



**PERFORMANCE AUDIT
BROCHURE**

**The Administration of the
National Action Plan for Salinity
and Water Quality**

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

UNDER EMBARGO
until Tabled 15 December 2004

**The Auditor-General
Audit Report No.17
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Background

Salinity is one of Australia's most complex and costly environmental issues causing damage to roads, buildings, agricultural production, biodiversity, rivers and water supplies. The cost of land and water degradation alone has been estimated at \$3.5 billion per annum in economic terms.¹

The National Action Plan for Salinity and Water Quality (NAP) was agreed in November 2000 as a joint initiative between the Australian Government and State and Territory Governments, involving expenditure of \$1.4 billion over the next seven years. The Australian Government contribution was estimated at up to \$700 million over this period with the States/Territories matching this contribution. The NAP is delivered jointly with the States/Territories through regional bodies who are responsible for the natural resource management plans and investment strategies.

The goal of the NAP is to motivate and enable regional communities to use coordinated and targeted action to prevent, stabilise and reverse trends in dryland salinity affecting the sustainability of production,² the conservation of biological diversity and the viability of infrastructure; and improve water quality and secure reliable allocations for human uses, industry and the environment. The NAP forms part of a suite of natural resource management programs that include water reforms, the Natural Heritage Trust and the National Landcare Program.

The objective of the Australian National Audit Office (ANAO) audit was to examine and report on the planning and corporate governance for the new regional delivery model of the NAP program, jointly administered by the Department of Agriculture, Fisheries and Forestry and the Department of the Environment and Heritage (the Agencies).

¹ Council of Australian Governments, *Our Vital Resources: A National Action Plan for Salinity and Water Quality*, November 2000, p.1.

² Production refers to agriculture, fisheries and forestry.

Key Findings

Planning for results (chapter 2)

Planning is the cornerstone of an economic, efficient and effective program and is vital to provide a degree of assurance that the program will achieve its objectives.

The design of the NAP was based on a clear need to address the identified salinity and water quality challenges. The evidence at the time indicated substantial threats to Australia's agricultural regions and water quality from salinity. The threats were also likely to intensify in the foreseeable future. Nevertheless, the NAP goal is ambitious and technically challenging given the scale and diversity of the salinity and water quality problem and the range of private and public interests involved. There is also credible evidence to suggest that once established, dryland salinity is very difficult to contain, or reverse, in key regions.

At the national level, a risk management plan was developed by the agencies in 2003–04. The plan identified some of the key challenges in realising the intended outcomes of the NAP. However, there remain substantial technical and information challenges that need to be addressed as part of the ongoing management of risks. In particular, the challenges in targeting cost effective action and the limited availability of commercially attractive treatment options for regions are key risks that require careful management. Encouragingly, recent research by the Bureau of Rural Sciences has highlighted the potential for better targeting of management action in some regions in eastern Australia, due to the localised nature of salt in the landscape.³

The intergovernmental and bilateral agreements formed the basis of policy and administrative arrangements for the NAP. They were well designed and included standards and targets for salinity and water quality action, as well as clearly specified

³ Bureau of Rural Sciences, *Science for decision makers: five steps to tackling salinity*, BRS, 2003, p. 4.

timeframes for program implementation. The agreements have contributed to important policy changes in natural resource management. While there were significant delays in reaching agreement, the reasons varied across each of the States/Territories. In general, these reasons related to policy and funding matters. Agencies have indicated that they were seeking to achieve a longer-term natural resource policy outcome and, consequently, there was little scope for compromise on the fundamentals of the agreements. However, the delays have had a flow-on effect for the NAP for the remaining years of the program.

The introduction of a new regional delivery model has been an evolving process that has built on some of the lessons learned from earlier programs. The regional delivery model involved significant institutional reform and a major shift in program delivery with new challenges and emerging risks. However, there have been significant delays in the rollout flowing from intergovernmental tensions and the institutional changes required. That said, from a survey of the NAP regional bodies, 77 per cent of respondents indicated that they strongly agreed or simply agreed with the statement that the NAP is a well-designed program and that it is appropriate to meet a recognised need in their region.

The design of the performance information framework was underpinned by intermediate measures, including management action targets, covering a one to five year timeframe. This is a significant improvement on the implementation of the original Natural Heritage Trust program (that involved the same agencies delivering similar projects). This should enable the agencies to measure and report on progress in implementing the NAP, which has much longer-term outcomes.

