reef conservation projects for funding, Environment had generally considered value for money, effectiveness and priority when selecting areas of project coverage.

8. Environment has established a framework against which it intends to measure the performance and environmental impact of the Reef Trust and its approach to collecting detailed project-level data provides a sound basis to inform monitoring and reporting activities. Environment has also established reporting arrangements that provide external stakeholders with information on reef conservation initiatives, but is yet to report on program-level achievements. An interim program evaluation, planned for 2018–19, is intended to assess program-level achievements against the Reef Trust’s objective and outcomes. In the interim, Environment has indicated that it is exploring options to measure and report on the impact of the Reef Trust.

## Supporting findings

### Program design

9. Environment considered alternative delivery models for the Reef Trust, with input into the selection of a delivery model sought from a wide range of stakeholders. Environment also provided generally sound advice to government on delivery models and more detailed design options for the Reef Trust. The inclusion of more detailed information on the cost and benefits of alternative delivery models would have further strengthened the advice provided to government.

10. Environment’s stakeholder consultation has been extensive, including through overarching cross-government committees and public consultation. Stakeholder views have been considered by Environment both during program design and implementation stages. The stakeholder feedback that the ANAO received in relation to Environment’s consultation activities was largely positive.

11. Environment incorporated lessons learned from previous reef programs during the design of the Reef Trust. Environment also conducted trial projects to test the appropriateness of Reef Trust delivery approaches, with processes adjusted based on lessons learned.

12. The Reef Trust was designed to build on and align with existing arrangements—a key consideration being the delivery of reef conservation activities that would not have been delivered under existing arrangements. Environment has conducted detailed prioritisation processes for Phases II to IV of the Reef Trust, with the committees that oversee the delivery of reef-related programs also responsible for identifying potential duplication across programs.

### Program implementation

13. Environment has appropriately planned for the implementation of the Reef Trust through a project plan and detailed milestone plans for significant additional activities. There

would be benefit in Environment including additional information in planning documents, such as task commencement dates, to increase the value of the plans for monitoring purposes.

14. Environment has undertaken a range of risk assessment activities for the Reef Trust, with risk treatments developed for all identified risks. There is further scope for Environment to improve its processes for the review and approval of risk plans.

15. Arrangements to align Reef Trust funded projects and to minimise the potential for duplication with other funded projects have been established. These arrangements include reef-related committees that have cross-jurisdictional membership with responsibility for identifying potential duplication across reef conservation programs.

16. Value for money, effectiveness and priority were generally considered when selecting areas of project coverage and specific projects to fund. At the program-level, processes established to determine those areas of project coverage that were to be included in each new phase involved appropriate cost-effectiveness and priority considerations, with stakeholders consulted and scientific advice obtained. In relation to the selection of individual reef conservation projects for funding, Environment had no evidence to indicate that proposed projects represented a proper use of public resources in relation to two of the six non-competitive rounds examined by the ANAO.

### **Performance monitoring and reporting**

17. A *Reef Trust Monitoring and Reporting Plan* has been established that sets out a framework for performance monitoring and reporting towards the achievement of the Reef Trust objective and outcomes. The plan differentiates between performance monitoring (achievement of project objectives) and impact monitoring (environmental outcomes). Further, the plan sets out how Reef Trust achievements are to contribute to meeting both the *Reef Water Quality Protection Plan* and the *Reef 2050 Plan* targets, with interlinked monitoring and reporting arrangements for reef-related programs and activities. There would be benefit in Environment more clearly outlining how the 'cost-effective, strategic and above and beyond' elements of the objective will be monitored.

18. Environment is collecting detailed project-level data to inform monitoring and reporting activities for the Reef Trust. Environment's approach to collecting data from funded projects through its Monitoring Evaluation Reporting and Improvement Tool (MERIT) provides a sound basis to monitor aspects of program delivery.

19. Reporting arrangements have been established that provide external stakeholders with information on reef conservation initiatives, but reported information is predominantly at the activity level and does not provide information on program achievements or impact. As such, it is difficult for stakeholders to determine the extent to which the Reef Trust objective and outcomes are on track to be achieved.

20. Environment plans to conduct an interim program evaluation of the Reef Trust in 2018–19, which is intended to assess achievements against the Reef Trust's objective, outcomes, key performance indicators, and principles. In preparation for the interim evaluation, Environment has identified key evaluation questions and incorporated them into the *Reef Trust Monitoring and Reporting Plan*. In the interim, Environment informed the ANAO that it was exploring options to measure and report on the impact of the Reef Trust.

## Recommendation

**Recommendation No. 1**  
**Paragraph 4.24** The Department of the Environment and Energy should strengthen its *Reef Trust Performance Monitoring and Reporting Plan* to clearly indicate how the impact of the Reef Trust will be assessed.

**Department of the Environment and Energy's response:** *Agreed.*

## Summary of entity response

21. The Department of the Environment and Energy's summary response to the report is provided below, while its full response is at Appendix 1.

The Monitoring and Reporting Plan has established the framework for monitoring and reporting on the Reef Trust's achievements and is within the early stages of implementation. The Department is drawing on a number of processes identified in the Monitoring and Reporting Plan, including the on-line monitoring and reporting tool MERIT and the Paddock to Reef Monitoring and Modelling program, to inform progress of the investments under the Reef Trust. In addition, by December 2017 the Integrated Monitoring and Reporting Program framework will provide a further framework to inform progress against the seven themes of the Reef 2050 Plan.

The Department agrees with the audit recommendation to strengthen the Reef Trust Monitoring and Reporting Plan to clearly indicate how the impact of the Reef Trust will be assessed. To address this recommendation the Department is examining ways to revise and strengthen the Plan to ensure that all elements of the Reef Trust are being appropriately monitored and reported upon.

The Department notes ANAO's suggestions for improved practices related to project planning, risk management, and one-off grant assessment. Processes to update, review and better integrate these elements have been commenced and will be incorporated into section planning.

The Department notes ANAO's conclusion about the Department's capacity to inform external stakeholders about Reef Trust's progress in meeting key elements of the program objective. The Department will give further consideration to how this could be addressed.

## **Audit Findings**



# 1. Background

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## Introduction

1.1 Australia's Great Barrier Reef is the world's largest coral reef system and is considered to be one of the world's premier natural resources. In 1975, the Australian Government established the Great Barrier Reef Marine Park in recognition of the reef's environmental significance and, in 1981, the Great Barrier Reef was declared a World Heritage Area.<sup>1</sup>

1.2 Over recent years, the reef's conservation status is widely acknowledged to have been deteriorating, notwithstanding recent initiatives to reduce threats and improve resilience. In 2012, the United Nations Educational, Scientific and Cultural Organization concluded that, while the reef continued to demonstrate the values required to maintain World Heritage status, it was affected by a number of threats and lacked an overall plan for future sustainable development that would protect its status.<sup>2</sup> Subsequently, in 2014, the Great Barrier Reef Marine Park Authority's (GBRMPA's) *Outlook Report*<sup>3</sup> concluded that 'even with the recent management initiatives to reduce threats and improve resilience, the overall outlook for the Great Barrier Reef is poor, has worsened since 2009 and is expected to further deteriorate in the future'.<sup>4</sup>

## Government plans, programs and initiatives

1.3 Reef conservation initiatives are an area of long-standing Australian and Queensland government investment, with initiatives heavily focused on improving marine water quality. The decline in marine water quality, influenced by terrestrial runoff, is considered to be one of the most significant threats to the long-term health of the reef.<sup>5</sup>

1.4 There have been two joint Australian and Queensland government plans established to prioritise and coordinate reef conservation efforts:

- *Reef Water Quality Protection Plan* (2003, 2009 and 2013)—aimed at improving the quality of water entering the reef. This plan represents a joint commitment of the Australian (involving both the Department of the Environment and Energy and the Department of Agriculture and Water Resources) and Queensland governments—along with industry, regional natural resource bodies, research and environment groups. The goal established under the plan is 'To ensure that by 2020 the quality of water entering the Reef from broad-scale land use has no detrimental impact on the health and resilience of the Great Barrier Reef'. The plan sets water quality and land and catchment

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1 World Heritage Areas are defined by the Convention Concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention). Australia, as a signatory, has agreed to identify, protect, and conserve World Heritage areas.

2 United Nations Educational, Scientific and Cultural Organisation, World Heritage 36 COM, *Mission Report—Great Barrier Reef (Australia)* (N 154), 14 June 2012, p. 4.

3 Every five years, the GBRMPA prepares an Outlook Report for the reef, providing an assessment of the health, condition, use, management arrangements and long-term outlook for the reef.

4 GBRMPA, *Outlook Report 2014*, August 2014, pp. v–vi.

5 State of Queensland, *2013 Scientific Consensus Statement*, Reef Water Quality Protection Plan Secretariat, 2013, p. 2.

management targets, with the *Paddock to Reef Integrated Monitoring, Modelling and Reporting Program* (Paddock to Reef Program) delivering annual report cards of progress against these targets; and

- *Reef 2050 Long-Term Sustainability Plan (Reef 2050 Plan)*—in July 2011, the World Heritage Committee requested that Australia undertake an assessment of the World Heritage Area to enable development of a long-term plan for sustainable development that would protect the outstanding universal value of the reef. In response, the Australian and Queensland governments developed the *Reef 2050 Plan*, released in March 2015, which is intended to be the overarching framework for protecting and managing the Great Barrier Reef from 2015 to 2050, with the vision: ‘To ensure the Great Barrier Reef continues to improve on its Outstanding Universal Value every decade between now and 2050 to be a natural wonder for each successive generation to come’. The outcomes framework established under the plan is structured around seven themes (ecosystem health, biodiversity, heritage, water quality, community benefits, economic benefits and governance) and linked to the criteria considered by the World Heritage Committee in determining outstanding universal value.

1.5 The Department of the Environment and Energy (Environment) advised the ANAO that, prior to 2008, reef conservation activities were not delivered under large, overarching initiatives and that the department was not aware of any work undertaken to quantify expenditure across the number of smaller scale activities. Environment also advised that (as at September 2016) in the period from July 2008 to June 2022, the Australian Government will have contributed \$678 million in direct funding for reef conservation. These contributions comprise: three consecutive and/or overlapping water quality improvement-related programs (Reef Rescue<sup>6</sup>, the Australian Government Reef Programme<sup>7</sup>, and the Reef Trust); other reef initiatives<sup>8</sup>; and the *Reef 2050 Plan*.<sup>9</sup> The Queensland Government has also contributed funding and announced an additional \$90 million over five years from 2016–17. A timeline outlining significant government plans and programs affecting the reef from 2003 to 2017 is provided at Figure 1.1.

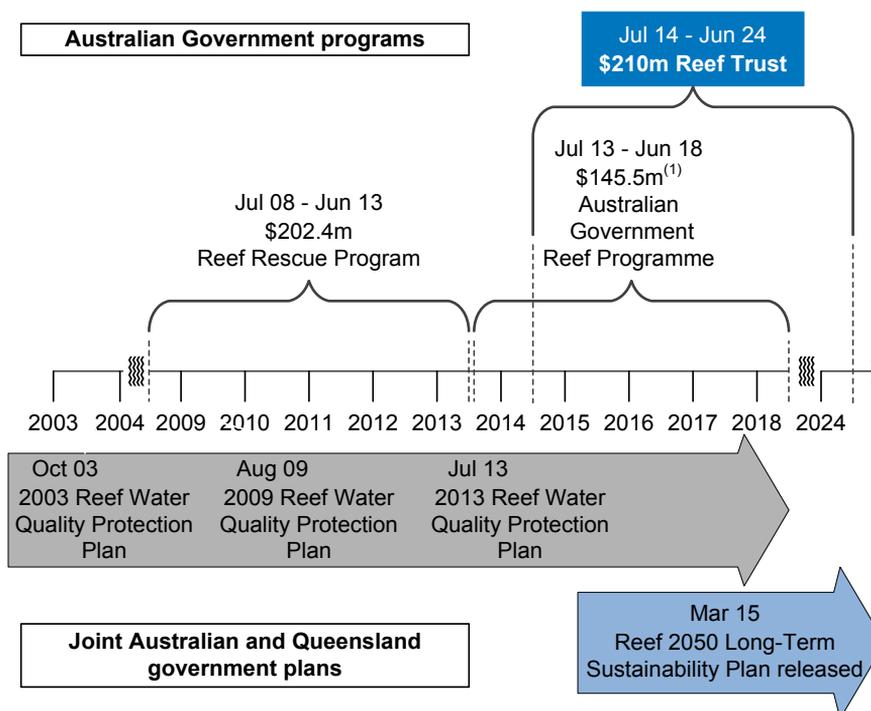
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6 The Reef Rescue Program, initially allocated \$200 million in May 2008, was a component of the Caring for Our Country Program (now the National Landcare Program) and was jointly administered by the former Australian Government Departments of Agriculture and of the Environment. The program committed \$202.4 million in funding for projects, including water quality grants, monitoring and reporting activities, research and development, and Indigenous partnerships.

7 The Australian Government Reef Programme, which was announced in May 2013 as a component of the Caring for Our Country Program (now the National Landcare Program) was designed to support the continued improvement in the quality of water entering the reef. The program is jointly administered by the Department of the Environment and Energy and the Department of Agriculture and Water Resources. The program was initially allocated \$200 million in funding, which was later reduced to \$145.5 million. The program committed funding for projects, including water quality grants, crown of thorns starfish control and research, and wetland, riparian and mangrove protection and restoration.

8 The \$19.1 million for ‘other reef initiatives’ was sourced from the Natural Heritage Trust (\$6.6 million) and the Great Barrier Reef Foundation (\$12.5 million), with funding provided for consultancies for the Reef Trust and research into reef adaptation to climate change.

9 In the May 2016 Budget, the *Reef 2050 Plan* was allocated \$101 million from 2016–17 to 2021–22 through the National Landcare Program. An additional commitment was made during the 2016 election for a ‘Reef Fund’ administered by the Clean Energy Finance Corporation to provide up to \$1 billion over 10 years in investment finance for projects in the reef catchment region that deliver clean energy, reduce emissions and improve water quality. Liberal Party of Australia, Media Release, *Coalition to deliver \$1 billion boost to protect Great Barrier Reef*, 13 June 2016.

**Figure 1.1: Timeline of significant government reef conservation plans and programs**

Note 1: Announced in May 2013 as a \$200 million program, the funding for the Australian Government Reef Programme was later reduced to \$145.5 million.

Source: ANAO analysis of public documentation and information provided by Environment.

1.6 The Australian Government's reef conservation program, the Reef Trust, commenced on 1 July 2014 and is administered by the Australian Government Department of the Environment and Energy (Environment).

## Reef Trust

1.7 The establishment of a Reef Trust was foreshadowed in the Coalition's election policy in September 2013 and was subsequently established in July 2014 as one of the key mechanisms to assist in the delivery of the *Reef 2050 Plan*. The Reef Trust focuses on improving water quality and coastal habitat, controlling the current outbreak of crown of thorns starfish and protecting threatened and migratory species, particularly dugong and turtles.

1.8 The objective of the Reef Trust is to: 'Provide cost-effective, strategic investment which goes above and beyond existing programmes to address key threats to the Great Barrier Reef and catchments for the long-term protection and conservation of the outstanding universal value of the Great Barrier Reef'.<sup>10</sup> Under the objective, the following four outcomes have been established:

<sup>10</sup> Australian Government, Queensland Government, *Reef Trust Investment Strategy, Initiative Design and Phase I Investment*, June 2014.

- to improve the quality of water entering the Great Barrier Reef from broad-scale land use to increase the health and resilience of the reef;
- to improve the health and resilience of coastal habitats;
- to improve and protect marine biodiversity, including the reduction of crown of thorns starfish and protection of listed threatened and migratory species, such as dugong and turtles; and
- any new development maintains or improves the condition of matters of national and state environmental significance through the strategic delivery of offsets through the Reef Trust.

1.9 The first three outcomes relate directly to three themes of the *Reef 2050 Plan*: water quality, ecosystem health and biodiversity.

### **Program funding and delivery arrangements**

1.10 Since its inception, the Australian Government has committed \$210 million to the Reef Trust (initially \$40 million allocated from portfolio savings made during the department's 2014–15 Budget process, with a further \$100 million from July 2015 and \$70 million from July 2016). The program is delivered on a phased basis as new funding is made available by government.

1.11 The funding provided for the implementation of the Reef Trust is administered through the Reef Trust Special Account 2014, which was established by the Finance Minister through a Determination to the *Public Governance, Performance and Accountability Act 2013*. The Determination prescribes the purposes for spending of funds through the Reef Trust, which must be for projects that improve water quality and coastal habitat, address threats, and protect, repair and mitigate damage to the Great Barrier Reef World Heritage Area. The Determination also enables the Reef Trust to receive funds from external sources (offset payments and private contributions). The Minister for the Environment and Energy is responsible for decisions on the allocation of Australian Government funding from the Special Account.

1.12 The department's costs associated with the administration of the Reef Trust include staff, travel, consultancies and an apportioned cost of the joint advisory boards with *Reef 2050 Plan* arrangements. In August 2016, the department advised the ANAO that while it apportions the cost of resources directly contributing to the administration of the Reef Trust, it has not calculated the total cost of administering the Reef Trust (inclusive of resources associated with items such as advisory panels, non-departmental staff and scientific research).<sup>11</sup>

### **Reef Trust governance**

1.13 The Reef Trust is being implemented under joint coordination arrangements between the department, GBRMPA and the Queensland Government through a Reef Trust Joint Steering Committee. The arrangements between the Australian and Queensland governments are established under a Memorandum of Understanding (that covers design considerations) and a

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11 In its 2014–15 Portfolio Budget Submission, Environment estimated the combined cost of administering the *Reef 2050 Plan* and Reef Trust at \$5.38 million over four years (2014–15 to 2017–18). This cost was to be absorbed by the department.

funding deed, which specifies allowed use of funds, responsibilities for project delivery, and accounting matters.

1.14 The advisory bodies established for the *Reef 2050 Plan*—the Independent Expert Panel for scientific advice and the Reef Advisory Committee for stakeholder engagement—are also used by Environment to obtain advice in relation to the implementation of the Reef Trust. In addition, in December 2015, a new Reef Trust advisory body was formed by Environment—the Innovative Financial Mechanisms Panel—to obtain advice about, and evaluation of, conservation financing mechanisms to pilot.

### Reef Trust funding strategy

1.15 Environment describes each Reef Trust project as an ‘investment’, with these investments implemented in a phased approach. An investment strategy is developed for each phase. As at June 2016, there had been four phases of investment announced, with \$139.8 million in funding allocated to 17 projects targeting three of the four outcomes (summarised in Table 1.1).

**Table 1.1: Reef Trust projects and funding allocation by outcome**

Reef Trust outcome	Phase	Project	Amount (million)
Water quality	I	Reverse auction to reduce fertilizer use in the Wet Tropics Region sugarcane industry	\$1.7
	I	Non-competitive grant to promote grazing practices to reduce sediment run-off in the Burdekin and Fitzroy regions	\$3.0
	II	Reverse auction to reduce fertilizer use in the Burdekin sugarcane industry	\$3.1
	II	Competitive grants for gully erosion control to reduce sediment run-off in grazing landscapes	\$7.9
	II	Non-competitive grant for Reef Integrated Monitoring and Reporting Program	\$6.1
	III	Competitive grants for water quality improvements in sugarcane, rangelands grazing, and grains, dairy and horticulture	\$56.0
	IV	Reverse auction to reduce nitrogen application in the Wet Tropics and Burdekin regions	\$15.0 <sup>(1)</sup>
	IV	Open tender to select a delivery partner to trial enhanced efficiency fertilisers for sugarcane (plus Queensland Government co-investment of \$2.3 million)	\$5.0 <sup>(1)</sup>
	IV	Competitive grants for stream bank and gully erosion control to reduce sediment run-off	\$20.0 <sup>(1)</sup>
<b>Sub-total</b>		<b>Percentage of total allocation: 84%</b>	<b>\$117.8</b>
Coastal habitats	III	Non-competitive grant for coastal and wetland rehabilitation (plus \$2 million co-investment with Greening Australia)	\$2.0
<b>Sub-total</b>		<b>Percentage of total allocation: 1%</b>	<b>\$2.0</b>

Reef Trust outcome	Phase	Project	Amount (million)
Biodiversity	I, II & IV	Non-competitive grants for crown of thorns starfish control (\$2 million, \$7 million and \$6 million)	\$15.0 <sup>(1)</sup>
	I	Non-competitive grant for Cairns and Fitzroy Island turtle rehabilitation	\$0.3
	I	Transfer of administered funds for Specialised Indigenous Ranger Programme	\$2.0
	I	Transfer of administered funds for Australian Crime Commission investigation into illegal killing and poaching of dugong and turtles	\$2.0
	I	Transfer of administered funds for marine debris clean-up	\$0.7
<b>Sub-total</b>		<b>Percentage of total allocation: 15%</b>	<b>\$20.0</b>
<b>Total</b>			<b>\$139.8</b>

Note 1: Phase IV funding amounts are those allocated, but yet to be committed. The amounts shown for Phases I, II and III are committed amounts.

Source: ANAO analysis of departmental documentation. Percentages have been rounded.

## Previous audit coverage

1.16 There has been one recent audit of government reef conservation arrangements of relevance to the Reef Trust. In June 2015, the Queensland Audit Office tabled a performance audit report on *Managing water quality in Great Barrier Reef catchments*, which assessed the Queensland Government's contribution to improving water quality (through the *Reef Water Quality Protection Plan*).<sup>12</sup> Among the audit's findings was that the modelling tool used to determine water quality outcomes was robust, but that the modelled outcomes had high levels of uncertainty due to data limitations. In this context, three recommendations were made to: expand water quality monitoring to aid in determining the effectiveness of farm management practice change; improve verification of data used in the model; and to make the level of uncertainty of modelled results more transparent in reports.<sup>13</sup>

## Audit approach

### Objective, criteria and methodology

1.17 The objective of the audit was to assess the effectiveness of the Department of the Environment and Energy's design and implementation of the Reef Trust. To form a conclusion against this objective, the ANAO adopted the following high level audit criteria:

12 State of Queensland, Queensland Audit Office Report No.20: 2014–15, *Managing water quality in Great Barrier Reef catchments*.

13 In May 2016, the Queensland Government's Great Barrier Reef Water Science Taskforce also made recommendations of relevance to the Reef Trust, including that the Queensland and Australian governments work together to transition the Reef Trust to an independent entity. State of Queensland, Great Barrier Reef Water Science Taskforce, *Final Report*, May 2016, pp. 7–8.

- Did the design of the Reef Trust support the achievement of the Government's policy objectives?
- Did Environment establish sound implementation arrangements?
- Did Environment establish robust performance measurement and reporting arrangements?

1.18 The ANAO examined departmental records and interviewed departmental officers. The ANAO also invited 27 stakeholders from peak industry bodies, non-government organisations, scientific organisations, and Australian and Queensland governments to contribute to the audit, with 11 responses received representing the views of 21 of the 27 stakeholders invited to comment.

### **Scope**

1.19 The audit primarily focused on the design, implementation and measurement of outcomes of the Reef Trust. The audit did not include a detailed examination of the department's administration of individual projects funded under the Reef Trust.

1.20 The Department of Agriculture and Water Resources has limited involvement in the delivery of the Reef Trust, but was included in the audit on the basis of its involvement in earlier reef programs. While earlier Australian Government reef programs were not examined in this audit, the ANAO reviewed whether lessons learned from these programs were used to inform the design of the Reef Trust.

1.21 The audit was conducted in accordance with the ANAO's Auditing Standards at a cost to the ANAO of approximately \$363 000.

## 2. Program design

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### Areas examined

The ANAO examined whether the Department of the Environment and Energy's (Environment's) design of the Reef Trust supported the achievement of the Government's policy objectives, including the consideration of delivery models, consultation with stakeholders, incorporation of lessons learned from previous programs, and whether the design was intended to build on and align with existing arrangements.

### Conclusion

The design of the Reef Trust is aligned to the Australian Government's broad policy objectives outlined in its original election commitment. Environment provided generally sound advice to government in relation to design options for the Reef Trust, with the advice to government informed by extensive stakeholder consultation processes. Stakeholder feedback received by the ANAO was largely positive about Environment's consultation activities. Environment also incorporated into the design of the Reef Trust lessons learned from previous reef programs, consideration of delivering reef conservation activities that would not have been delivered under existing arrangements, and detailed prioritisation processes.

### Areas for improvement

There was scope for Environment to have considered more fully the risks and costs associated with alternative program delivery models to underpin its advice to government on the design of the Reef Trust.

## Did Environment consider a range of delivery models for the Reef Trust and was sound advice provided to government?

Environment considered alternative delivery models for the Reef Trust, with input into the selection of a delivery model sought from a wide range of stakeholders. Environment also provided generally sound advice to government on delivery models and more detailed design options for the Reef Trust. The inclusion of more detailed information on the cost and benefits of alternative delivery models would have further strengthened the advice provided to government.