The ANAO recognises that significant progress has been made in reaching agreements between governments and setting in place a new regional delivery model. However this has taken almost four years to achieve. Outcomes for salinity and water quality are longer-term (that is, over a 10–20 year time horizon). If these are to be achieved, there are

remaining risks for the program that will require careful management. For the remaining four years of the program, close attention must be paid to building on recent research initiatives and actively encouraging regions to put in place measures that are well targeted and appropriate for the formidable challenges being presented to the NAP regions of Australia.

The delivery of the program (chapter 3)

Under the NAP, regional bodies are required to develop and implement integrated natural resource management plans as a basis for Government funding. These plans encompass catchment-wide activities to address a range of natural resource management issues in addition to salinity and water quality, and include programs such as the Natural Heritage Trust.

Agencies have made efforts to disseminate information to regional bodies via various publications, tool-kits, an annual community forum, and the employment of facilitators at the regional level. However, the inability of some regions to access adequate data and analysis at a useable scale on key issues has hindered the progress of quality planning for these NAP regions. A key area for improvement is the need to implement measures to further strengthen coordination and ongoing dissemination of lessons learned as well as better practice amongst regions. In addition, enhancing guidance to the regions must be given a higher priority. This should include clearer advice in relation to consistency with national water quality guidelines and compliance with relevant legislation.

The process of accreditation of the regional plans was intended to be an important mechanism for quality control. However, as a result of delays earlier in the program, as at 1 October 2004, only 62 per cent of the 34 regional bodies had accredited plans in place. These regional plans are varied in quality, with a recent report to the Ministerial Council highlighting that it was doubtful that the targets in some plans were 'sufficiently robust to arrest or reverse the decline in some catchments'. The ANAO notes that agencies have sought to improve the quality of the process as new issues have emerged. However, the implementation of

a quality assurance process involving a regular, routine review of a sample of plans, using the best available science and economic analysis, would assist in improving the substance of the plans. This would provide a degree of quality assurance within the adaptive management approach, without further delaying progress.

Once regional plans are accredited, regional bodies are required to develop investment strategies as a basis for government funding. As at 1 October 2004, 19 regional bodies had investment strategies in place. The structure and content of advice to Ministers on the investment strategies are reasonable given progress under the program. However, appraisal could be further strengthened through; more explicitly indicating the extent to which risks have been addressed; comments on whether or not the package represents value for money; and the extent to which the strategy is likely to contribute to the program objective.

From the survey conducted by the ANAO of regional bodies, only eight per cent of regions agreed with the statement that, 'decisions on funding for regional plans and investment strategies are timely and address the needs of the regions'. The process has not been assisted by the fact that investment strategies have generally been for only 12–18 month periods. While this has been in response to requests from various States and regions, the large scale of the projects, the five to ten year time frame for natural resource management plans, and the even longer time frame for outcomes, suggests that three-year investment strategies are more appropriate. While noting the recent progress in establishing three-year agreements in some States, there is now scope for seeking a commitment from the remaining States/Territories and regions for three-year investment cycles. This should help to strengthen the strategic focus of the investment process and lessen the transactional costs of the program.

Managing and reporting performance (chapter 4)

The management of the NAP has involved joint arrangements between the Department of Agriculture, Fisheries and Forestry and the Department of the Environment and Heritage as well as joint arrangements between the Australian Government and those of the States/Territories. The joint delivery approach between Australian Government agencies has been an innovative and efficient response to program delivery and has demonstrated the advantages of simplifying the 'face of government' to clients.

The architecture of the governance arrangements has included a Ministerial Council, joint Australian Government/State Steering Committees and a national monitoring and evaluation framework. Regions are responsible for the on-ground delivery of the program, the achievement of milestones, and for reporting on performance. However, the capacity of regions to deliver the program introduces new risks and challenges. In particular, evidence from a recent Victorian Auditor-General report has highlighted some of the risks from the significant increase in Australian Government funding for regional bodies.⁴

While recognising the efforts made to implement training and enhance accounting systems for regions, it is essential to scale up corporate governance arrangements so that financial and project management systems and procedures match the level of risk—particularly in terms of managing potential conflicts of interest, and in improving the quality and consistency of output reporting. Evidence from the ANAO survey of the regions was that four regions in particular would benefit from improved training for board members on their responsibilities and potential liabilities.