2.1 On 2 September 2013, the Reef Trust was announced as part of the Coalition's election commitment to a *Reef 2050 Plan*.<sup>14</sup> The announcement included three major components: a \$40 million Reef Trust to focus on improving coastal habitat and water quality along the Great Barrier Reef; prioritisation of run-off reduction and crown of thorns starfish eradication; and greater dugong and turtle protection. At this time, broad parameters of the Reef Trust were outlined, such as:

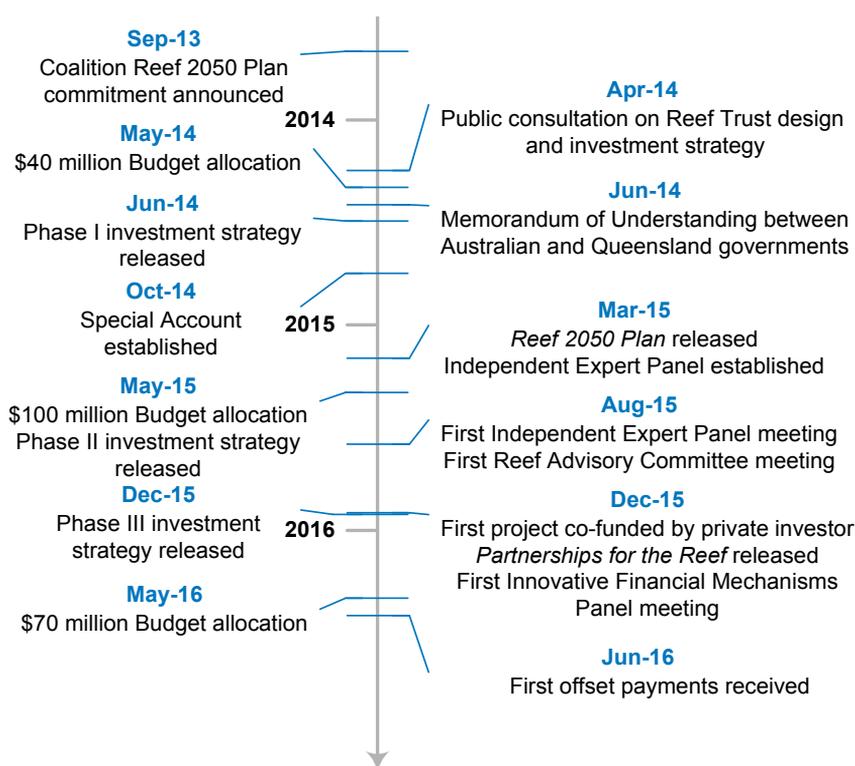
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14 G Hunt, (Shadow Minister for Climate Action, Environment and Heritage), 'Coalition announces Reef 2050 Plan', Media Release, 2 September 2013.

- combining Commonwealth and private funds, and funding also being derived from the pooling of offset funds from approved projects under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act)<sup>15</sup>;
- joint coordination with the Queensland Government, particularly on coastal and water quality management; and
- a focus on helping farmers to reduce nutrient run-off.

2.2 As funding for the Reef Trust was to be provided in the 2014–15 Budget (announced in May 2014), Environment had around five months to design the program and prepare the policy materials to be considered by government. Environment was responsible for designing the funding mechanisms to be used and the detailed delivery arrangements. The timeline for the key design and delivery elements for the Reef Trust is provided at Figure 2.1.

**Figure 2.1: Reef Trust—key design and delivery elements**



Source: ANAO analysis of departmental documentation.

15 Environment's *EPBC Act Environmental Offsets Policy 2012* defines 'offsets' as measures that compensate for the residual adverse impacts of an action on the environment.

## Delivery model considerations

2.3 The Reef Trust was broadly based on a concept called the 'Reef Bank', which was initially developed and provided to government by the World Wide Fund for Nature—Australia (WWF). WWF proposed the establishment of a fund outside of government that would receive funds from environmental offset payments, the responsible investment market (investors that aim to incorporate environmental and social factors into their investment decisions), and philanthropic donations. It was also proposed that the fund would enter into partnering agreements with non-government entities.

2.4 In the period from September to December 2013, Environment began consideration of design options and met with a selection of stakeholders, including non-government organisations, industry, delivery partners, scientific experts, the Great Barrier Reef Marine Park Authority (GBRMPA) and the Department of Agriculture. In October 2013, Environment met with WWF to discuss the Reef Bank concept, acknowledging the similarities between the concept and the Reef Trust election commitment, including: the use of EPBC Act offsets; the use of innovative financing and market-based financing mechanisms; and the accessing of the private investment market. Environment also conducted general research into the structure of existing conservation trusts and funds that had been created to accept philanthropic donations.

2.5 Environment received early advice from the Minister that the Reef Trust would be established using existing entities within government, as opposed to the establishment of the trust outside of government as proposed in WWF's Reef Bank. Environment also commenced work on the dugong and turtle protection element of the election commitment, with an initial meeting held in October 2013 with GBRMPA to begin scoping and assigning responsibilities.

2.6 On 5 December 2013, Environment provided a brief to the Minister on design considerations for the *Reef 2050 Plan* and the Reef Trust, advising that:

- it would be seeking to confirm the status of legacy funding from the Australian Government Reef Programme, in particular whether the \$40 million election commitment to the Reef Trust represented new funding or would be sourced from the existing Reef Programme<sup>16</sup>;
- there were a range of issues that required resolution, including: the coverage and alignment of the *Reef 2050 Plan*, Long-Term Sustainability Plan<sup>17</sup> and the Reef Trust; and the arrangements required to be established to enable the Reef Trust to receive offset payments. The proposed One-stop Shop arrangements<sup>18</sup> would likely mean that future offsets under the EPBC Act would be set by the Queensland Government and this could have implications for the operation of the Reef Trust;

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16 As discussed earlier in paragraph 1.10, the \$40 million for the Reef Trust was sourced from departmental savings identified during the 2014–15 Budget process.

17 The 'Long-Term Sustainability Plan' (informed by an August 2014 Strategic Assessment) was being developed in response to a 2011 World Heritage Committee decision, and the 'Reef 2050 Plan' announced in the election commitment was a new concept for the department. In December 2013, the Great Barrier Reef Ministerial Forum endorsed combining the two concepts to form the Reef 2050 Long-Term Sustainability Plan.

18 The One-stop Shop policy aimed to simplify environmental approvals for business, by accrediting state and territory planning systems under the EPBC Act to create a single environmental assessment and approval process.

- reverse auctions could be a potential mechanism for cost-effective investment in water quality improvements; and
- further consultation would be needed across the Australian Government and external stakeholders.

2.7 Environment acknowledged the earlier instruction from the Minister that the Reef Trust would be established within government, but also suggested four alternative delivery models (summarised in Table 2.1). Underpinning the advice was Environment's view that a Reef Trust created within government was less likely to receive funding from private organisations.

**Table 2.1: Reef Trust delivery options**

Option	Design considerations
Option 1	Delivery through existing Department of the Environment arrangements, with a new Australian and Queensland government joint holding account with an advisory board and joint decision-making.
Option 2	Delivery through existing Department of the Environment arrangements, with a new special account, advisory board and statutory office holder.
Option 3	Delivery through GBRMPA and a new special account.
Option 4	Delivery through a non-profit organisation with a board of trustees.
Option 5	New government agency within the Environment portfolio.

Source: ANAO analysis of departmental documentation.

2.8 The advice provided to the Minister on the design of the Reef Trust did not include sufficiently detailed information about the risks to program delivery and the costs of alternative delivery options. In future program design, there would be benefit in Environment considering including more detailed information about the risks and costs of alternative delivery models to better place the Government to make informed decisions on the most appropriate and cost-effective arrangements to achieve its policy goals.

2.9 The five Reef Trust design options were discussed in a meeting with the Minister on 10 December 2013, with the Minister instructing Environment to pursue Option 1. At this time, Environment provided high level information to the Minister on the:

- risks to program delivery from establishing the Reef Trust within the Australian Government, including the: difficulties in attracting private donations; lower likelihood of the Queensland Government contributing funding; and the high level of stakeholder expectations about the types of commercial and non-commercial activities that may be undertaken; and
- costs of alternative delivery options, including the efficiencies derived from using existing departmental staff as opposed to establishing a new entity.

2.10 After the Minister's decision about his preferred design model, Environment continued to engage with stakeholders over the period from December 2013 to March 2014. By March 2014, Environment had made significant progress on the Reef Trust's governance and delivery architecture and, in collaboration with GBRMPA and the Queensland Government, finalised drafting of the:

- governance principles for joint coordination between the two governments;

- investment principles for fund distribution; and
- paper for the proposed Reef Trust design and investment approach for public consultation.

2.11 Environment had also developed a draft objective, outcome and program logic, determined the details of the five projects specified in the election commitment<sup>19</sup>, and obtained approval from the Department of Finance for the costings for the *Reef 2050 Plan* (incorporating the Reef Trust).

2.12 On 17 March 2014, in its second brief to the Minister, Environment provided the draft governance principles and draft paper for public consultation for approval, along with agreement to progress the design of one project not previously specified in the election commitment—a reverse auction process for nitrogen reduction in sugarcane farms in the Wet Tropics Region. Environment also sought the Minister’s agreement to a phased approach to the development and implementation of a Reef Trust investment strategy to enable decisions to be coordinated and prioritised. The Minister agreed to all four recommendations.

2.13 In the period from April to June 2014, Environment and the Queensland Government negotiated a Memorandum of Understanding for joint arrangements on the Reef Trust (signed in June 2014) and an additional project for funding in Phase I—promotion of grazing practices to reduce sediment run-off in the Burdekin and Fitzroy regions. Environment had also revised its Reef Trust Investment Strategy following public consultation, incorporating among other things the Reef Trust objective and outcomes.

2.14 On 1 July 2014, the Reef Trust commenced and its investment principles were publicly released, including the details of the initial seven projects to be funded (the original five from the election commitment and the two additional water quality projects mentioned in paragraphs 2.12 and 2.13). Several administrative aspects continued to be progressed at this time. For example, the Special Account from which funding under the Reef Trust was to be received and disbursed, was not created until September 2014, as Environment was required to wait until the new *Public Governance, Performance and Accountability Act 2013* (PGPA Act) came into effect on 1 July 2014.<sup>20</sup> Following the enactment of the PGPA Act, a funding deed for the delivery of the Reef Trust was signed on behalf of the Australian and Queensland governments at the next Great Barrier Reef Ministerial Forum in December 2014.<sup>21</sup> The deed established arrangements for coordination and joint funding, as well as the Reef Trust Joint Steering Committee, with membership of two Environment, two Queensland government, and two GBRMPA representatives.

2.15 In accordance with the agreed phased approach, work on other aspects of the Reef Trust design continued, including two novel approaches for Environment—arrangements for receiving offset payments to the Reef Trust and diversifying funding sources.

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19 The five projects involved crown of thorns starfish control, turtle rehabilitation, the Specialised Indigenous Ranger Programme, marine debris clean-up, and an Australian Crime Commission investigation into dugong and turtle poaching.

20 The earliest a Determination could have taken effect was late August 2014, as a Special Account Determination is a legislative instrument—required to be tabled in both Houses of Parliament for five sitting days.

21 An overview of external advisory committees is provided at Appendix 2.

## Offset arrangements

2.16 Environment's *EPBC Act Environmental Offsets Policy 2012* defines 'offsets' as measures that compensate for the residual adverse impacts of an action on the environment. These may include environmental offsets, such as payments made to the Reef Trust. Offsets are usually associated with large scale developments, such as mining, with the relevant company required to make a compensatory payment to improve environmental outcomes in another area. In its initial advice to the Minister on 5 December 2013, Environment advised that a range of matters needed to be clarified before the Reef Trust could receive offset payments. One of these matters was the establishment and operation of the Special Account to enable payments to be received. Further matters included the impact of the proposed One-stop Shop policy.

2.17 At that time, Environment had five relevant pre-existing approvals requiring financial offsets, three of which had commenced and retrospective payments were to be made when arrangements for receipt were settled. The terms of the three approvals had been set in 2010 and 2011, with payments to be made to GBRMPA or in support of the work of GBRMPA.<sup>22</sup> However, GBRMPA did not have the legislative basis to receive funds and separately briefed the Minister on 5 December 2013 on options to receive offsets revenue. The Minister's decision was to use the Reef Trust Special Account to receive the offset funds and disburse those funds to GBRMPA.

2.18 When progressing its work on the establishment of offset arrangements, Environment focused on two key components:

- negotiating administrative arrangements with the three approval holders; and
- developing an approach for offsets arrangements—in May 2014, Environment commissioned a consultant to investigate technical matters relating to the delivery of offsets to compensate for residual significant impacts on the reef (including an offsets calculator). The consultant's report, which was finalised in February 2015, raised several policy issues as well as technical considerations relating to the calculation and measurement of the net outcome of offsets. The department's National Environmental Science Program's<sup>23</sup> Tropical Water Quality Hub subsequently funded the development of a 'prototype' calculation methodology that was specific to the Great Barrier Reef marine environment which was released in July 2016.

2.19 Environment did not advise the Minister of a timeframe for the finalisation of offset arrangements, however, internal timeframes were set through the department's project planning processes. Environment advised the ANAO that, as design of the offset component has progressed, more matters needing consideration have been identified. Consequently, progress in obtaining offset payments has been slower than originally expected, with Environment adjusting its expected timeframes. In the period from June to July 2016, Environment advised that the first two retrospective payments had been received and, as at September 2016, offset payments totalling \$3.5 million had been received into the Reef Trust Special Account in accordance with

22 The three approval holders had previously agreed to pool offset funds and provide them to GBRMPA as part of the Joint Field Management Program (a joint program between GBRMPA and the Queensland Government to manage the marine and island national parks associated with the reef).

23 The National Environmental Science Program is administered by Environment and funds biodiversity and climate science to assist decision-makers to understand, manage and conserve Australia's environment.

two EPBC Act approvals. Environment also informed the ANAO that it expects the third approval's payment to be made in late 2016.

### **Diversification of investment sources**

2.20 The Reef Trust was intended to be financially innovative in the acquisition and distribution of funding, with the key objective of attracting non-government funding.<sup>24</sup> This was a novel area of design for Environment. In May 2014, Environment commissioned the consultant that had previously been engaged by WWF to develop the 'Reef Bank' concept to advise on current and future funding sources, and potential fund distribution mechanisms appropriate for the Reef Trust model. The report, which was completed in November 2014—*Reef Trust: market analysis of resourcing and disbursement options*—identified 13 current and future funding sources suitable for the Reef Trust and outlined seven options for innovative funding disbursement.

2.21 In May 2015, in an update provided to the Minister, Environment advised that it would explore three of the options identified by the consultant: private equity investment (traditionally used to fund commercially viable projects with longer lag times for repayment of investors); green bonds (used to finance environmentally friendly projects); and philanthropic donations (a structured approach to giving money, time, information, goods and services). The department had also assessed each funding disbursement option for suitability for the Reef Trust and recommended continuing the use of grants and tenders/reverse tenders, and to give further consideration to loans, subsidies, and insurance-like projects. Further, Environment was consulting with experts in private and/or philanthropic investment and proposed further consultation on this topic<sup>25</sup>, and had registered a trademark with Intellectual Property Australia for a Reef Trust logo.

2.22 By October 2015, Environment had received a report from another consultant that it had engaged to identify strategies to encourage private and philanthropic contributions to the Reef Trust and provided a summary of this report to the Minister. Along with the summary, Environment outlined progress in reviewing alternative funding mechanisms, including institutions and organisations that had successfully used such approaches, and outlined next steps and timeframes. The Minister approved the request to develop an initial Reef Trust investment prospectus (as recommended by the consultant), for joint release with GBRMPA and the Queensland Government in December 2015.<sup>26</sup> Also at this time, Environment had negotiated a pilot private partnering project for release as a case study in the investment prospectus.<sup>27</sup>

2.23 The development of innovative approaches to financing reef conservation initiatives has been challenging for Environment due to the number of governance and administrative matters

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24 This intention was also referenced in the *Reef 2050 Plan's* commitment to identify mechanisms for enabling diversified and innovative funding approaches (including through the Reef Trust) by the end of 2015.

25 Further consultation was progressed, with the Reef Trust Innovative Financial Mechanisms Panel first convening in December 2015.

26 The Reef Trust issued an 'invitation to partner' to private industry, outlining a range of investment projects in return for branding, site visits and staff development opportunities. Australian Government, *Reef Trust Partnerships for the Reef*, 2015, p. 6.

27 This pilot is the Phase III, \$2 million co-investment with Greening Australia (in partnership with Birdlife Australia, Conservation Volunteers Australia and WetlandCare Australia) for coastal and wetland rehabilitation.

that have arisen. For example, in advice to the Minister in October 2015 Environment indicated that:

- delivering private investment through the Reef Trust raised probity considerations (potentially, private investors could help to design a project, with this knowledge providing an advantage if applying to deliver the project). These issues were being explored with legal advisors;
- time constraints associated with government requirements for budget approval of all new expenditure<sup>28</sup> from the Reef Trust Special Account (including from private donations and offset payments) could deter potential investors;
- private investors may be more willing to invest in the Reef Trust if it was seen to be independent of the government. A paper with suggestions for moving to a governance model with independent decision making was tabled at the Great Barrier Reef Ministerial Forum in December 2015<sup>29</sup>; and
- gaining deductible gift recipient status for the Reef Trust would likely require an amendment to the *Income Tax Assessment Act 1997* and may take up to 18 months.

2.24 Environment has continued to progress these issues and advised the ANAO that it was liaising with the Department of Finance and the Department of the Prime Minister and Cabinet on the reduction in the administrative burden surrounding the receipt and expenditure of non-appropriated funds.

2.25 Overall, the documentation retained by Environment indicates that the Minister was appropriately informed of the progress of key matters and that Environment sought approval for relevant funding decisions.

## Did Environment consider the views of relevant stakeholders?

Environment's stakeholder consultation has been extensive, including through overarching cross-government committees and public consultation. Stakeholder views have been considered by Environment both during program design and implementation stages. The stakeholder feedback that the ANAO received in relation to Environment's consultation activities was largely positive.

2.26 As previously outlined, Environment conducted extensive stakeholder consultation during the initial design of the Reef Trust. Environment also released a discussion paper on the design of Reef Trust for public consultation in April 2014. The paper invited comment on the proposed joint coordination arrangements for the Reef Trust, as well as its draft investment principles, priorities for investment, and delivery mechanisms. The public consultation period was open for

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- 28 The Department of Finance provided advice to Environment that the receipt or expenditure of any privately donated funds or offsets into the Reef Trust Special Account would require a New Policy Proposal and agreement from the Minister for Finance or the Prime Minister in accordance with the Budget Process Operational Rules.
- 29 The Forum noted the existing cooperative governance arrangements for the Reef Trust and agreed in principle to pool Australian and Queensland government funding through the Reef Trust. There was no decision to examine alternative governance arrangements.

one month, with 120 submissions received.<sup>30</sup> Environment's summary of themes raised by stakeholders was placed on the Reef Trust website. The submissions indicated broad support for the proposed design, with significant comments focusing on Indigenous and regional engagement to identify, prioritise and deliver Reef Trust funds. Environment subsequently used stakeholder feedback to inform the detailed design of the program, primarily through the refinement of the investment strategy for Phases I and II.

2.27 Environment has also incorporated stakeholder consultation into each phase of Reef Trust investment and each project within a phase.<sup>31</sup> When designing Phases I to IV, Environment incorporated scientific, expert and community advice. The formation of the Independent Expert Panel (scientific expertise) and Reef Advisory Committee (community and industry representation) in August 2015, introduced additional formal stakeholder consultation to the design of Reef Trust Phases III and IV.

2.28 The stakeholder feedback on Environment's engagement on Reef Trust design obtained by the ANAO was largely positive.<sup>32</sup> Sixteen stakeholders reported satisfaction with Environment's engagement activities, considering that Environment was approachable, responsive, and helpful, and that stakeholders had been appropriately involved in the design of Reef Trust projects.<sup>33</sup> Two stakeholders raised concerns that their views had not been sufficiently addressed and the remaining three stakeholders did not comment.

2.29 In relation to the design of the Reef Trust, stakeholder views included:

- concepts such as innovative financing models are positive, although a lack of independence from government had inhibited the ability to attract private funds;
- consideration should be given to broadening the scope of the Reef Trust to target more of the *Reef 2050 Plan's* themes;
- the current phased approach to Reef Trust investment rounds had led to projects that were small scale. The prevalence of small scale projects also increased the reporting burden on proponents, making long-term planning difficult for delivery agencies; and
- the importance of longer term monitoring of practice change beyond the life of the particular funded project.

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30 The department reported that 102 of these submissions were campaign submissions primarily focused on dugong protection.

31 For example, in relation to the Phase I Wet Tropics reverse auction, the department: engaged a scientific advisor to design the reverse auction process; met with industry, delivery agency, Queensland Government and non-government organisation representatives to refine the intended application process; and surveyed applicants to better understand the reasons why cane farmers considered applying or not applying.

32 The ANAO invited 27 stakeholders from peak industry bodies, non-government organisations, scientific organisations, and Australian and Queensland government to contribute to the audit, with 11 responses received. These responses represented the views of 21 of the 27 stakeholders invited to comment.

33 One of these responses encompassed 14 stakeholder's views.

## Were lessons learned from previous programs considered during the design of the Reef Trust?

Environment incorporated lessons learned from previous reef programs during the design of the Reef Trust. Environment also conducted trial projects to test the appropriateness of Reef Trust delivery approaches, with processes adjusted based on lessons learned.

2.30 There have been two evaluations undertaken for earlier Australian Government funded reef conservation initiatives. An evaluation of the Reef Rescue Program, which was commissioned by Environment in May 2011<sup>34</sup>, found that the program's delivery was successful because of: co-design with delivery partners (regional natural resource management bodies with agricultural industry partners); a devolved grants model (allowing delivery partners to tailor delivery to individual regions and industries); the scale of investment (\$92 million committed across six regions over five years); and the combination of public and private investments.<sup>35</sup> Those areas identified for improvement included the timing of some program components (several aspects of the program were commenced later than planned) and administrative arrangements, such as complex contractual arrangements and evolving reporting requirements.

2.31 In 2014, the Australian Government released a further report on the performance of the Reef Rescue Program—*Australian Government Reef Achievements (2008–2013)*. The report used data from the Paddock to Reef Program<sup>36</sup> to model the impact that Reef Rescue Program had on water quality targets.<sup>37</sup> The report also outlined the number of land managers engaged from each priority industry (cotton, dairy, grains, grazing, horticulture and sugarcane), percentage of landholders engaged in those industries and hectares of land involved, and extension services provided to land managers in partnership with industry.

2.32 The records retained by Environment indicate that, when designing the Reef Trust, the department took into consideration delivery approaches considered successful under the Reef Rescue Program, such as the incorporation of co-design with stakeholders, local tailoring of projects, and engaging with natural resources management and industry bodies. Departmental staff involved in the design of the Reef Trust were also involved in the delivery of the previous Reef Rescue and Australian Government Reef Programme, and on the Reef Rescue evaluation.

2.33 Over the course of implementation, Environment has sought to identify and incorporate lessons learned from completed phases into future design elements. For example, Environment conducted an internal evaluation in May 2015 of the Phase II investment prioritisation process (conducted with the assistance of the Australian Institute of Marine Science, and discussed later in paragraph 2.36). The evaluation identified several areas for improvement, and suggested incorporating: the new Independent Expert Panel, for advice on prioritisation; and broad

34 Eberhard Consulting, *Caring for our Country: Reef Rescue as a program delivery model for natural resource management*, May 2011.

35 Land managers were estimated to have matched the government grants of \$92 million with \$149 million in co-investment. Australian Government, *Australian Government Reef Achievements (2009–2013)*, 2014.

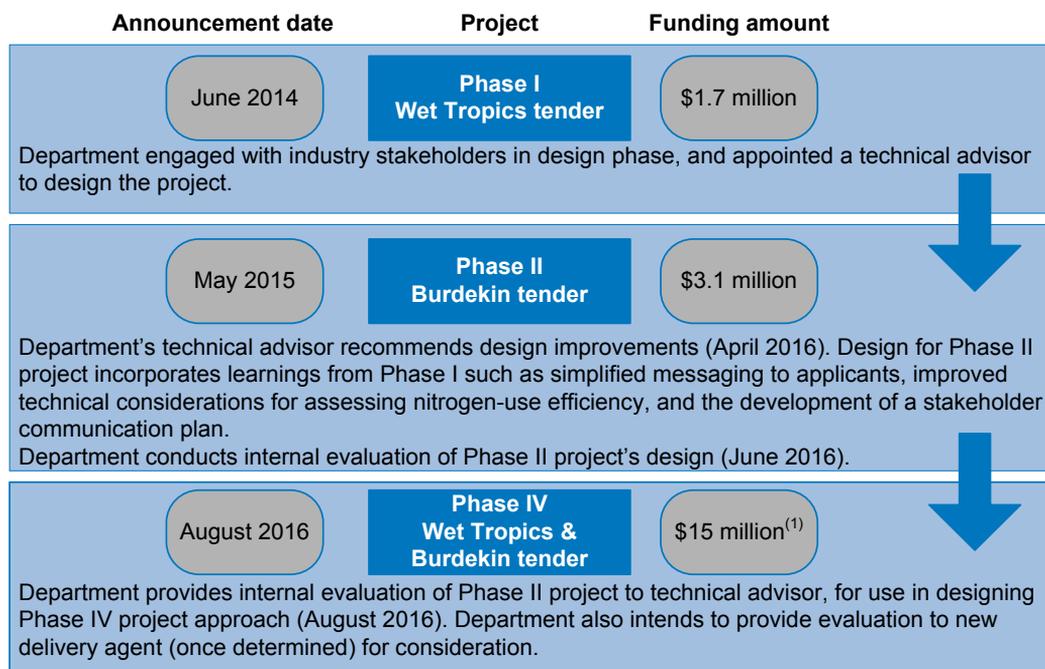
36 As outlined earlier, the Water Quality Protection Plan's Paddock to Reef Program delivers annual *Report Cards* of progress against these targets.