Expenditure under the program has been substantially below that originally intended and appropriated. Delays in the planning stage of the NAP, combined with the

⁴ Victorian Auditor-General, *Report on Public Sector Agencies*, November 2003, pp. 193–223.

technical challenges in completing regional plans, have been particular constraints. The NAP has only commenced significant investment in the 2003–04 financial year. Delays in funds reaching the regions have also been noted following approval and payment into the State accounts. Moving towards a focus on three-year funding agreements across all States/Territories should assist in expediting the program and removing some of the bottlenecks in decision-making and program expenditure.

The monitoring and reporting framework for the NAP is generally sound. However, to date, as with most stages of the program, there have been delays in establishing the framework. Performance reporting has been based on estimates rather than on actual performance. Greater attention to ensuring a consistent quality of actual performance outputs should be a high priority for the remainder of the program. It will be particularly important to report over time on the extent to which concentrated action under the program has led to significant land or water use change.

Overall audit conclusion

The ANAO concluded that the administration of the National Action Plan for Salinity and Water Quality has been characterised by delays that have had flow-on effects for all stages of program implementation. It is only since 2003–04 that substantial investment in on-ground initiatives has occurred.

The reasons for the delays related largely to intergovernmental tensions over policy and funding matters. Agencies have indicated that they were seeking to achieve longer-term natural resource policy outcomes and that, consequently, there was little scope for compromise on the fundamentals of the agreements. However, further delays were then experienced at all stages of the rollout of the program.

To date, the program has achieved significant institutional change and facilitated planning and specific management action in identified NAP regions. This action will take some years to complete, but it should be possible to determine whether the results are likely

to be cost effective and appropriately targeted by the end of the current program. Assessing the achievement of targets concerned with 'preventing, stabilising and reversing trends in salinity and improving water quality' is a long-term exercise. The consensus from consultations during the course of the audit, indicates that this will not be possible within the eight-year timeframe originally envisaged for the NAP. Consequently, to maximise program impact, the dissemination of information relating to good practices and lessons learned on a national basis, will be a crucial part of the process over the remaining years of the program.

The delivery of the program through regional bodies is a new and evolving process for agencies. High-level risks and corporate governance arrangements have been considered by agencies and the joint delivery approach between the two Australian Government agencies has demonstrated the advantages of simplifying the face of government to clients. The architecture of the governance arrangements has been specifically designed to reflect the challenging and unique characteristics of natural resource management.

However, at the regional level, strong and concerted action by all stakeholders is required if the program risks are to be effectively managed. In particular, there are substantial residual risks in small, newly established, community-based bodies having primary responsibility for delivering challenging outcomes and managing substantial allocations of Australian Government funds.

The ANAO intends to conduct a follow-up audit prior to the current NAP completion date of 2008 to provide Parliament with an assessment of the administrative effectiveness of the program.

Agency responses

The agencies have advised the ANAO of their joint summary response to the audit as follows:


The Departments of Agriculture, Fisheries and Forestry and the Environment and Heritage agree with the recommendations. The report has identified areas for improvement that build upon the landmark and pioneering approach the NAP has taken to natural resource management. Departments are committed to addressing each recommendation. Communities and regional bodies across the continent are developing and implementing a consistent and integrated NRM regional planning regime for landscape change and sustainable use of natural resources. Government investment is focussed strategically and targeted at outcomes identified in the regional plans. The NAP has contributed to significant institutional and policy reforms in the States / Territories which complement the on-ground investments made.

The NAP is managed adaptively using feedback mechanisms such as the science-based National Monitoring and Evaluation Framework and the Community Forum, involving the chairs of the regional bodies. Additionally there is a comprehensive governance structure including agreements with the States / Territories and the joint delivery by the two agencies. Regional governance is maturing and best practice experiences will be used to promote good governance to all regions.

Delays in expenditure in the early years arose due to the time required to engage and build capacity of communities, and negotiations with some states to agree the institutional and policy reforms needed to secure the investments made by government. Regions are now submitting plans and investment strategies to achieve the goals of the NAP.

Knowledge management is central to the successful implementation of the NAP. Effective information exchange between regions and research organisations and governments is a priority.

Due to the complex nature of NRM problems, the full effect of the NAP will be realised well beyond the life of the program. However, the institutional and policy reforms are expected to address the root cause of many salinity issues and the regional structures and program measures will continue to promote strategies to prevent, reduce or live with salinity.



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