37 For example, it was estimated that between 2008 and 2013, improved farm management practices had reduced the annual average load of total suspended sediment by 497 000 tonnes per year.

consultation processes with experts, or utilising consultants, to identify innovative delivery methods. The review also suggested options to improve cost-effectiveness assessments, such as pre-discussions, and consideration of a smaller number of projects at a given time.<sup>38</sup>

2.34 Environment has also conducted trial projects to test the appropriateness of some project delivery approaches and evaluated these approaches to inform further design work before committing additional funding. This process is illustrated for the design of the competitive tender project to deliver improved nitrogen-use efficiency in sugarcane farming (Figure 2.2).

**Figure 2.2: Reef Trust—competitive tender design evaluations**



Note 1: The \$15 million for the Phase IV Wet Tropics and Burdekin tender is the amount allocated and not yet committed.

Source: ANAO analysis of departmental documentation.

38 The cost-effectiveness assessments for prioritising Phase II investments were conducted by a panel of experts that had not conducted these types of assessments previously. The workshops took longer than expected, as assessors required additional information about the process to be followed and the number of assessments completed was lower.

## Was the Reef Trust designed to build on and align with existing arrangements?

The Reef Trust was designed to build on and align with existing arrangements—a key consideration being the delivery of reef conservation activities that would not have been delivered under existing arrangements. Environment has conducted detailed prioritisation processes for Phases II to IV of the Reef Trust, with the committees that oversee the delivery of reef-related programs also responsible for identifying potential duplication across programs.

2.35 A key early consideration for Environment when designing the Reef Trust was the policy requirement to build on existing efforts and minimise duplication. In Environment’s briefing to the Minister in March 2014, this principle was included in the Reef Trust’s draft investment principles. As discussed earlier in this Chapter, Environment conducted extensive stakeholder consultation with other conservation project funding bodies and proponents to determine projects that were underway. Environment also collaborated with the Queensland Government and GBRMPA to define roles and responsibilities, such as in the Memorandum of Understanding.<sup>39</sup> As a result, one of the 10 *Reef Trust Investment Principles* is ‘*Additionality and complementarity: investments will build on and align with existing efforts, not duplicate or replace them*’.<sup>40</sup>

2.36 To determine where funds were to be invested, Environment established prioritisation processes for Phases II to IV of Reef Trust investments. The initial phase of Reef Trust funding in July 2014 was largely focused on the election commitments foreshadowed in the 2013 election policy, with the addition of two water quality projects. In relation to Phase II, Environment engaged the Australian Institute of Marine Science to prepare a prioritisation protocol to determine estimated environmental effectiveness and optimise the cost-effectiveness of actions to be funded. The report, which was finalised in April 2015, was released on Environment’s Reef Trust website and, among other things, provided a summary of the cost-effectiveness estimates of nine proposed investments.<sup>41</sup> The extent of uncertainties associated with the estimates did, however, limit their use in informing the final selection of projects to be funded.

2.37 The Phase III and IV investment prioritisation process incorporated the *Reef 2050 Plan* Independent Expert Panel in a project selection and design advisory role. The investment prioritisation process was also informed by the results of a comprehensive gap analysis, conducted in July 2015, of programs and projects already being delivered. In addition, the Reef Trust’s involvement with other reef-related governance committees was intended to establish a consistent and collaborative approach to investment prioritisation and funding, with membership incorporating Australian and Queensland governments, GBRMPA, scientific organisations, industry

39 One of the 10 objectives in the Memorandum of Understanding is to ‘build upon, complement and enhance existing efforts of farmers, traditional owners, local environment groups, councils, regional natural resource management groups, land care groups and governments to improve reef health’. *Memorandum of Understanding on joint arrangements for the Reef Trust*, between the Commonwealth of Australia and the State of Queensland, p. 3.

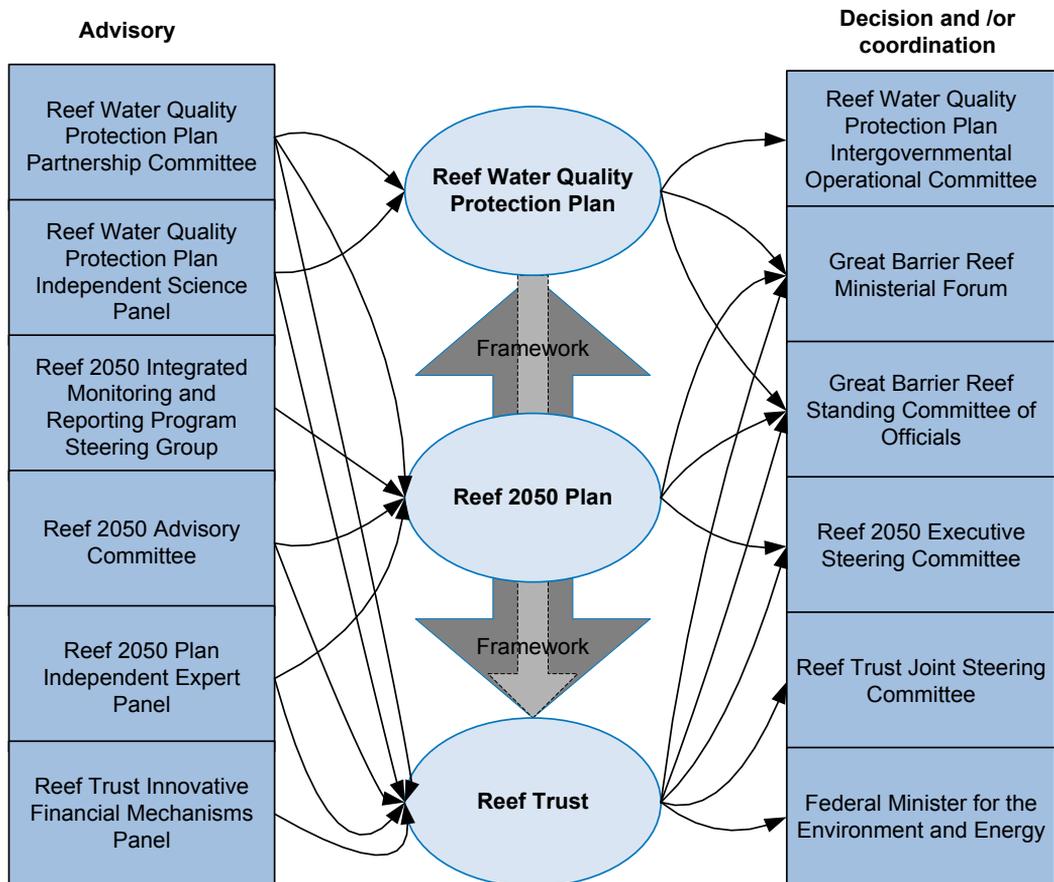
40 Australian Government, Queensland Government, *Reef Trust Investment Strategy—Initiative Design and Phase I Investment*, June 2014, p. 10.

41 Australian Institute of Marine Science, *Summary report: the cost-effectiveness protocol used to assist in the prioritisation of the second phase of Reef Trust investment*, April 2015.

and non-government organisations. Environment regularly provides information on future Reef Trust projects under consideration for funding to these committees.

2.38 The relationships between these advisory and decision committees are illustrated in Figure 2.3. The membership of the five external governance committees that receive reports and information from the Reef Trust are summarised in Appendix 2.

**Figure 2.3: Reef Trust advisory committee and plan relationships**



Note: Diagram current as at August 2016. Diagram does not depict any hierarchy or reporting between committees.  
 Source: ANAO analysis of public documentation.

2.39 In May 2016, the Queensland Government’s Water Science Taskforce concluded, among other things, that the governance arrangements established for water quality projects in the reef’s catchment area were too complex, with relatively poor coordination. Stakeholders also reported to the ANAO that coordination between the Australian and Queensland governments required improvement, with two respondents suggesting that the Queensland Taskforce’s recommendation for a multi-year joint investment plan and simplified governance would contribute to improved

coordination of reef conservation activities.<sup>42</sup> In this context, Environment advised the ANAO that it was working with the Queensland Government to progress simplified governance arrangements and an investment framework.

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42 These views relate to reef-wide activities rather than being specifically directed towards the Reef Trust.

## 3. Program implementation

### Areas examined

The ANAO examined whether the Department of the Environment and Energy (Environment) established sound implementation arrangements, including appropriate planning and risk management. The ANAO also examined whether Environment, when recommending Reef Trust projects for funding, had considered: minimising duplication between Reef Trust projects and those of other programs; and value for money, effectiveness and priority.

### Conclusion

Overall, Environment's performance in implementing the Reef Trust has been sound, with planning undertaken for initial and ongoing implementation and risk assessment activities conducted at multiple levels. There has been extensive stakeholder consultation on implementation approaches, which has usefully informed the prioritisation of funding activities and helped to minimise duplication across reef conservation activities. Environment has also established processes to minimise duplication in projects delivered under the Reef Trust. In relation to the selection of individual reef conservation projects for funding, Environment had generally considered value for money, effectiveness and priority when selecting areas of project coverage.

### Areas for improvement

There is scope for Environment to include additional information in planning documents to better inform monitoring activities and to improve processes for the review and approval of risk plans.

### Did Environment appropriately plan for the implementation of the Reef Trust?

Environment has appropriately planned for the implementation of the Reef Trust through a project plan and detailed milestone plans for significant additional activities. There would be benefit in Environment including additional information in planning documents, such as task commencement dates, to increase the value of the plans for monitoring purposes.

3.1 As outlined earlier, the Reef Trust is delivered on a phased basis as new funding is made available, and priorities are determined after the budget is supplemented. Environment's approach to Reef Trust implementation planning was initially set out in a project plan (the establishment of a project plan is a requirement of the department's program implementation processes).<sup>43</sup>

3.2 The initial version of the Reef Trust project plan was approved on 15 April 2014. The plan outlined the linkages between the Reef Trust and other reef programs, the objectives, deliverables, scope, project funding and governance arrangements, including a Program Board to oversee and monitor all biodiversity conservation projects administered by Environment.

43 The department's Project Management Framework establishes the processes and documentation to be used by departmental officers.

High-level arrangements for stakeholder management and communications, and risk and issues management were also outlined.

3.3 Over time as additional funding has been allocated by government to the Reef Trust, Environment has updated the overarching project plan and developed milestone delivery plans to coordinate the delivery of significant new activities. Environment commenced the development of milestone delivery plans after September 2014, with each plan attached as an appendix to the project plan. As at June 2016, when an updated version of the project plan was approved, there were 16 milestone plans attached as appendices to the project plan. These plans were generally prepared for individual projects within an investment phase and for key program initiatives, such as delivery of offset funding and the development of mechanisms to attract private investment.

3.4 These milestone delivery plans outline objectives, outcomes, timeframes, roles and responsibilities, risks, budgets and resourcing and deliverables relevant to each Reef Trust project or initiative. Environment advised that these plans are reviewed and updated on an ongoing basis and, for projects with funding recipients, implementation progress is monitored through the six monthly provision of Monitoring, Evaluation, Reporting, and Implementation (MERI) Plan reports (discussed in Chapter 4 at paragraph 4.8). The milestone plans contain information on when tasks were to have been completed. They do not contain information on when tasks were due to commence. The inclusion of task commencement information and improving the timeliness of recording task completion would better position Environment to monitor the progress of implementation.

## Were risks to program delivery appropriately identified and treatments developed?

Environment has undertaken a range of risk assessment activities for the Reef Trust, with risk treatments developed for all identified risks. There is further scope for Environment to improve its processes for the review and approval of risk plans.

3.5 There are five levels of risk assessment associated with the Reef Trust. Implementation risks were initially determined using the Department of Finance's Risk Potential Assessment Tool<sup>44</sup> as required for New Policy Proposals. Risks have subsequently been identified through Environment's enterprise, program, project and individual project proponent-level risk assessments.

3.6 Environment completed Risk Potential Assessment Tools:

- in December 2013 for the *Reef 2050 Plan*—which at that stage incorporated the Reef Trust—for the initial \$40 million 2014–15 funding;
- in March 2015 for the receipt and expenditure of offset payments; and
- in November 2015, combining the *Reef 2050 Plan* and Reef Trust appropriations (a total of \$171 million in the 2016–17 Budget).

44 The Risk Potential Assessment Tool uses formulae to extract the five highest-rated risks and calculate the overall risk-level rating based on risk ratings (from very-low to very-high) entered for 21 standard risk areas.

3.7 The December 2013 and November 2015 assessments assigned the rating of ‘Medium’ to the five highest risks<sup>45</sup>, but rated the overall program risk as ‘Low’. The five highest risks<sup>46</sup> related to the offset payments were assigned the rating of ‘Low’ and the overall program risk was rated as ‘Low’. The risk of implementation delays was not included in any of the three assessments.

3.8 Environment’s enterprise level risk assessment identifies the key risks to the achievement of the department’s objectives. The March 2016 assessment identifies a risk associated with the World Heritage status of the reef and the potential for the World Heritage Committee to renew its consideration of adding the reef to the *List of World Heritage in Danger*. The establishment of the Reef Trust is identified as one of the risk controls, with one of the treatments being ‘Develop overarching investment framework for delivery of *Reef 2050 Plan*, including options for diversifying funding through Reef Trust’. After treatment this risk was rated as ‘Medium’.

3.9 The Reef Trust’s program-level risk assessment is attached to the Reef Trust project plan. There have been two approved Reef Trust program-level risk assessments, aligning with the dates of project plan approvals (April 2014 and June 2016). Environment informed the ANAO that the risk assessment and treatment plan for the development and implementation of the Reef Trust is updated as needed, and that this occurs at a minimum annually. The records retained by Environment did not, however, clearly evidence the regular structured review of the risk assessment and treatment plan or that all updated versions had been approved.

3.10 In April 2014, 10 program risks were identified, including three related to the program not being ready for launch in 2014, one related to insufficient funding available for years four and five, and two associated with the breakdown of key relationships. Eight risks were rated ‘Low’ after treatment and two were rated ‘Medium’ (‘The design and implementation not aligning with the objectives for managing the reef’ and ‘Insufficient funding being available’). As at June 2016, six risks remained on the register (summarised in Table 3.1).

**Table 3.1: Reef Trust program-level risks, May 2016**

Risk	Rating before controls	Residual rating
Reef Trust design and implementation does not align with objectives for the management of the reef	High	Medium
Inappropriate use of Australian Government funds	High	Low
Breakdown of partnership with Queensland State government	High	Low
Lack of sufficient stakeholder engagement	Medium	Low
Mismanagement of funds	Medium	Low
Project fails to meet best practice governance standard	Medium	Low

Source: ANAO analysis of departmental documentation.

45 The December 2013 five highest risks were: Government priority; Stakeholders; Other jurisdictions/agencies/business areas; Contractual/delivery arrangements; and Governance. The November 2015 five highest risks were: Government priority; Stakeholders; Other jurisdictions/agencies/business areas; Innovation; and Contractual/delivery arrangements.

46 The offsets five highest risks were: Other Jurisdictions/ Agencies/ Business areas; Contractual/Service delivery arrangements; Legal risk; Procurement; and Government priority.

3.11 The risk matrix template used by Environment to prepare the 2016 assessment was not current, with the 2011 version used instead of the version that was released in April 2014. The application of the 2014 risk matrix template would have resulted in a change to one risk rating—changing from ‘Medium’ to ‘High’ for the risk ‘Design and implementation does not align with objectives for the management of the reef’.<sup>47</sup> To ensure that risks are appropriately assessed and correct treatments are applied, Environment should ensure that the most current version of departmental risk matrix template is used for Reef Trust risk assessments.

3.12 A fourth level of risk assessment and treatment plans is prepared to accompany most milestone delivery plans. For example, the ‘Delivery of offsets’ milestone delivery plan (April 2016) has a project risk plan that identified five risks, including ‘Offsets fail to contribute to broader reef outcomes’ and ‘Delivery of offsets is not an effective tool to address impacts’. All five risks were rated ‘Low’ following treatment. Other project risk assessments identify risks such as ‘Projects not being ready to launch as planned’ and ‘Failure of proponents to complete projects within approved timeframes’.

3.13 In relation to the integration and alignment of risk assessments developed for the Reef Trust, Environment informed the ANAO that:

- the reporting structure for risk flows upwards from the activity level (the fifth level of risk assessment—project proponents develop risk plans and attach these in their six-monthly reporting) to the project level (milestone risk plans) to program-level (Reef Trust risk plan); and
- regular reporting of program risks is provided to internal executive committees through major project reporting.

3.14 In relation to the alignment between the levels of risk plan for the Reef Trust, there were some issues identified. For example, a program risk that had been identified and reported upwards to the Project Board was not recorded in the program-level risk assessment and treatment plan.<sup>48</sup> There would be benefit in Environment reviewing, as part of its regular and structured revision of risk plans, the alignment and integration between levels of risk assessment for the Reef Trust.

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47 The change in rating from ‘Medium’ to ‘High’ results in changes to the required risk response from ‘Specify management responsibility (Director or above) for monitoring controls and consider new treatments to mitigate risk and review each reporting cycle’ to ‘Need immediate Senior Executive Service attention and risk treatment plan as designated by that manager. Activity must be notified to Division Head and monitored by senior manager with monthly review of treatment plan’.

48 This risk was ‘Misalignment between One-stop Shop and Reef Trust commitments, implementation of Reef 2050 Long-Term Sustainability Plan, and coordination and alignment with the new Queensland Government’ rated as ‘High’.

## Has Environment minimised duplication through alignment of Reef Trust funded projects with other funded projects?

Arrangements to align Reef Trust funded projects and to minimise the potential for duplication with other funded projects have been established. These arrangements include reef-related committees that have cross-jurisdictional membership with responsibility for identifying potential duplication across reef conservation programs.

3.15 As outlined earlier in Chapter 2, coordination arrangements have been established between the Australian and Queensland governments to inform the selection of programs for funding and to minimise the potential for duplication. Environment has also undertaken research and analysis and established prioritisation processes to inform the selection of projects within Phases II to IV of the Reef Trust.

3.16 The inter-governmental and advisory committees that have been established to oversee the delivery of reef-related programs (see Appendix 2), including the Reef Trust and *Reef 2050 Plan*, have cross-jurisdictional membership and are responsible for identifying potential duplication across programs. For example, the Reef Trust Joint Steering Committee protocols state that, in making decisions regarding investments, the committee may also be informed by advice from other stakeholders (Australian and state government, scientific or private entities) to ensure complementarity of investment and to avoid duplication of investments.

3.17 Over the course of implementing the Reef Trust, Environment has consulted with a broad range of stakeholders and conducted targeted research and analysis to build its understanding of other funded reef conservation projects. For example, Environment submitted an agenda item for prioritising Reef Trust Phase III investments to the August 2015 Independent Expert Panel meeting. This item included a summary of the Australian ‘reef protection landscape’, detailing previous and current programs, including Reef Rescue, Australian Government Reef Programme, Reef Trust, industry-led stewardship, concessional loans schemes, drought assistance, tax deduction incentives and GBRMPA’s Reef Guardians.<sup>49</sup> Environment also provided the panel with a ‘gap analysis’ that suggested priorities for funding from the Reef Trust for all six regions in the reef’s catchment, based on previously funded projects, known levels of agricultural production, water quality indicators and future developments.<sup>50</sup>

3.18 The requirement for the funding provided under the Reef Trust to be targeted at activities ‘above and beyond existing programs’ is further reinforced in Environment’s guidance to project proponents. For projects approved to be funded through competitive application processes, Environment’s Phase I Wet Tropics tender guidelines and Phase II Burdekin tender guidelines required applicants to certify that the proposed project had not previously received Australian or state government funding.

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49 GBRMPA’s Reef Guardians Program involves communities and industries that use and rely on the Reef, or its catchment, for recreation or business, to assist with voluntary actions for improving the health of the reef.

50 For example, the Cape York Region was seen to have a lower priority for Reef Trust funding because of its low level of agricultural development compared to other reef catchment regions.

3.19 Once applications were received, eligibility assessments (conducted by Environment with the assistance of on-the-ground delivery partners) included a step to verify whether applicants had previously received funding for the same or similar activities. Environment informed the ANAO that natural resource management bodies capture de-identified information on each landholder that receives a grant and that a spreadsheet containing this information is maintained by the Queensland Regional Natural Resource Management Groups Collective.<sup>51</sup> In the four competitive assessments conducted by Environment, as at August 2016, no applicants were found to be ineligible for funding because of previously receiving funding.

### Were value for money, effectiveness and priority considered when selecting projects for funding?

Value for money, effectiveness and priority were generally considered when selecting areas of project coverage and specific projects to fund. At the program-level, processes established to determine those areas of project coverage that were to be included in each new phase involved appropriate cost-effectiveness and priority considerations, with stakeholders consulted and scientific advice obtained. In relation to the selection of individual reef conservation projects for funding, Environment had no evidence to indicate that proposed projects represented a proper use of public resources in relation to two of the six non-competitive rounds examined by the ANAO.

3.20 The Reef Trust investment principles are considered by Environment to be key drivers in the selection and design of projects to be funded. Three of these 10 principles address economy (value for money), effectiveness and priority: *cost-effectiveness* (invest in diverse, well-planned, cost-effective activities); *effective delivery* (priority projects will be implemented based on sound scientific approaches and methodologies); and *evidence-based and scientifically defensible* (development of priority targeted projects will be aligned with best available scientific and technical knowledge).

3.21 Environment has two levels of consideration of these principles. The overarching consideration occurs when new projects are selected for development and funding under each investment phase—as priority in funding allocation is to be a major consideration for the Reef Trust. The processes used for prioritising projects, incorporating cost-effectiveness assessments and the Independent Expert Panel’s advisory role, were discussed earlier in Chapter 2.<sup>52</sup>

3.22 Environment’s second level of consideration of these three principles is applied at the individual project-level. Since funding for projects commenced (on 1 July 2014), Environment has used a variety of processes to award Reef Trust funding. Of the 17 projects approved to be delivered, there have been: seven non-competitive grants (one which has co-investment arrangements from other entities); three reverse auctions; three competitive grant projects; three

51 The Queensland Regional Natural Resource Management Groups Collective is an overarching company funded by the 14 Queensland natural resource management bodies to coordinate state-wide programs.

52 These processes include the Independent Expert Panel involvement in project selection, the gap analysis conducted by the department, and the department’s attendance at meetings of other reef governance and advisory committees.

transfers of administered funds to other Commonwealth entities; and one open tender (with co-investment with another entity)(projects were summarised earlier in Table 1.1).

3.23 As at August 2016, 13 of the 17 projects had delivery arrangements in place, with 10 of these projects delivered under contract arrangements.<sup>53</sup> The ANAO examined whether Environment had considered value for money, cost-effectiveness and priority for the 10 contracted projects, comprising:

- four where proponents were selected through competitive processes (Phase I Wet Tropics tender, Phase II Burdekin tender, Phase II grants for gully erosion improvement, and Phase III grants for sugarcane, rangelands grazing and grains, dairy and horticulture); and
- six that were selected through non-competitive processes (such as the Cairns and Fitzroy Island Turtle Rehabilitation Project).

3.24 In relation to the four competitive processes, value for money and/or cost-effectiveness were included as an assessment criterion in the application guidelines and assessment plans for all four projects. Guidance was provided to grant application assessors on the types of information to be considered when undertaking their assessment of the value for money criteria for the two grant funding rounds. The ANAO found that applications for the two tenders were ranked in order of cost-effectiveness based on the decrease in volume of nitrogen fertiliser used and the cost saving (per kilogram) while maintaining existing sugarcane production levels. Applications for the two grant processes were ranked according to scoring against four equally weighted criteria, one of which was value for money.

3.25 The Minister (as decision-maker) was appropriately briefed on the outcome of the four funding rounds. This included a summary of the number of applicants and funds to be provided, with a prioritised list of applicants being recommended for funding and the assessment/moderation panel report confirming value for money or cost-effectiveness included in the attachments.

3.26 In relation to the six projects selected using a non-competitive process:

- funding for four of the projects was determined after consideration of value for money or cost-effectiveness in accordance with the grant guidelines developed for that process.<sup>54</sup> Environment evaluated the projects to determine whether the proposal would represent a proper use of public resources, including providing advice about the reasons for undertaking a non-competitive process. The Minister was appropriately briefed on these considerations, as well as on the nature of the funding mechanism and his obligations as decision-maker; and

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53 The delivery arrangements for the remaining three projects consisted of three Phase I projects delivered under a Memorandum of Understanding after a transfer of administered funds from the department to other Commonwealth entities.

54 The 2014 *Commonwealth Grant Rules and Guidelines* require grant guidelines to be developed for all new granting activities, including for one-off or ad hoc grants.

- for the remaining two projects<sup>55</sup>, Environment did not develop guidelines for these granting activities<sup>56</sup> and had no evidence to indicate that a structured assessment was undertaken to determine whether the grants represented a proper use of public resources.

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55 These grants were for the Phase I crown of thorns starfish control project (\$2 million) and Phase I Cairns and Fitzroy Island Turtle Rehabilitation project (\$300 000).

56 The 2013 *Commonwealth Grant Guidelines* applied to the establishment of these two projects. The relevant Department of Finance circular indicated that one-off or ad hoc granting activities generally did not require specific grant guidelines to be developed, unless the grant was significant. Finance did, however, indicate that, where entities are providing one-off or ad hoc grants on a regular basis, they should develop an overarching set of generic grant guidelines setting out how such granting activities will be conducted.

## 4. Performance monitoring and reporting

### Areas examined

The ANAO examined whether the Department of the Environment and Energy (Environment) had established sound performance measurement, data collection, performance reporting and program evaluation arrangements for the Reef Trust.

### Conclusion

Environment has established a framework against which it intends to measure the performance and environmental impact of the Reef Trust and its approach to collecting detailed project-level data provides a sound basis to inform monitoring and reporting activities. Environment has also established reporting arrangements that provide external stakeholders with information on reef conservation initiatives, but is yet to report on program-level achievements. An interim program evaluation, planned for 2018–19, is intended to assess program-level achievements against the Reef Trust’s objective and outcomes. In the interim, Environment has indicated that it is exploring options to measure and report on the impact of the Reef Trust

### Areas for improvement

One recommendation has been made for Environment to strengthen its *Reef Trust Performance Monitoring and Reporting Plan* to clearly indicate how the impact of the Reef Trust will be assessed over the course of implementation.

### Has Environment appropriately determined how the performance and impact of the Reef Trust will be monitored?

A *Reef Trust Monitoring and Reporting Plan* has been established that sets out a framework for performance monitoring and reporting towards the achievement of the Reef Trust objective and outcomes. The plan differentiates between performance monitoring (achievement of project objectives) and impact monitoring (environmental outcomes). Further, the plan sets out how Reef Trust achievements are to contribute to meeting both the *Reef Water Quality Protection Plan* and the *Reef 2050 Plan* targets, with interlinked monitoring and reporting arrangements for reef-related programs and activities. There would be benefit in Environment more clearly outlining how the ‘cost-effective, strategic and above and beyond’ elements of the objective will be monitored.

4.1 During the design of the Reef Trust, Environment established an overarching objective and four more specific outcomes, with these incorporated into the *Reef Trust Investment Strategy* that was publicly released on 1 July 2014. Environment has also established a *Reef Trust Monitoring and Reporting Plan*, which includes a *Program Logic* that sets out the framework for performance monitoring and reporting towards the achievement of the Reef Trust objective and outcomes. The *Program Logic* also includes 11 intermediate outcomes, intended to be evaluated in 2018–19 (summarised in Table 4.1).

**Table 4.1: Reef Trust program logic**

Reef Trust objective	
<i>Provide cost effective, strategic investment which goes above and beyond existing programs to address key threats to the Great Barrier Reef and catchments for the long-term protection and conservation of the outstanding universal value of the Great Barrier Reef.</i>	
Outcomes	Intermediate outcomes 2014–2019
Outcome 1: Improve the quality of water entering the Great Barrier Reef from broad-scale land use to increase the health and resilience of the Great Barrier Reef.	Sugarcane, horticulture, cropping and grazing enterprises improving water quality entering the Great Barrier Reef through uptake of best management practice systems (soil, nutrient and pesticides), in priority areas.
	Groundcover on grazing lands sustained and erosion reduced through adoption of improved land management practices and the rehabilitation and remediation of priority degraded areas.
Outcome 2: Improve the health and resilience of coastal habitats.	Connectivity of waterways in the reef catchments improved.
	Coastal habitats including coastal wetlands and riparian areas rehabilitated, restored and regenerating.
	Extent of riparian vegetation increased.
Outcome 3: Improve and protect marine biodiversity, including the reduction of crown of thorns starfish and protection of listed threatened and migratory species, such as dugongs and turtles.	Coral cover maintained on the Great Barrier Reef particularly on priority high value tourist reefs.
	Turtles rehabilitated at Cairns and Fitzroy Island Turtle Rehabilitation Centres.
	Indigenous Rangers and Indigenous community engaged in protecting dugongs and turtles.
	Threats to dugongs and turtles reduced including poaching and transportation of illegal dugong and turtle meat.
	Minimised source and occurrence of marine debris in the Great Barrier Reef lagoon.
Outcome 4: Any new development maintains or improves the condition of matters of national and state environmental significance through the strategic delivery of offsets through the Reef Trust.	Offset mechanisms effective in pooling funds to address impacts on matters of national environmental significance that link to water quality, coastal ecosystems and habitat for specific threatened and migratory species.

Source: ANAO analysis of departmental documentation.

4.2 The *Monitoring and Reporting Plan* differentiates between:

- *performance monitoring*—with specific indicators for individual projects funded by the Reef Trust; and
- *impact monitoring*—relating to the impact of Reef Trust interventions on the environment.

4.3 The plan also contains key evaluation questions to assist in evaluating the impact, effectiveness, efficiency and appropriateness of individual projects delivered by the Reef Trust. For example, in evaluating the impact of a project, questions cover the manner in which the

project: contributes to the achievement of the four outcomes of the Reef Trust; and supports the *Reef 2050 Plan* and *Reef Water Quality Protection Plan 2013*. The monitoring of performance against these questions or a subset of these questions over the course of implementation would provide useful insights into the extent to which the program objective and outcomes were on track to being achieved.<sup>57</sup>

4.4 Underpinning the performance monitoring component of the plan, Environment has linked the intermediate outcomes outlined in the *Program Logic* to targets, key performance indicators (KPIs), data sources and the relevant projects. In relation to Reef Trust projects delivering against Outcome 1: *Water Quality*, the targets used are the same water quality targets set under the *Reef Water Quality Protection Plan* and *Reef 2050 Plan*.<sup>58</sup> Further, the projects that contribute to the achievement of Outcomes 2 and 3 are linked to actions and targets included in the *Reef 2050 Plan* or to specific Reef Trust targets (see Table 4.2).

**Table 4.2: Examples of projects, targets and KPIs for the Reef Trust**

Intermediate outcome	Targets	Key performance indicators	Data sources	Delivery project/s
Groundcover on grazing lands sustained and erosion reduced through adoption of improved land management practices and the rehabilitation and remediation of priority degraded areas.	Contribution to at least 20% reduction in anthropogenic end of catchment loads of sediment in priority areas by 2018, on the way to achieving up to a 50% reduction by 2025.	Number of priority land management units with pilot gully remediation actions demonstrating cost-effective sediment reduction.  Hectares of land under improved grazing land management.	6 monthly progress reporting through MERIT <sup>(1)</sup> .  Paddock to Reef Program.	Phase II: Reef Trust Gully Erosion Control Program.
Coastal habitats including coastal wetlands and riparian areas rehabilitated, restored and regenerating.	Contribution to <i>Reef 2050 Plan</i> target EHT3 (wetland vegetation).  Project target: Repair and restoration of 200 ha of priority wetland and coastal wetland systems.	Increased density of key vegetation.  Reduced prevalence of weed and pest species.  Increased participation of community.  Cost-effective restoration processes.	6 monthly progress reporting through MERIT.	Phase III: Restoration of Great Barrier Reef Wetlands and Coastal areas.

57 For example, Environment could evaluate the: extent to which phase investments have been completed according to work plans and budgets; whether the Reef Trust is on track to achieve value for money; and whether projects have been focused effectively to achieve outcomes.

58 Water quality targets were first developed for the *Reef Water Quality Protection Plan* in 2009 and refined in 2013. These targets are incorporated into the *Reef 2050 Plan*.

Intermediate outcome	Targets	Key performance indicators	Data sources	Delivery project/s
Coral cover maintained in the Great Barrier Reef particularly on priority high value reefs.	Coral cover maintained on high value reefs for tourism purposes. Divers trained in crown of thorns starfish control techniques.	Number of priority tourism reefs managed. Change in average coral cover at established monitoring sites. Size of priority tourism area managed (km <sup>2</sup> ). Number of divers completing crown of thorns starfish training (trainees).	Baseline – GBRMPA and AIMS <sup>(2)</sup> reports. AMPTO <sup>(3)</sup> control and surveillance voyage reports. 6 monthly MERIT reports. Industry Diver training reports.	Phase I, II and IV crown of thorns starfish control.

Note 1: Environment's online Monitoring Evaluation Reporting and Improvement Tool.

Note 2: Australian Institute of Marine Science.

Note 3: Association of Marine Park Tourism Operators.

Source: ANAO summary of departmental documentation.

4.5 Given the large number of reef conservation activities being undertaken, there are extensive and interlinked monitoring and reporting arrangements. In this context, the monitoring of environmental impacts generated by Reef Trust activities largely relies on pre-existing mechanisms for the measurement and reporting of its outcomes in relation to water quality. These include: the Annual Report Cards produced under the Paddock to Reef Program; the Marine Monitoring Program managed by GBRMPA<sup>59</sup>; and the *Reef 2050 Plan* Integrated Monitoring and Reporting Program<sup>60</sup> (currently under development).

4.6 Environment has also aligned performance under the Reef Trust with broader objectives established under the *Reef 2050 Plan*. The Reef Trust is described as a key mechanism to deliver the *Reef 2050 Plan*, with the *Program Logic* incorporating links between three of the Reef Trust outcomes to three of the seven themes of the *Reef 2050 Plan*, as well as relevant targets and actions. For example, the *Reef 2050 Plan* action: EHA14 (Ecosystem Health) relates to the implementation of ecosystem health initiatives through the Reef Trust investment strategy; and WQA4 (Water Quality) relates to innovative management approaches through the Reef Trust for water quality.

4.7 The four outcomes established for the Reef Trust relate to the environmental improvements being sought, which are appropriately aligned to the established objective of addressing key threats to the reef. The performance monitoring and reporting framework does not, however, clearly address other elements of the objective, such as cost-effectiveness and the delivery of strategic investments that are 'above and beyond' those provided under existing

59 A component of Paddock to Reef Program, the Marine Monitoring Program covers the reef's inshore environment and collects information on long-term changes in the condition of inshore water quality, seagrass and coral reefs.

60 The need to ensure the alignment of over 90 monitoring programs operating in the World Heritage area and adjacent catchments was identified through the 2014 Strategic Assessment. The *Reef 2050 Plan* Integrated Monitoring and Reporting Program is intended to integrate and refine existing monitoring programs, rather than develop new monitoring activities.

programs. There would be benefit in Environment more clearly outlining how these elements of the objective will be monitored.

## Is appropriate Reef Trust project data being collected to inform monitoring and reporting?

Environment is collecting detailed project-level data to inform monitoring and reporting activities for the Reef Trust. Environment's approach to collecting data from funded projects through its Monitoring Evaluation Reporting and Improvement Tool (MERIT) provides a sound basis to monitor aspects of program delivery.

4.8 Environment collects project-level data from funded proponents through the department's Monitoring Evaluation Reporting and Improvement Tool (MERIT).<sup>61</sup> The first milestone in the funding agreement for each project is the development of a Monitoring, Evaluation, Reporting, and Implementation (MERI) Plan, outlining how funding recipients intend to monitor project progress against project outcomes and impacts.

4.9 The MERI Plans and funding agreements also require project proponents to submit six monthly reports throughout their projects. These reports include information on the: progress of activities; outcomes to date; lessons learned and improvements made; and successes, challenges and adaptations.

4.10 As at August 2016, there have been 13 on-ground projects commenced for the Reef Trust with 28 associated sub-projects listed in MERIT. The ANAO reviewed 26 of these MERI Plans<sup>62</sup> and found that the data specified for collection was aligned to the relevant KPIs established for the project. For example:

- a KPI for 'participants using improved nutrient efficiency practices on farm' aligns with data collection on crop yield, nitrogen use efficiency and percentage of practice change; and
- water quality improvement projects included references to water quality data also being provided to the Paddock to Reef Program, which is a requirement given the Annual Report Card is reporting against the same water quality improvement targets used by the Reef Trust.

4.11 The quality of the KPIs included in MERI Plans has improved over time. Phase I project KPIs were generally activity focused, such as number of turtles rehabilitated and released and grant contracts successfully executed within required timeframe. In Phases II and III, project data required under the MERI Plans was more detailed, including information on 'Cost-effective water quality improvement actions' and 'Development and integration of innovative industry engagement methods' into program planning and implementation. The improvement in the quality of performance information collected at the project-level provides a more rigorous basis

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61 MERIT is an online reporting tool that was designed by Environment to collect and store planning, monitoring and reporting data associated with natural resource management grants projects funded by the Australian Government.

62 The two remaining plans were not available on MERIT in August 2016 when the assessment was conducted.

for assessment of projects' contribution towards the Reef Trust outcomes, in particular regarding Outcome 1: *Water Quality*.

4.12 The ANAO also assessed whether the KPIs for each project would enable Environment to assess the Reef Trust's achievements against the relevant intermediate outcome under which the project was being conducted. In general, the KPIs are appropriate for assessing performance against the intermediate outcomes. Data and modelling will, however, be needed from the Paddock to Reef Program to enable Environment to quantify the contribution of each project towards relevant water quality targets.

4.13 In relation to the performance measures and resulting reporting obligations, four stakeholders raised concern with the ANAO about the increased volume of administration and reporting involved in delivering multiple smaller projects. Environment advised the ANAO that service providers receive specific funding for project management and monitoring and reporting (10 per cent and five per cent respectively).

### Are robust external reporting arrangements in place?

Reporting arrangements have been established that provide external stakeholders with information on reef conservation initiatives, but reported information is predominantly at the activity level and does not provide information on program achievements or impact. As such, it is difficult for stakeholders to determine the extent to which the Reef Trust objective and outcomes are on track to be achieved.

4.14 The performance measurement and reporting requirements for Commonwealth entities are established under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). Since 2015–16, entities have been required to develop a corporate plan, setting out the entity's strategies for achieving its purposes and determining how success will be measured. Entities are also to prepare annual performance statements, which are to be included in their annual reports. These statements are to provide an assessment of the extent to which the entity has succeeded in achieving its purposes.<sup>63</sup>

4.15 Portfolio Budget Statements (PBS), which are published as part of the Budget each year, are to describe, at a strategic level, the outcomes intended to be achieved with the funding appropriated by the Parliament. The performance information published in the PBS is to have a strategic focus, aligned with the entity's corporate plan.<sup>64</sup>

### External performance measures

4.16 As outlined earlier, Environment is collecting a range of project-level data, but the data is not currently being analysed to determine the Reef Trust's progress or to inform public reporting on the achievement of (or progress towards) the established objective. Early PBS performance

63 Further information on the Enhanced Commonwealth Performance Framework established under the PGPA Act is available from: <<http://www.finance.gov.au/resource-management/performance/>> [accessed 14 June 2016].

64 More detailed performance measures for significant new activities should also be included in the PBS. See Department of Finance guidance on the Enhanced Commonwealth Performance Framework, available on the website provided earlier.

measures for the program focused on the delivery of discrete activities. Subsequent PBS and Corporate Plan performance measures have used the *Reef Water Quality Protection Plan* water quality targets, without specifying which reef conservation program would deliver those achievements (PBS and Corporate Plan information is summarised in Table 4.3).

**Table 4.3: Program performance measures**

Year	Performance measure and target (if relevant)	Reported performance
2014–15	PBS performance measure: <ul style="list-style-type: none"> <li>• by December 2014, develop a Reef Trust Investment Strategy and guidance documents, including establishing a mechanism to secure further funding contributions to the Reef Trust.</li> </ul>	Performance reported in the <i>Annual Report 2014–15</i> as ‘Achieved’.
2015–16	PBS and Corporate Plan performance measures: <ul style="list-style-type: none"> <li>• by June 2018, improve the quality of water entering the Great Barrier Reef from broad scale land use by reducing pollutant loads in priority areas, relative to 2008–09 baseline levels, by at least 50 per cent for anthropogenic dissolved inorganic nitrogen, 60 per cent for pesticides, and 20 per cent for anthropogenic sediment and particulate nitrogen;</li> <li>• any EPBC Act approved offset delivered under the Reef Trust maintain or improve the condition of matters of national and state environmental significance; and</li> <li>• the Reef maintains its diversity of species and ecological habitats with a stable to improving trend.</li> </ul>	Performance reported in Environment’s Annual Performance Statement: <ul style="list-style-type: none"> <li>• ‘partially achieved’, with ‘a slight reduction in pollutant loads over the 2013–14 reporting period’ (the reductions were not attributed to any specific event or program) and activity reporting;</li> <li>• ‘data/information not available or incomplete’ and ‘Reef Trust offset activities are expected to start in late 2016’; and</li> <li>• ‘data/information not available or incomplete’, including an explanation that the department’s ability to monitor the impact of investment on species and habitats has been limited, and the development of a new monitoring and reporting program for the <i>Reef 2050 Plan</i> (announced in July 2015), will enable assessment of the effectiveness of on-ground actions and investments.</li> </ul>
2016–17	PBS and Corporate Plan performance measures <sup>(1)</sup> : <ul style="list-style-type: none"> <li>• Australia’s biodiversity, including threatened species, ecological communities and migratory species, and significant heritage places, are identified, conserved and protected; and</li> <li>• Australia meets its obligations under international environmental agreements.</li> </ul>	Not applicable.

Year	Performance measure and target (if relevant)	Reported performance
2016–17 (continued)	<p>Target for 2016–17:</p> <ul style="list-style-type: none"> <li>Reef Trust continues investment through Phase IV and V investment strategies to deliver projects that address key threats, with a focus on improving water quality and coastal habitats, and protecting biodiversity. Reef Trust continues to pursue options for investment diversification including through private and philanthropic investment, innovative financial mechanisms and offset delivery.</li> </ul> <p>Target for 2017–18 and beyond:</p> <ul style="list-style-type: none"> <li>in collaboration with the Queensland Government, by June 2018, improve the quality of water entering the Great Barrier Reef from broad scale land use by reducing pollutant loads in priority areas, relative to 2008-09 baseline levels.</li> </ul>	Not applicable.

Note 1: The order of these items reflects that presented in the more recently published Corporate Plan.

Source: ANAO analysis of departmental documentation.

4.17 In relation to 2016–17, the performance measures established for the Reef Trust incorporate environmental outcomes (water quality targets) and the targets include investment diversification. While the current performance measures provide useful insights into program delivery, they do not inform departmental management and external stakeholders about the Reef Trust’s progress towards meeting key elements of the program objective, for example the cost-effectiveness or strategic nature of investments.

### External reporting

4.18 Environment reports publicly on the Reef Trust through its annual report and website, as well as through *Reef 2050 Plan* reporting. There have been two annual reports covering the program’s performance to date (for 2014–15 and 2015–16). The 2014–15 Annual Report, given the limited coverage of the relevant PBS measure, focused primarily on activity-based achievements, such as establishing governance arrangements, the creation of the Special Account, the development of investment strategies, and the number of funded projects. The 2015–16 Annual Report focused on newly released investment strategies and projects being delivered by the Reef Trust. The annual reports did not provide stakeholders with information on the extent to which the objective of the Reef Trust had been achieved, for example whether investments were cost-effective, strategic and above and beyond what would have been delivered under existing programs.

4.19 Environment’s website contains information on Reef Trust governance, investment phases, the partnership financing and offsets approach, application processes, and each project that is funded. The aims of each project, as well as the recipient, industry and value of the funding are also provided. In relation to Reef Trust performance, the website directs users to MERIT (also available from Environment’s website) and advises that the impacts of Reef Trust are reported

through the Paddock to Reef Program Annual Report Cards. Importantly, neither MERIT nor the annual Report Cards provide program-level performance information for the Reef Trust.<sup>65</sup>

4.20 Elements of Reef Trust performance are also reported through *Reef 2050 Plan* reporting, which includes:

- six monthly updates to the *Implementation Strategy*, that identifies lead agencies, timeframes, and a summary of progress against all 131 actions in the *Reef 2050 Plan*, including those actions linked to the Reef Trust; and
- an *Annual Report*, released in September 2016, that includes broad information about the Reef Trust, including the amount of funding allocated to projects, relevant Independent Expert Panel decisions, and current and upcoming investment priorities.

4.21 Stakeholder feedback received by the ANAO indicated that it may be too early in the implementation of the Reef Trust for a measurement of its success in achieving its objective and outcomes. In addition, it was considered that the outcomes of the projects being funded may not be realised for many years beyond each project's completion, as changes in natural systems may take several years, if not decades.

## Is an evaluation of the Reef Trust planned?

Environment plans to conduct an interim program evaluation of the Reef Trust in 2018–19, which is intended to assess achievements against the Reef Trust's objective, outcomes, key performance indicators, and principles. In preparation for the interim evaluation, Environment has identified key evaluation questions and incorporated them into the *Reef Trust Monitoring and Reporting Plan*. In the interim, Environment informed the ANAO that it was exploring options to measure and report on the impact of the Reef Trust.

4.22 Environment plans to conduct an interim program evaluation in 2018–19 that is intended to assess achievements against the Reef Trust's objective, outcomes, key performance indicators, key evaluation questions and principles. The *Reef Trust Monitoring and Reporting Plan* provides information on the key evaluation questions (discussed earlier in paragraph 4.3) for project-level evaluations, although the concepts of 'program' as compared with 'project' are confused in some instances.<sup>66</sup> Environment informed the ANAO that it was exploring options to measure and report on the impact of the Reef Trust at the program-level.

4.23 The involvement of a number of government and private sector entities in activities that relate to the Reef Trust's outcomes, such as activities to improve water quality, will make it challenging for Environment to apportion improvements to a particular program. Notwithstanding these challenges, Environment has previously conducted a similar type of evaluation for the Reef Rescue Program. The evaluation utilised data from the Paddock to Reef Program and the

65 Publicly accessible and departmental information on MERIT is limited to project performance, which does not measure progress towards targets, with the Paddock to Reef information not yet capturing the years in which Reef Trust activities have been delivered (and Paddock to Reef does not currently distinguish between individual program achievements).

66 For example, the key evaluation questions ask the reviewer to describe how the 'project' addresses the questions, but the questions themselves refer to the 'program'. Environment advised the ANAO that this error in terminology will be amended.

collaboration of the Queensland Government to model the impact that Reef Rescue had on water quality targets.<sup>67</sup>

### Recommendation No.1

4.24 The Department of the Environment and Energy should strengthen its *Reef Trust Performance Monitoring and Reporting Plan* to clearly indicate how the impact of the Reef Trust will be assessed.

**Department of the Environment and Energy's response:** *Agreed.*

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Grant Hehir  
Auditor-General

Canberra ACT  
24 November 2016

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<sup>67</sup> For example, it was estimated that between 2008 and 2013, improved farm management practices funded by the Reef Rescue Program had reduced the annual average load of total suspended sediment by 497 000 tonnes per year.



# Appendices



## Appendix 1 Entity response



**Australian Government**  
**Department of the Environment and Energy**

**Dr Gordon de Brouwer PSM**  
**Secretary**

Ref: EC16-001058

Ms Michelle Kelly  
Group Executive Director  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Ms Kelly

Thank you for your email of 11 October 2016, providing the Department of the Environment and Energy with the Australian National Audit Office's proposed report on *Reef Trust – Design and Implementation* pursuant to section 19 of the *Auditor-General Act 1997*.

The Department considers that the ANAO's examination of the Reef Trust is timely given that the program has been in operation since 2014. The report recommendation and other suggestions for improved practice will assist the Department to provide more robust governance to this, and future, programs.

The Department's response to the report is at Attachment A.

Yours sincerely

A handwritten signature in cursive script that reads "Gordon de Brouwer".

Gordon de Brouwer  
8 November 2016

encl.

## Appendix 2 Reef Trust—external advisory committees

Governance group	Membership and role
<p><b>Great Barrier Reef Ministerial Forum</b></p> <p>Meets annually or more often if decisions are needed.</p>	<p>Comprised of two ministers each from the Australian and Queensland governments.</p> <p>The forum oversees the implementation and ongoing monitoring of the <i>Reef 2050 Plan</i>. The forum provides strategic advice on the structure and operations of the Reef Trust, and provides a mechanism for formal engagement with the Queensland Government on the implementation of the Reef Trust.</p>
<p><b>Great Barrier Reef Standing Committee of Officials</b></p> <p>Meets twice annually or more often as needed.</p>	<p>Comprised of senior representatives from Australian and Queensland government entities, including the Great Barrier Reef Marine Park Authority.</p> <p>The committee supports the Ministerial Forum, oversees the implementation of the <i>Reef 2050 Plan</i>, and facilitates coordination of reef-related activities (including the Reef Trust).</p>
<p><b>Reef 2050 Plan Independent Expert Panel</b></p> <p>Meets twice annually or more often as needed.</p>	<p>Comprised of experts from a number of scientific fields. The panel is chaired by Professor Ian Chubb.</p> <p>The panel provides scientific and expert advice related to the Reef, including support for the implementation and review of the <i>Reef 2050 Plan</i>, <i>Reef Water Quality Protection Plan</i> and other related matters. The panel also advises on funding priorities and projects for the Reef Trust.</p>
<p><b>Reef 2050 Advisory Committee</b></p> <p>Meets twice annually or more often as needed.</p>	<p>Comprised of senior representatives from key industry and community bodies.</p> <p>The committee provides strategic advice on the implementation of the <i>Reef 2050 Plan</i>, including the implementation of the Reef Trust. The committee also provides a mechanism for the department to engage with industry and the broader community on the implementation of the Reef Trust.</p>
<p><b>Reef Trust Joint Steering Committee</b></p> <p>Meets twice annually or more often as needed.</p>	<p>Comprised of senior representatives from the Australian and Queensland governments, including the Great Barrier Reef Marine Park Authority.</p> <p>The committee is responsible for overseeing the administration of the Reef Trust, the development of investment strategies, and the delivery and implementation of Reef Trust projects.</p>

Note: Table is current for committees in place as at August 2016.

Source: ANAO analysis of departmental documentation.